



Testimony on HB 3379

Good morning, Chair Nathanson, Vice-chairs Reschke and Walters, and members of the committee.

My name is Leigh Geschwill, and together with our family we own and operate F&B Farms and Nursery in Woodburn, in Marion County. We are a greenhouse grower for Independent Garden Centers in the Northwest, and we also grow hops, grass seed, specialty seed, hazelnut, wheat, row, and pumpkin crops. We are diverse not only in our crops but in our operations. It takes a tremendous amount of capital investment and farm equipment of all types for various stages of the growing process, from preparing the soil, to sowing seed and planting, to harvest, cleaning, and storage.

Agricultural equipment has changed quite a bit since 1973 when the legislature first approved its property tax exemption for tangible personal property used for agriculture. I would like to share an example of how the current law and subsequent rules have made this exemption confusing for both the farmer who is trying to file their taxes and the county assessor.

In 2018 we received a statement from our assessor for Personal Tangible Property. Being an ag producer, we had not seen a statement like this before. Specifically, it enumerated our hop harvesting equipment. I was confused, because our hop house is on its own tax lot and hasn't been moved from that location since its inception. I made inquiries with other growers in our area and found that some growers were paying taxes on their hop equipment and others were not – in the same county no less. I had also found documents that hop growers had asked the assessor about this previously and that harvesting equipment was exempt. In talking with our assessor, they pointed us to the statute, which we felt we were in compliance with. The assessor's office was at a loss to explain the differences in taxation from farm to farm.

That's just one example. When I brought this issue to the Oregon Association of Nurseries, we heard from other members, as well as members of the Oregon Farm Bureau, that there is actually relatively widespread confusion about what is taxable and what is exempt.

We discovered there were two main areas of confusion: what is real vs. personal tangible property, and whether the property is used for agriculture, which would be exempt, or processing, which has a different tax implication.

For the real versus tangible personal, that's a question of what's mobile and what's affixed to a building, according to statute. The problem is that these days, a lot of equipment is modular, and when it's in use, it is possible for it to be bolted down for safety, and when it's not in use, it can be put away to make room for other activity. One example of this that is common at nurseries is a potting line. It's a series of small conveyor belts that can be put together into one long line, but they are arranged differently for different tasks – transplanting, potting, pruning, etc. Technically these parts and pieces could be moved and reconfigured, but they are not like a wheelbarrow. These are heavy pieces of equipment that require electrical and sometimes hydraulic, air, or water connections to be in place. So – if an assessor arrives on a day that it's in use, they might categorize it as real property, but the nursery owner would think of it as mobile and claim the tangible personal exemption.

The other confusion is what the equipment is used for. The law currently states that the exemption applies to "machinery and equipment used primarily in the preparation of land, planting, raising, cultivating, irrigating, harvesting or placing into storage of farm crops". Some examples of gray area include the following scenarios:

- Crop rotations that could have equipment that doesn't get used at all in one year.
- Seed cleaners, which prepare the seeds for storage, but don't bag and tag them for final sale. It doesn't fit neatly into the current list of activities – seed cleaning happens between harvest and storing. Some assessors and farmers aren't sure if it can be exempt because of that.
- Experimental equipment that changes the nature of harvesting: we have a fixed hop picker and also a mobile one we are trialing for use in the field (like a combine for hops).

We've been looking for a solution since 2019, when Representative Marsh brought us together in a workgroup that was nearly complete when the pandemic hit. We introduced HB 3379 in the 2023 session to memorialize the last proposal we had on the table back then. We are very much hoping to find clarity for both taxpayers and the county assessors on the issue of exempt farm equipment.

Thank you for your attention to this matter. I am happy to answer questions.