



Personal Property Tax

Exemption for Farm Equipment

UNDERSTANDING THE DIFFERENCE BETWEEN FARMING EQUIPMENT THAT CAN QUALIFY FOR AN EXEMPTION AND EQUIPMENT THAT DOES NOT.

- What is Business Personal Property?

Business Personal Property is defined as all tangible assets: equipment, machinery, office equipment, furniture, etc. that are being used in the operation of the business. This also includes equipment and assets that are in storage.

Every business has some form of Business Personal Property. Some business may have some equipment that could qualify to be exempt from taxation based on it's use and the type of business it is that owns the equipment.

FARMING EQUIPMENT

A common misconception is that all farming equipment no matter the use is exempt from Business Personal Property Tax simply because it is owned or used by a farm. This however is not correct.

The simplest way to determine if farm equipment would qualify to be exempt or not is to ask what and where is it used?

ORS 307.394 defines exempt farm equipment.

(1) The following tangible personal property is exempt from ad valorem property taxation:

- (a) Farm machinery and equipment used primarily in the preparation of land, planting, raising, cultivating, irrigating, harvesting or placing in storage of farm crops;
- (b) Farm machinery and equipment used primarily for the purpose of feeding, breeding, management and sale of, or the produce of, livestock, poultry, fur-bearing animals or bees or for dairying and the sale of dairy products;
- (c) Machinery and equipment used primarily to implement a remediation plan as defined in ORS 308A.053 (Definitions for ORS 308A.050 to 308A.128) for the period of time for which the remediation plan is certified; or
- (d) Farm machinery and equipment used primarily in any other agricultural or horticultural use or animal husbandry or any combination of these activities.

(2) (a) Items of tangible personal property, including but not limited to tools, machinery and equipment that are used predominantly in the construction, reconstruction, maintenance, repair, support or operation of farm machinery, and equipment and other real or personal farm improvements that are used primarily in animal husbandry, agricultural or horticultural activities, or any combination of these activities, are exempt from ad valorem property taxation.

(b) An item of tangible personal property described in paragraph (a) of this subsection is exempt from ad valorem property taxation only if the person that owns, possesses or controls the item also:

- (A) Owns, possesses or controls the farm machinery, equipment and other real and personal farm improvements for which the item is used; and
- (B) Carries on the animal husbandry, agricultural or horticultural activity, or combination of activities, in which the farm machinery, equipment or other real and personal farm improvements are used. [2001 c.753 §15; 2009 c.776 §8]

SO WHAT DOES THIS MEAN?

According to the statute, Farm Equipment used primarily for the purpose of preparing the land for planting, planting, cultivation, irrigation and harvest or directly placing the crop from the field into storage prior to any sort of processing would be considered exempt.

Equipment used for feeding, breeding, management and sale of livestock, poultry, fur bearing animals, bees and dairy is also exempt from taxation.

Tools and equipment used predominantly to maintain equipment or farm improvements used for agricultural, horticultural or animal husbandry activities are also exempt.

Once the crop is harvested and leaves the field any equipment used post harvest becomes taxable. This would include forklifts, pallets for storing cleaned seed, seed cleaning equipment, and any other equipment used on the farm that does not meet the qualifications above, including office equipment. OAR 150-307.0460 goes into more detail about the definitions for processing and storage of farm crops.

The percentage of use can also determine if the equipment is taxable or not. If you have a piece of equipment that is used both in cultivation or harvest and for processing the percentage of use will determine if the equipment is taxable or not. If the equipment's primary use is in the for farming and the highest percentage of its use occurs in the field it would be exempt. If its primary use is for processing then the asset would be taxable. It is possible to have taxable farm equipment based on the percentage of use.

QUESTIONS?

If you have any questions regarding the Business Personal Property Tax or questions about equipment that may or may not be exempt from the Business Personal Property Tax please contact the Polk County Assessor's Office.

MAILING ADDRESS:

850 Main St.

Dallas, OR 97338

PH: 503-623-8391

EMAIL: personalproperty@co.polk.or.us

