Chapter 14

Other Assessment Programs

Exemptions and Farm Use Special Assessment

In Oregon, statutory provisions allow qualified properties to be exempt or partially exempt. In addition, some legislated programs establish specially assessed values for other properties. The terms *exempt* and *specially assessed* are not interchangeable.

Exempt property is appraised and valued in the same manner as all other property in this state but the property tax is not calculated, billed, and collected. Property that is exempt is simply exempt from the property tax assessment and collection process.

Partially exempt property is also appraised and valued in the same manner as all other property in the state. But in this case, the property tax is calculated, billed, and collected for the part of the property that does not qualify as exempt. Simply stated, some portion of the property is not exempt. The portion that is not exempt is taxed in the same manner and at the same rate as all other taxable property. Refer to DOR's *Exemptions Manual* (150-303-462) for specific programs, information, and detailed explanations.

Specially assessed property is not exempt. Specially assessed property is subject to property tax in the same manner and at the same rate as all other taxable property. The difference is that the value used to calculate the property tax is not based on the property's RMV. Instead, the process for the valuing property follows a method prescribed by law and the tax is calculated on a special value.

Exemptions

For nearly 150 years, Oregon law has allowed some properties to be exempt from property tax. The most common property tax exemptions are for government–owned property and that owned by qualifying charitable, fraternal, or religious organizations.

Two conditions must be met to qualify for tax-exempt status. The organization must qualify, and the property must qualify by being actively occupied and used in a way that furthers the stated purpose of the organization.

Any portion of a property that is not used by the qualified organization for a qualifying purpose is not exempt and is subject to the same assessment and taxation as all other taxable property.

Claiming A Property Tax Exemption

Property tax exemptions are not automatic. An organization must file an application to claim the exemption. On the application, the organization must identify all real and personal property for which the organization is requesting an exemption. Refer to DOR's *Exemptions Manual,* publication 150-303-462, for specific and detailed information and explanation.

Farm Use Special Assessments

In 1953, Oregon's Legislature mandated a reappraisal of all farm properties statewide. Following the farm reappraisal program, the 1961 Legislature created farm use special assessment laws because the property taxes on farmland, as compared to the income from it, were considered excessive, especially in areas with urban influence.

From the start of the special assessment program, *farm use* or *farm deferral* laws have referred to deferring the property tax liability. The laws provide definitions, potential tax liability calculations, application deadlines, permitted uses, gross income and qualification requirements, disqualification procedures, and specially assessed valuation methods.

Valuation

Farm use value is determined using an income method. Using this approach, the assessor must determine the net income per acre for farmland and the capitalization rate. The net income is the typical gross annual return or farmland rent, minus typical expenses. The capitalization rate is the five–year average Farm Credit Services mortgage rate, plus the effective 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.

Qualification

Farmland eligible for specially assessed values and property tax deferral must be used primarily to make a profit in farming. Some qualifying uses are:

- Raising and harvesting products for human or animal use;
- Growing hybrid hardwood, cottonwood, or cultured Christmas trees;
- Cultivating aquatic species;

- Stabling or training equines; and
- Other agricultural and horticultural related activities.

Land beneath farm–related buildings and dwellings used in conjunction with the farming operation may also receive the specially assessed valuation. Some examples of qualifying uses include a farm–related home site and any on–site developments to the home site.

Disqualification

Farmland receiving farm use special assessment is disqualified when it is no longer used as farmland or when the land's use has changed and is incompatible with returning it to farm use. Farmland will also be disqualified when a zone change removes the land from an exclusive farm use (EFU) zone. In this situation, the owner may apply for another special assessment such as Non–EFU farmland, forestland, or wildlife habitat.

When farmland is disqualified from farm use special assessment, it is assessed at either the lesser of its RMV or MAV.

Additional Tax On Disqualified Farmland

The additional tax calculation takes into consideration the taxes actually charged to the land and the number of years the land received the farm use special assessment. To calculate the additional tax, find the difference between the actual taxes paid under special assessment and the taxes that would have been paid had the land not received the farm use special assessment. The maximum number of years subject to additional tax is 10 years for farmland in an EFU zone outside an urban growth boundary. Farmland in an EFU zone inside an urban growth boundary and farmland located in a non-EFU zone has a maximum number of 5 years subject to additional tax. Refer to DOR's *Farm Use Assessment Procedures Manual*, publication 150-303-422, for specific and detailed information.

Other Special Assessments

There are numerous other special assessment programs in Oregon. For information regarding these programs refer to the most recently published law book or call DOR staff for assistance.