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NOTICE OF PROPOSED RULEMAKING INCLUDING STATEMENT OF NEED & FISCAL IMPACT

CHAPTER 150
DEPARTMENT OF REVENUE

FILED

05/13/2025 9:55 AM
ARCHIVES DIVISION
SECRETARY OF STATE

FILING CAPTION: Dairy Definition for Determining Exempt Status of On-Site Processing Equipment.

LAST DAY AND TIME TO OFFER COMMENT TO AGENCY: 06/17/2025 5:00 PM

The Agency requests public comment on whether other options should be considered for achieving the rule's substantive goals while reducing negative economic impact of the rule on business.

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Filed By:
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HEARING(S)

Auxiliary aids for persons with disabilities are available upon advance request. Notify the contact listed above.

DATE: 06/17/2025

TIME: 10:30 AM

OFFICER: Philip McClellan

REMOTE HEARING DETAILS

MEETING URL: [Click here to join the meeting](#)

PHONE NUMBER: 503-446-4951

SPECIAL INSTRUCTIONS:

Join meeting by video:

<https://www.microsoft.com/en-us/microsoft-teams/join-a-meeting>

Meeting ID: 222 101 548 433

Passcode: w6y2Tg6w

Join meeting by phone:

+1 503-446-4691

Phone conference ID: 404 812 719#

NEED FOR THE RULE(S)

ORS 307.394 allows a property tax exemption for farm machinery and equipment including equipment used for dairying. Chapter 83 OR Laws 2024 (HB 4111) expanded this exemption, which previously only exempted personal property, to include real property. DOR started receiving questions from counties regarding what specifically entails "dairying" and what equipment "dairying" included.

Because dairying isn't defined anywhere in statute, a new rule that defines farm machinery and equipment used for "dairying" is needed. This rule provides clarity for farmers and counties regarding what property is exempt and what property is taxable.

DOCUMENTS RELIED UPON, AND WHERE THEY ARE AVAILABLE

Chapter 83 OR Laws 2024 (HB 4111).

STATEMENT IDENTIFYING HOW ADOPTION OF RULE(S) WILL AFFECT RACIAL EQUITY IN THIS STATE

Property tax records do not include race data. Thus, it is difficult to accurately estimate how the adoption of this rule would affect racial equity. However, the effect of adoption of the amended rule should be neutral. The adoption of this rule which defines farm machinery and used for “dairying” is necessary due to HB 4111 from 2024 which expanded the farm machinery and equipment exemption to include real property. Adopting this rule is the result of the law change and is not discriminatory based on race. The adoption of this rule does not change who can receive the exemption but clarifies what types of additional equipment can be exempt. Property owners of any race can receive an exemption of their farm machinery and equipment used for “dairying” as defined by the rule.

FISCAL AND ECONOMIC IMPACT:

No fiscal impact beyond the adoption of this rule.

In terms of economic impact, during the 2023-24 fiscal year it was estimated that the Farm Machinery and Equipment exemption under ORS 307.394 resulted in an estimated reduction of taxable assessed value of approximately \$4.7 billion statewide. While we don’t have figures for all impacted counties, during the 2024 session when HB 4111 was discussed, it was estimated that an additional \$63 million in value would be exempted in just Morrow and Tillamook counties alone.

COST OF COMPLIANCE:

(1) Identify any state agencies, units of local government, and members of the public likely to be economically affected by the rule(s). (2) Effect on Small Businesses: (a) Estimate the number and type of small businesses subject to the rule(s); (b) Describe the expected reporting, recordkeeping and administrative activities and cost required to comply with the rule(s); (c) Estimate the cost of professional services, equipment supplies, labor and increased administration required to comply with the rule(s).

(1) County assessors and dairy farm owners will have clarity on what farm machinery and equipment is exempt and what property is taxable. This is anticipated to require some work time by county assessors’ offices and will lead to less revenue to taxing districts as the farm machinery and equipment exemption has been expanded to include real property. This is due to the statutory change to ORS 307.394 made by 2024 HB 4111 rather than the adoption of this rule. The adoption of this rule conforms to the statutory change.

(2)(a) The change in the number of small businesses and farm operations that will be affected by the rule amendments should be minimal. The amendment does not change who qualifies for the exemption but rather only reflect expanding the exemption from only personal property to also include real property farm machinery and equipment used for qualified purpose. Oregon Department of Agriculture statistics indicate there were 35,500 farms in Oregon as of 2024, while the Oregon Dairy Council states on their website there are 141 dairy farms in Oregon.

(b) Prior to the changes in statute by Chapter 83 OR Laws 2024 (HB 4111), personal property used in “dairying” was already exempt and the changes allowed for real property to be exempt. This rule defines what a dairy is and what dairy products are. The rule also specifies what farm machinery and equipment for the purposes of dairying is. This will result in taxpayers creating more detailed farm equipment property schedules to file with counties. This will cause more work for county assessment staff to determine which property qualifies for the exemption initially. However, once this upfront work has been completed, it will make future reporting easier to track.

(c) The proposed adoption of this rule aligns the rule with statute from the expanded exemption of farm machinery and equipment under Chapter 83 OR Laws 2024 (HB 4111). The exemption expands the exemption of farm machinery and equipment used for a qualified purpose from only personal property to also include real property. This rule defines what a dairy is and what dairy products are. The rule also specifies what farm machinery and equipment for the purposes of dairying is. The rule creates a distinction between farm machinery and equipment and dairy machinery and equipment

to create clarity in determining when property is exempt. County assessment staff may initially need more detailed reporting from taxpayers to determine which property qualifies for the exemption. However, once the detailed reported has been provided, there should be minimal additional administrative costs going forward. These changes should not require additional equipment, supplies or labor.

DESCRIBE HOW SMALL BUSINESSES WERE INVOLVED IN THE DEVELOPMENT OF THESE RULE(S):

The Oregon Farm Bureau and Oregon Dairy Farmers Association were contacted for participation in the rules advisory committee. The Oregon Dairy Famers Association had a member participate in the rule advisory committee meeting that was held on March 19, 2025.

WAS AN ADMINISTRATIVE RULE ADVISORY COMMITTEE CONSULTED? YES

ADOPT: 150-307-0465

RULE SUMMARY: This rule defines what a dairy is and what dairy products are. The rule also specifies what farm machinery and equipment for the purposes of dairying is. The rule creates a distinction between farm machinery and equipment and dairy machinery and equipment to create clarity in determining when property is exempt. The rule limits the exemption to on-site processing equipment that is used up to the point the milk or dairy products is first sold or leaves the site.

CHANGES TO RULE:

150-307-0465

Dairy Definition for Determining Exempt Status of On-Site Processing Equipment

(1) Definitions:

(a) "Dairy" means a farm or the department of farming that is concerned with the production of milk, butter, cheese or other dairy products (from a cow or other domestic animal, such as a goat).

(b) "Dairy Products" means butter; all varieties of cheese; frozen dessert mixes containing milk; cream or nonfat milk solids; evaporated, condensed, concentrated, powdered, dried or fermented milk; whey; cream and skimmed milk.

(c) "Off-site" means all dairying related activities not located or occurring at the site of the dairy.

(d) "On-site" means all dairying related activities located or occurring at the site of the dairy.

(e) "Processing" means altering or modifying raw milk in any way to produce dairy products for human consumption.

(f) "Site" means a farm, whether a single parcel or several contiguous parcels under common ownership in a location whose zoning permits farming that is used for an integrated purpose and appraised as a single unit, whether that property is taxed as a single account or multiple accounts.

(2) All machinery and equipment in on-site use or held for such use for the raising of dairy animals, or the processing, storage, and sale of milk or dairy products, up until the point it is first sold or otherwise leaves the site, is exempt from taxation.

(3) For a dairy that uses off-site operations for the processing, storage and/or sale of milk or dairy products, the equipment used off-site is taxable, unless otherwise exempt. Only equipment used on-site up until the milk or dairy product is sold or otherwise leaves the on-site dairy is exempt from taxation under this rule.

Statutory/Other Authority: ORS 305.100

Statutes/Other Implemented: ORS 307.394