

# Assessment of Farmland *Not* in an Exclusive Farm-Use Zone



This information circular explains farm-use assessments on farmland that is not in an exclusive farm-use (EFU) zone. If you are not sure in what zone your land is located, check with your local planning office or your county assessor's office. For information about farm-use assessment on land in an EFU zone, see the information circular, "Assessment of Farmland in an Exclusive Farm-Use Zone," 150-303-644. Write: Publications, Oregon Department of Revenue, 955 Center Street, NE, Salem OR 97301-2555.

## What land qualifies for farm-use assessment?

If land is not in an EFU zone but is used as farmland, it may receive the same assessment given to all qualifying EFU farmland. The qualification of farmland to special assessment is determined as of January 1.

To qualify, you must file an application with your county assessor on or before **April 1** of the first year you desire special assessment. Additionally, the land must meet these standards:

- Your land must be currently used, and have been used, for the two previous years **exclusively** for farm use (see farm use definition), **and**
- Your land must meet the income requirement in three of the five previous years (see Income requirement).

Owners and lessees of farmland must file a Schedule F showing farm income and, if applicable, a schedule showing rental income with their excise or personal income tax return to qualify for farm-use special assessment.

## Farm use defined

Oregon Revised Statute 308A.056 defines "farm use" in part, as follows:

"Farm use" means **the current employment of land for the primary purpose of obtaining a profit in money** by:

- Raising, harvesting, and **selling** crops;
- Feeding, breeding, management, and **sale** of, or the production of, livestock, poultry, fur-bearing animals, or honeybees;
- Dairying and selling dairy products;
- Stabling or training equines;

- Propagation, cultivation, maintenance, and harvesting of aquatic, bird, and animal species allowed by rules adopted by the State Fish and Wildlife Commission;
- Preparation, storage, and disposal by marketing, donation to a local food bank or school or otherwise, of the products or by-products raised on such land for human and animal use;
- Any other agricultural or horticultural use, animal husbandry, or any combination thereof; or
- Growing cultured Christmas trees and hybrid hardwoods (cottonwoods) on cropland under intensive cultivation.

Farm use may also include:

- Water impoundments lying in or adjacent to and in common ownership with farm-use land;
- A woodlot, not to exceed 20 acres, contiguous to and owned by the owner of the farm-use land;
- Wasteland and land under dwellings (including dwelling on-site improvements) used in conjunction with the farm may also receive a special valuation if:
  1. The farm unit produces over one-half of the adjusted gross personal income the owner(s) receives; **and**
  2. You file an application on or before April 15 **each year** with the county assessor.
- Land under farm related buildings.

Note: Land under buildings used as processing facilities greater than 10,000 square feet of floor area, that are not an accepted farming practice, do not qualify for farm use special assessment.

The farm use activity needs to be in accordance with an "accepted farming practice," which means the farming is conducted in a "mode of operation that is common to farms of a similar nature, necessary for the operation of such farms to obtain a profit in money, and customarily utilized in conjunction with farm use."

"Accepted farming practice" varies widely depending on the farming activity being conducted and geographical differences. An excellent source of information is the county's Oregon State University Extension Service.

## Income requirement

If the land is six and one half acres or less, your gross income from the farm use must be at least \$650. If the land is more than six and one half but fewer than 30 acres, your gross income from the farm use must be \$100 multiplied by the number of acres. A fraction of an acre should be applied as a percentage in the calculation of the gross income requirement. (Example: 25.83 acres x \$100 = \$2,583 gross income.) If the land is 30 or more acres, your gross income from the farm must be at least \$3,000. If your land is leased for farming to someone else, check with your county assessor for additional income requirements.

Up to 49 percent of the gross income can include the value of crop or livestock personally consumed by the owner or the farming operation. Accurate records are required as the burden of proof is on the owner.

An appeal from a decision of the assessor concerning denial of an application for special assessment is made directly to the Magistrate Division of the Tax Court under ORS 305.275(1)(a)(C). Check with your county assessor as other appeal rights may be available.

## How farm use specially assessed value (SAV) is determined

Farm-use value for each land class is determined using an income method. Using this approach, the assessor must determine the capitalization rate and the net income per acre of farmland. The net income is the typical gross annual return (farmland rent), minus typical expenses. The capitalization rate is the five-year average Farm Credit Services mortgage rate, plus the local property tax rate. When the net income per acre is divided by the capitalization rate, the result is the farm-use value per acre of farmland.

## Farm-use land assessment

Land receiving farm-use special assessment will be assessed for each land class on the lesser of the specially assessed value (SAV), described above, or maximum specially assessed value (MSAV). The MSAV for each land class is the prior year's assessed value increased by 3 percent or the prior year's MSAV, whichever is greater.

## Disqualification from special assessment

Farmland will be disqualified from special assessment for any of the following reasons:

You notify the assessor in writing to remove the land from special assessment:

- You sell or transfer your land to any ownership making it exempt from property tax;
- You no longer use your land as farmland;
- Your land is platted for subdivision. (This land may requalify for special assessment after payment of the additional tax.); or

- Your land does not meet the income test.

If your land is disqualified from farm-use special assessment, it may qualify for special assessment as Forestland or Wildlife Habitat. Check with your county assessor for more information about changing special assessments.

## Additional taxes levied against disqualified farmland

If your farmland loses its special assessment, it will be assessed at the lesser of its market value or maximum assessed value and you may be assessed an additional tax.

The additional tax is based on the difference between the tax you paid and the tax you would have been paying if your land had not received the farm-use special assessment. This tax difference is based on the number of years the land received farm-use assessment, up to a maximum of five years.

You will be assessed an additional tax if your farmland is disqualified and you:

- Transfer the land to an ownership that makes the land exempt from property tax.
- Change the use of the land to be incompatible with returning it to a farm use (see note below); or
- Subdivide the property.

These additional taxes are added to the next tax roll if you choose not to pre-pay them.

Note: If your land is disqualified because it is no longer used for farming, and you use it for a purpose that is compatible with its return to farm use, the additional tax will remain a "potential additional tax." This potential additional tax must be paid if, sometime in the future, the land is used for something incompatible with farm-use.

If your land is disqualified because it does not meet the income test, but you continue to farm the land, then for each year you farm your land, one year of potential additional tax will be abated (eliminated). You may abate the number of years your land received farm-use assessment up to the maximum of five years until there are no potential additional tax years remaining.

## Have questions? Need help?

**General tax information** ..... [www.oregon.gov/dor](http://www.oregon.gov/dor)  
Salem ..... 503-378-4988  
Toll-free from an Oregon prefix..... 1-800-356-4222

### Asistencia en español:

En Salem o fuera de Oregon ..... 503-378-4988  
Gratis de prefijo de Oregon..... 1-800-356-4222

### TTY (hearing or speech impaired; machine only):

Salem area or outside Oregon..... 503-945-8617  
Toll-free from an Oregon prefix..... 1-800-886-7204

**Americans with Disabilities Act (ADA):** Call one of the help numbers above for information in alternative formats.