

Assessment of Farmland in an Exclusive Farm-Use Zone



This information circular explains farm-use assessments on farmland in an exclusive farm-use (EFU) zone. If you are not sure if your land is within a farm-use zone, check with your planning office or your county assessor's office. For information about farm-use assessment on land not in an EFU zone, see the information circular, "Assessment of Farmland Not in an Exclusive Farm-Use Zone," 150-303-645, at www.oregon.gov/DOR or write: Publications, Oregon Department of Revenue, 955 Center Street NE, Salem OR 97301-2555.

What land qualifies for farm-use assessment?

If land is in an EFU zone and **is used primarily to make a profit in farming**, it qualifies for special farm-use assessment. The qualification of farmland for special assessment is determined as of January 1.

To qualify, your land must currently be used, and have been used in the previous year **exclusively** for farm use (see farm use definition below).

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;
- Breeding, raising, kenneling, or training greyhounds;
- 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 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 the farm-use land;
- A woodlot, not to exceed 20 acres, contiguous to and owned by the owner of the farm-use land;
- Wastelands, dry or covered with water, neither economically tillable nor grazeable, lying in or adjacent to, and in common ownership with the farm-use land;
- Land under farm related buildings and certain processing facilities.

Land under dwellings and on-site developments to the homesite used in conjunction with the farming operation receives a special valuation.

The farming 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.

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 ever is greater.

Disqualification from special assessment

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

- It is no longer used as farmland;
- The land is removed from an exclusive farm-use zone; or
- Approval is given for a nonfarm dwelling or parcel.

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 10 years. If the land is located within an urban growth boundary, the maximum is five years.

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

- Change the use of the land to be incompatible with returning it to a farm use (see note below);
- Request and receive a change to a zone that is not an exclusive farm-use zone; or
- Receive approval for a nonfarm dwelling or parcel.

The additional taxes will be added to the next tax roll if you decide not to prepay 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 notation to the assessment and tax rolls as 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.

Have questions? Need help?

General tax information 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.