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**Testimony before Senate Finance and Revenue Committee**

**Senate Bill 498** - Allows exclusion from taxable estate for value of interest in farm, forestry or fishing business.

By Jeff Stone, Executive Director – Oregon Association of Nurseries  
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Chair Meek, Vice-Chair Boquist, members of the committee, I am Jeff Stone and serve as the Executive Director for the Oregon Association of Nurseries (OAN). The association believes that the bill before you is important to the long-term survival of the family farm and would request your consideration of Senate Bill 498.

**Background on the Nursery and Greenhouse Industry**

Oregon's nursery and greenhouse industry is the state's largest agricultural sector and ranks third in the nation, with over \$1.19 billion in sales annually to customers in Oregon, the rest of the United States, and abroad. In fact, nearly 80% of the nursery stock grown in our state leaves our borders – with over 50% reaching markets east of the Mississippi River. The nursery industry employs over 22,000 full time workers with an annual payroll over \$327 million. We send ecologically friendly, carbon sequestering, green products out of the state, and bring traded sector dollars back to Oregon. Nursery association members represent wholesale plant growers, Christmas tree growers, retailers, and greenhouse operators. Our members are located throughout the state, with our largest nursery growing operations found in Clackamas, Marion, Washington, Yamhill, and Multnomah Counties.

**Estate taxes - It is time to finish the work started in 2008**

Fifteen years ago, the Oregon Legislature crafted and passed landmark estate tax legislation that recognized that farms, fisheries and forest owners are cornerstone employers and largely reliant on land and large assets (like fishing boats) as the value of the business. The legislature understood during the debate on HB 3201 (the omnibus bill passed at the end of session) that the body could resolve two core issues for the farm community in one bill – they protected the family farm in a land use and solidified the ability of the family farm to be passed on from one generation to the next.

HB 3201 excluded resource property for land employed in farm, forestlands as well as commercial fishing operations. The \$7.5 million figure acknowledged that much of agriculture's estate tax value is held in property and equipment. The proposal did not fully repeal the estate tax

– rather it supported a commonsense tax policy. The OAN believed then, as it does now, that preserving family-owned nurseries is essential for the long-term viability of our industry, along with farm, forestry and fishery operations. The bill encompassed good faith, bipartisan leadership by then-Representatives Wayne Krieger, Debbie Boone, Scott Bruun, and Brian Clem, and realistically tackled the problem of forcing natural resource industries to liquidate vital assets to pay an estate tax.

However, **this landmark legislation** never reached its full potential due to a lack of commitment and acceptance by the Department of Revenue, and therefore the rulemaking largely rendered the hard work useless as the process to trigger the tax credit under ORS 118.140 made it extremely difficult to navigate. The look-back and look-forward provisions of the initial bill minimized corporate “death bed” conversions, and the look forward made the estate tax treatment as rescindable if the family sold the family farm within five years. It was a good bill, and its poor implementation was quite unfortunate. However, the 82<sup>nd</sup> Oregon Legislature has the opportunity to right this wrong.

### **Senate Bill 498 is good tax policy and will preserve family farms in Oregon**

Let us be clear what SB 498 is and what it is not. It is not a full repeal of the estate tax, but it does take a critical and necessary step toward preserving family farm operations by increasing the exemption for a natural resource property to \$15 million.

Many OAN members are classified as small agricultural operations. In sales, it means that these members have sales that total less than \$250,000 per year. On the other side of the membership, we have less than forty members that gross over \$5 million year. The strength of the nursery industry is made up of the varied specialty crops we grow and the mix of large and small growers. Refinement of the estate tax is a top priority for the nursery association.

### **Support SB 498**

At the state and federal level, discussions on the estate tax focus particular attention on the effects on family businesses, including farms. As policymakers, you must balance the revenue needs of the state with a tax that unfairly burdens family businesses. The burden is mainly due to the fact that much of the estate value is held in illiquid assets (such as land, buildings and equipment). It is our view that the estate tax forces these businesses to liquidate vital assets to pay the tax. What state and federal legislators often face is an effort for outright repeal of the estate tax. The OAN is not advocating full repeal, rather supporting common sense tax policies that keep farms within the family.

The OAN urges the committee to carefully consider SB 498 and vote to move this critical piece of legislation along in the legislative process. Thank you for your time and attention.