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MICHAEL KAPLAN
DEPUTY SECRETARY OF STATE



ARCHIVES DIVISION
STEPHANIE CLARK
DIRECTOR

800 SUMMER STREET NE
SALEM, OR 97310
503-373-0701

NOTICE OF PROPOSED RULEMAKING INCLUDING STATEMENT OF NEED & FISCAL IMPACT

CHAPTER 150
DEPARTMENT OF REVENUE

FILED

05/13/2025 9:57 AM
ARCHIVES DIVISION
SECRETARY OF STATE

FILING CAPTION: Real and Personal Property Used Placing Farm Crops in Storage.

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.

CONTACT: Katie McCann
503-509-9787
RulesCoordinator.dor@dor.oregon.gov

955 Center St NE
Salem, OR 97301

Filed By:
Katie McCann
Rules Coordinator

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:

+1 503-446-4951

Phone conference ID: 404 812 719#

NEED FOR THE RULE(S)

Chapter 83 OR Laws 2024 (HB 4111) made two major changes to the farm machinery and equipment exemption under ORS 307.394. The first change was expanding the exemption from only personal property to also include real property farm machinery and equipment used for a qualified purpose. The second change was to allow idle equipment "held for use" in a qualified purpose to be exempt. As a result, OAR 150-307-0460 needs to be updated to be consistent with statute language and to replace the existing examples which are now outdated.

DOCUMENTS RELIED UPON, AND WHERE THEY ARE AVAILABLE

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 rule amendment would affect racial equity. However, the effect of adoption of the amended rule should be neutral. The rule and amendments are simply implementing the law change and are not discriminatory based on race. Property owners of any race can receive an exemption of their real and personal property used for placing farm crops in storage. The change to the statute and this rule does not affect who could receive the exemption but rather expands the amount of equipment that can be exempted.

FISCAL AND ECONOMIC IMPACT:

The proposed amendment aligns the rule with statute. As such it does not alter the practice of filing documents with the Department of Revenue. There is no fiscal impact beyond amending 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 farm owners will have more clarity on what farm machinery and equipment is exempt and what property is taxable. This is anticipated to require some work up front by county assessors' offices to review current property lists and ensure the correct equipment receives the exemption. Expansion of the exemption to include real property will lead to less revenue to taxing districts. This is due to the statutory change to ORS 307.394 made by 2024 HB 4111 rather than the change to the rule. The change to the 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) The proposed amendment aligns the rule with statute. As such, the exemption is expanded from only personal property to also include real property farm machinery and equipment used for a qualified purpose. This will result in taxpayers initially filing more detailed farm equipment property schedules with counties and more work for county assessment staff to determine which property qualifies for the exemption. However, once this upfront work has been completed, it will make future reporting easier to track.

(c) The proposed amendment aligns the rule with statute. The exemption expands the exemption of farm machinery and equipment used for a qualified purpose from only personal property to also include real property. County assessment staff will initially need more detailed reporting from taxpayers to determine which property qualifies for the exemption. However, once the detailed reporting 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 changes to this rule were dictated by changes made to the statute by Chapter 83 OR Laws 2024 (HB 4111). Stakeholders including the Oregon Farm Bureau and Oregon Dairy Farmers association were notified.

WAS AN ADMINISTRATIVE RULE ADVISORY COMMITTEE CONSULTED? YES

AMEND: 150-307-0460

RULE SUMMARY: Chapter 83 OR Laws 2024 (HB 4111) made two major changes to the farm machinery and equipment exemption under ORS 307.394. The first change was expanding the exemption from only personal property to also include real property farm machinery and equipment used for a qualified purpose. The second change was to allow idle equipment "held for use" in a qualified purpose to be exempt. As a result, OAR 150-307-0460 needs to be updated to be consistent with statute language and to replace the existing examples which are now outdated.

CHANGES TO RULE:

150-307-0460

Real and Personal Property Used for Placing Farm Crops in Storage ¶

(1) Definitions: ¶

(a) ~~"Storage of farm crops" refers to the holding area in which a product is placed before processing begins.~~ "Primary" is the leading use or the use involving the highest percentage of time, including time held for use, relative to all the various uses. ¶

(b) "Processing" is altering the crop in any way such as: washing, icing, sorting, grading, waxing, boxing, slicing, or cutting. ¶

(c) ~~"Primary" is the leading use or the use involving the highest percentage of time relative to all the various uses.~~ ¶

~~Example: If an unlicensed farm vehicle is used 45 percent of the time to move cleaned, sorted, washed and bagged carrots ready for market (PRODUCT); 30 percent of the time to move freshly picked carrots from the field to the warehouse or cold storage facility; and 25 percent of the time sitting idle, then the vehicle is used primarily in a nonexempt status and is fully assessable, even though that use is not 50 percent or more of the time available.~~ ¶

~~(2) "Storage of farm crops" refers to the holding area in which a product is placed before processing begins.~~ ¶

(2) Personal property and real property machinery and equipment used to place a farm crop in storage are exempt from taxation. However, once processing of the crop is begun, it is no longer a crop, but a product. When the same machinery and equipment are used for both placing in storage and processing the primary use is what determines its assessment status. ¶

Example: Apples are picked and go directly into cold storage. This would be considered "placing in storage of farm crops." When these same apples are sorted, washed or boxed it becomes a product and placing back into cold storage until sold is not considered "placing in storage of a farm crops." At this point apples change from a crop to a product.

Statutory/Other Authority: ORS 305.100

Statutes/Other Implemented: ORS 307.394