Vote 'YES' on HB 4202

Commercial Activities Tax Technical Fixes for Oregon Agriculture

Our coalition of agribusiness associations respectfully requests your support of HB 4202. HB 4202 provides necessary statutory clarification to address several issues with implementation of the commercial activities tax (CAT) for Oregon's agricultural sector.

HB 4202 exempts crop insurance payments

Crop insurance is an important risk management tool used by many farm and ranch families. It helps those with covered crops in times of loss due to drought, wildfire, or other disasters. When farmers receive payments for a covered loss, those payments help reduce financial loss and ensure that farmers have the financial resources to plant the next year's crop. However, crop insurance does not cover all financial loss for a family. HB 4202 clarifies that crop insurance payments are not gross receipts for the purposes of the CAT.

HB 4202 brings parity to Oregon's dairy industry

HB 3427 (2019) exempted sales to agricultural cooperatives. Many dairy farmers are members of marketing coops, but a small number of dairy farmers sell their milk to processors that are not organized as cooperatives. HB 4202 gives these dairy farmers parity with the rest of the industry.

HB 4202 allows farmers to access the 35% subtraction for 'cost of goods sold'

In 2019, agricultural stakeholders raised concerns about the calculation of 'cost inputs' for the purposes of qualifying for the 35% subtraction from tax liability under the CAT. 'Cost inputs' are defined in HB 2164 (2019) as the "cost of goods sold as calculated in arriving at federal taxable income under the Internal Revenue Code." Unfortunately for farmers and ranchers, 'cost of goods sold' is a term frequently used in accrual accounting but not for agricultural businesses that typically operate on a cash basis. HB 4202 creates a 'cost inputs' definition that relies on existing statutory definitions and tax forms that farmers and ranchers use instead of 'cost of goods sold.'

HB 4202 creates a resale certificate to calculate tax liability for comingled commodities

In order to qualify for the out-of-state sales exemption provided in HB 3427 (2019), a farmer must obtain certification from the wholesaler at the time of sale to show that the product is leaving the state. However, in many instances, the ultimate destination of the product at the time of sale is unknown, as is typical for comingled commodities. HB 4202 provides farmers with a clear and simple process to certify out-of-state sales of agricultural commodities. The bill clarifies that when a certificate is unavailable from a wholesaler or broker, a taxpayer can use the industry average as determined by the USDA National Agricultural Statistics Service.