

**REVENUE IMPACT OF  
PROPOSED LEGISLATION**  
82nd Oregon Legislative Assembly  
2023 Regular Session  
Legislative Revenue Office

<b>Bill Number:</b>	<b>HB 2971 - A</b>
<b>Revenue Area:</b>	<b>Property Tax</b>
<b>Economist:</b>	<b>Beau Olen</b>
<b>Date:</b>	<b>5.23.23</b>

*Only Impacts on Original or Engrossed  
Versions are Considered Official*

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**Measure Description:**

Adds in-stream water leasing as another reason farmland will not be disqualified from property tax special assessment. Requires final order approving in-stream lease issued by Oregon Water Resources Department to be sent to county assessor.

**Revenue Impact:**

Adding in-stream water leasing to the eligible farm uses will likely have a minimal revenue impact, like other recent expansions of the farmland special assessment. The additional eligible farm use will provide more flexibility in how farmland can be used while remaining in the special assessment.

**Impact Explanation:**

Legislation in 2009 (HB 2904), 2011 (HB 3280), and 2013 (HB 2788) expanded eligible farm uses in the farmland special assessment to include the implementation of a remediation plan, the establishment of a winery for winery sales and services in land designated for Exclusive Farm Use, and the disposing of food by donation to a local food bank or school. Farmland can also remain in the special assessment program if it is being used for a conservation easement, deed restriction, or wildlife habitat conservation and management plan.

Despite these expansions of the farmland property tax special assessment, acres of specially assessed land have remained remarkably stable at least since the 1997-99 biennium, staying within a narrow range of 15.2-15.6 million acres. The main factor driving the increase in revenue loss to local governments over time is likely the difference in assessed value for specially assessed farmland and its highest and best use value. Since the 1997-99 biennium, the reduction in taxable assessed value per acre of specially assessed land has increased by 310%, from \$282 to \$1,156. Over the same period, the total reduction in taxable assessed value due to the special assessment increased by 305%, from \$4.4B to \$17.8B. Most of the specially assessed farmland that will lease water in-stream will likely be in the arid eastern part of the state, which accounts for 85% of specially assessed land acreage.

**Creates, Extends, or Expands Tax Expenditure: Yes  No**

The policy purpose of this measure is “The identification of agricultural land for farm use, as provided by law, [which] substantially limits alternative uses of such land and justifies the valuation of that land based on its agricultural production capability. Therefore, it is the declared intent of the Legislative Assembly that bona fide farm properties be assessed for ad valorem property tax purposes at a value that is exclusive of values

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attributable to urban influences or speculative purposes.” (ORS 308A.050)