



TESTIMONY

SENATE COMMITTEE ON FINANCE AND REVENUE

February 13, 2019

Oregon Farm Bureau Support for SB 188, SB 304, SB 319, SB 674, SB 701

Oregon Farm Bureau supports the suite of estate tax bills SB 188, SB 304, SB 319, SB 674, SB 701. As a reference, the Oregon Farm Bureau Federation (OFB) is the state's most comprehensive general agricultural association, representing over 6,700 farm and ranch families in Oregon who make up a significant part of our rural communities.

Oregon Farm Bureau is supportive in the reduction and eventual elimination of Oregon's estate tax. A report¹ co-authored by Oregon State University's Center for Small Farms & Community Food Systems in conjunction with Portland State University's Planning Oregon/Institute for Metropolitan Studies described landownership in Oregon and the outlook. The report underscored that the average age of Oregon's farm and ranch owner is 60 years of age, and nearly two-thirds (10.45M acres) of Oregon's agriculture lands will change hands in the next 20 years. Keeping those lands in local food and fiber production and ownership with Oregonians is a growing challenge. The tax burdens and cost of passing a farming operation is central to secession planning.

OFB policy² states:

Inheritance Taxes 2.600

We support the phase out and eventual abolishment of all state and federal gift, inheritance, and estate taxes.

Until such time as abolishment occurs, we support indexing exemption levels for inflation. We also support connecting the state inheritance tax law to the federal code if the federal code includes:

1. An exemption in 2010 dollars equal to or greater than \$5 million for each spouse;
2. A permanent rate, that is not set to sunset or on a schedule;
3. A stepped-up basis; and
4. Indexed for inflation.

The value of all farm land for inheritance tax purposes should be based on its farm use value. Timber should be exempt from estate, inheritance and gift taxes, recognizing that timber will not be harvested by each generation. Valuations for estate taxes should reflect practices that were implemented because of governmental actions. These practices may

¹ THE FUTURE OF OREGON'S AGRICULTURAL LAND

² Oregon Farm Bureau Policy Book

include environmental restrictions such as mandated environmental practices implemented on private property, wetlands, stream/riparian habitat, and Spotted Owl habitat, all of which may decrease production capabilities and/or property value for agriculture use.

We believe that the continuity of the operation of family farms is desirable and important. The effect of estate taxes should not adversely impact the ability to transfer family farms from generation to generation.

OFB supports measures to mitigate the tax burdens on transferring farms and ranches. Developmental pressures and dwindling investments in rural Oregon all pose challenges to keeping Oregon's working lands in production. OFB recognizes the natural resource tax credit and supports its continuation. Reducing the uncertainty and burdens of passing the farm to the next generation is a critical issue facing Oregon's economy.

Thank you for your time and consideration. For more information, please contact Jonathan Sandau at sandau@oregonfb.org.