

II. TAXATION

General Taxation Statement 2.001

1 The state tax structure must be built on a sound basis for the general
2 benefit of business and for encouraging individual enterprise.

3 In general, property taxes should be used to finance property related
4 services and a tax based on a person's ability to pay should be used to
5 finance services that are for the general benefit of society. (00)

Value Added Tax 2.075

1 We are opposed to a value added tax.

Sales Tax 2.100

1 We support the principle of repealing the federal income tax and
2 replacing it with a retail sales and use tax, such as the FairTax (HR25
3 2006), that is revenue neutral, broad based, holds individuals and
4 families harmless from the tax at 100 percent of the poverty level, and
5 eliminates capital gains tax, estate tax, all business expenses and real
6 and personal property taxes.

7 We do not support a state sales tax unless it also repeals the state
8 income tax and mirrors the federal sales tax proposed in (HR 25 2006).
9 Any rate increase must require a two-thirds majority of both legislative
10 chambers. Any stand-alone Oregon state sales tax must have the
11 following provisions.

- 12 1. The rate and agricultural exemptions are established in the
13 constitution.
- 14 2. Prescription drugs, food purchased for home preparation,
15 livestock, feed, seed, pesticides, processing or cleaning of
16 agricultural products, fees for agricultural business services
17 performed, farm equipment, parts and repairs for farm equipment
18 and any item that is consumed or used in the production of, or
19 becomes a part of, an agricultural product shall be
20 constitutionally exempt from the tax.
- 21 3. No county, city, district or other municipal corporation or political
22 subdivision may impose a general retail sales-and-use tax.

23 A listing of these provisions does not constitute an endorsement of a
24 state sales-and-use tax. (04), (06), (07)

Policy 2.205, Prison Property Tax, was deleted in 2007

Government and Other Ownership Property Taxes 2.209

1 Profit or non-profit land trusts, federal, state or local government or
2 other sovereign nations owning land for purposes other than farming in
3 an agriculture or a forest use zone should be required to pay, to the

4 county tax collector, the applicable tax penalty and pay annually an
5 amount in lieu of and equal to the property taxes that would have been
6 levied if the property were not in a resource zone.

7 While the land remains in farming, the owners of such land should be
8 required to pay an amount in lieu of taxes at its farm use value. (00), (07)

Homestead Exemptions 2.210

1 Homestead exemptions for property tax relief must be
2 constitutionally funded by State General Funds at a level of 100% and
3 only apply to levies assessed by districts providing public education. (00)

Tax Exemption-Personal Property 2.220

1 All farm personal property should be included in the personal
2 property tax exemption. The definition of farm personal property should
3 include all personal property and equipment used in on-farm processing
4 facilities.

5 We believe underground irrigation installations should, for
6 assessment purposes, be treated the same as above ground irrigation
7 pipe. (00)

Tax Exemption-Real Property 2.225

1 There should be a tax incentive to encourage the joining of any two
2 adjoining parcels, such as a reduced tax rate for some period. Such an
3 incentive could be a temporary property tax reduction granted on the
4 smaller of any two adjoining parcels, when one or more of which are
5 smaller than the minimum lot size, which are voluntarily combined by
6 amending the legal description to join both parcels. (10)

Tax Exemption-Condemnation 2.227

1 When private property is taken under the threat of eminent domain
2 for public benefit, all compensation received from an easement, lease, or
3 sale to any public, private, or government entity should be exempt from
4 state and federal income and capital gains taxes. (06)

Property Tax Administration 2.230

1 We favor administering the property tax assessment law at the
2 county level. (00)

Appeals on Assessment of Appraisals 2.240

1 We oppose any fee for appealing an appraisal and/or assessment to
2 the County Board of Property Tax Appeals. (04)

Farm Use Assessment Principles 2.250

1 Land in EFU zones should be assessed based on its ability to
2 produce farm income from crops and livestock typically grown in the

3 area. All land in EFU zones should be assessed at farm use value
4 except land that is being used for a non-farm use.

5 We believe the appraisal of timberland for all tax purposes should be
6 based on the ability of the land to produce timber. (00), (01)

Farm Building Assessed Values 2.255

1 The assessed value of farm buildings and farm dwellings should
2 reflect exclusively the value of the building for farm use and not a value
3 based on purchases of structures not located in farm zones.

Farm Use Assessment Criteria Land 2.260

1 We believe current employment of land for farm use should include
2 any land enrolled in a government related farm program.

3 The appraisal of agricultural and timber land for property tax
4 purposes should be based on the typical income from land used for farm
5 or forest production.

6 To determine the correct appraisal of farmland, the weighted
7 average use of a class of land for at least five years should be the criteria
8 on which values are based.

9 Farmland should be appraised for farm use valuation without regard
10 to individual enterprise incomes. No land should be assigned a farm use
11 value higher than the farm use value of the best soil class in the county.

12 Farm use land in EFU zones left idle on a temporary basis due to
13 economic conditions or the operator's ill health, should continue to be
14 assessed at farm use value.

15 All lands in EFU zones, except those being used for a use other than
16 farm use should be assessed at farm use value.

17 Homesites physically situated in conjunction with farm use not
18 located in an EFU zone should be included in the definition of farm use
19 when either gross income from agriculture exceeds \$20,000 per year or
20 half the adjusted gross income is derived from agricultural production.

21 The maximum value of qualifying homesites in EFU zones should be
22 the average per acre market value of the bare land comprising the parcel
23 or contiguous acres in which the homesite is located, plus a maximum of
24 \$4,000 or the depreciated replacement cost of land improvements
25 necessary to provide the domestic water supply and septic system,
26 whichever is least.

27 All homesites in an EFU zone containing an owner occupant and any
28 homesite where the owner can show involvement of the occupant in the
29 agricultural operation, should be deemed to be "customarily provided in
30 conjunction with farm use" for property assessment purposes.

31 Parcels containing more than one homesite that are subsequently
32 disqualified from special assessment should not be subject to an
33 additional tax liability, unless the disqualification is in conjunction with a
34 parcel separation.

35 No value should be added for an aesthetic view, lawn or shrubs,
36 access to roads, access to a communication system or an energy
37 source.

38 **Livestock**

39 The purchase price of livestock should be subtracted from the gross
40 income when computing the formula to determine if land outside of an
41 EFU zone qualifies for farm use assessment, except in the case of
42 livestock which has been held on the farm unit for four months or longer,
43 or the grazing season, whichever is least.

44 The breeding, boarding and training of horses for profit or the
45 feeding, breeding and management of horses primarily for profit by sale
46 or use should be defined as a farm use for taxation purposes. Horses
47 should be defined as livestock for the purpose of property taxation.

48 **Roads**

49 We believe farm and timber roads should be assessed only as bare
50 land and not as improvements to the land.

51 **Agricultural Nurseries**

52 Agricultural nurseries should be specifically included in the statutes
53 as a Farm Use.

54 **Recreation**

55 Land which meets the qualification for farm use assessment which is
56 also used for recreational purposes either by voluntary consent or for a
57 fee should not be disqualified from farm use assessment.

58 **Non-EFU Land Income Test**

59 One hundred percent of the value of farm products produced on a
60 parcel and used for personal use should be counted when computing the
61 income test for a parcel outside the EFU zone attempting to qualify for
62 farm use assessment.

63 **Government Actions**

64 Valuations for property taxes should reflect practices that were
65 implemented because of governmental actions. These practices may
66 include environmental restrictions such as mandated environmental
67 practices implemented on private property, wetlands, stream/riparian
68 habitat, and all endangered species habitat, all of which may decrease
69 production capabilities and/or property value for agriculture use. These
70 practices should reflect appropriate decreases of assessed values for
71 property tax purposes.

72 **Exemptions**

73 Lands in farm use should be exempt from assessments and taxes for
74 sewers, domestic water, street improvements and sidewalks.

75 **Disqualification**

76 We support clarifying legislation setting forth a time frame and a
77 better definition for disqualifying land from farm use assessment.

78 We oppose the use of mail surveys by County Assessors to
79 determine whether the land in EFU zones qualifies for farm use special
80 assessment.

81 Value Adjustments

82 Adjustment of January 1 assessed values should be made when real
83 or personal property is damaged or destroyed by acts of God. (00), (02),
84 (05)

Tax Court

2.270

1 In the event of a disagreement on farm use valuation between the
2 assessor and the Board of Review, the matter should go directly to the
3 tax court for final determination. When a private citizen prevails in a
4 contested property tax case, the county government should be obligated
5 for the taxpayer's legal costs through the Department of Revenue
6 hearing level and the state should be liable for the legal costs when the
7 taxpayer prevails in succeeding higher courts. In matters brought before
8 the Oregon Tax Court by an individual property owner, we believe that
9 the burden of proof should be on the County Assessor or Department of
10 Revenue.

Double Majority

2.271

1 We support the "double majority" voting requirement for property tax
2 measures. We believe at least 50 percent of the local voting body should
3 participate in local property tax decisions. We oppose any change to this
4 rule that would eliminate or decrease the "double majority." (07)

Local District Property Taxes

2.275

1 The Oregon Constitution should be amended to repeal the \$10 tax
2 rate limitation on taxing districts, other than schools, and each district
3 with the authority to levy property taxes should be given a TAX BASE for
4 operating costs equal to the average of the last two years. The allowable
5 tax base increase should be set at 2%. The district should be authorized
6 to ask the voters, one time annually, to increase or decrease the tax
7 base, approve a serial levy for special projects or emergencies, or ask
8 for capital construction levies.

9 We recommend that all levy elections be held not more than twice a
10 year. If the levy is rejected at the first election, a means should be
11 provided so voters in the district may petition for a special vote on special
12 items in the budget at the same time the levy is resubmitted. If a levy
13 fails twice, the district should revert to the previous year's levy or less.

14 We recommend that all elections that occur within a three month
15 period be consolidated into one election time and place.

16 We support legislation which would require that the calculation of a
17 property tax limit be based on the statutory provisions for determining the
18 assessed value of property. (00), (07)

Tax Penalties **2.280**

- 1 We support ten years as the number of years a tax penalty and
- 2 interest must be paid when farm lands receiving farm use assessment
- 3 are changed to a non-farm use.
- 4 There should be no tax penalty for temporarily changing a homesite
- 5 use from one in conjunction with farm use to one not in conjunction with
- 6 farm use unless the change involves a parcel separation. (05), (07)

Port Bonds **2.290**

- 1 We oppose Port Districts selling tax free bonds to finance business
- 2 projects on private property.

User Fees **2.300**

- 1 Fees imposed or increased by state agencies should only be used
- 2 as a resource to the agency assessing the fee. Government operations
- 3 funded by fees should directly benefit those paying the fee. (00)

System Development Charges **2.330**

- 1 We support the use of system development charges as an important
- 2 tool for sharing the cost of applicable infrastructure. (07)

Construction Tax Exemption **2.340**

- 1 We support an exemption from construction taxes on agriculture
- 2 buildings when such taxes are authorized by school districts for capital
- 3 construction projects. (07)

Mass Transit **2.350**

- 1 We support an agricultural exemption from all mass transit and
- 2 transportation district taxes. Non-highway fuel uses should be exempt
- 3 from fuel taxes levied by mass transit districts.

Budgets-Local Government **2.400**

- 1 We favor retaining the portion of the local budget law that requires
- 2 publication of municipal corporations' budgets in a newspaper of general
- 3 circulation, and all features of the local budget that inform and protect the
- 4 taxpayer.
- 5 We support legislation allowing local government to retain control of
- 6 all salaries subject to the local budget law.
- 7 Because of the difficulty of comparing one year's budget to the next,
- 8 we support line item budgeting. Salaries should be determined before
- 9 budgets are adopted. (00), (04)

Policy No. 2.410, Budget Expenditure Limitation Local, was deleted in 2004

Budget-State

2.430

1 The state budget should reflect a responsible fiscal attitude with an
2 emphasis on minimizing unnecessary or nonproductive programs and
3 strengthening those programs which will enhance the economics of the
4 state. (00)

Reserve Fund

2.450

1 We support the establishment of a constitutional Reserve Fund of
2 not more than 15 percent of the current General Fund budget. The funds
3 should come from any excess funds after providing for the current
4 budget.

5 The legislature should not use the money from the Reserve Fund
6 unless the actual revenue is more than 10 percent less than the current
7 budget. In no case should the legislature be allowed to use more than 50
8 percent of the dedicated fund in one biennium. A three-fifths vote of both
9 chambers should be required to access the Reserve Fund. (03)

State Income Tax

2.500

1 We recommend maintaining uniformity between the state income tax
2 code and the Internal Revenue Service (IRS) tax code.

3 We believe any changes in the Oregon tax code made by the
4 legislature in response to a change of the IRS code should have a
5 revenue neutral effect. A revenue neutral effect should be accomplished
6 by adjusting the state tax rates on an equal proportional basis. (05)

Fee Increases

2.510

1 Any increase in state fees should require approval of the state
2 legislature. Increases determined by the Emergency Board should be
3 temporary until voted on at the next legislative session. All state fee
4 increases should require a two thirds majority vote to pass. (00)

Minimum Corporate Tax

2.515

1 The minimum corporate tax should be abolished. We are opposed to
2 any tax based on gross income. No one should be required to pay an
3 income-related tax when there is no net income. (07)

Capital Gains Tax

2.520

1 While we oppose capital gains taxes, we support a capital gains rule
2 that would adjust the capital gains for inflation from the date of ownership
3 change for real or personal property.

4 We support the establishment of a capital gain tax rate that is 50
5 percent of the maximum personal tax rate or 4.5 percent, whichever is
6 the lesser of. (3), (4), (11)

Federal Capital Gains Tax 2.521

1 We support eliminating the federal \$3,000 cap when claiming a loss
2 of capital gains on a federal tax return. (06), (07)

Two Percent Kicker Program 2.530

1 We support the Oregon Two Percent Kicker Program for
2 corporations and individuals. We support changing the formula for
3 calculating the refund of the 2% kicker money so that it is a refund based
4 on the overpayment of taxes which actually occurred during the
5 qualifying biennium. The kicker should be returned as a refund on the
6 next year's tax return. (06)

Indexing 2.540

1 We favor indexing of the Oregon State Income Tax dollar brackets
2 for inflation. (04)

Estimated Tax 2.550

1 A taxpayer should not be liable for the estimated tax payment when
2 the taxpayer's income cannot be reasonably predicted.

Tax on Interest Savings 2.560

1 The first \$1,000 of all interest and/or dividends received annually
2 should be free of Federal and State Income Taxes. (05)

1099 Reporting 2.570

1 The minimum amount required to be reported on the 1099 form
2 should be raised to \$2,000 and indexed for inflation. (07)

Inheritance Taxes 2.600

1 We support the phase out and eventual abolishment of all state and
2 federal gift, inheritance, and estate taxes.

3 Until such time as abolishment occurs, we support indexing
4 exemption levels for inflation. We also support connecting the state
5 inheritance tax law to the federal code if the federal code includes:

- 6 1. An exemption in 2010 dollars equal to or greater than \$5 million
7 for each spouse;
- 8 2. A permanent rate, that is not set to sunset or on a schedule;
- 9 3. A stepped-up basis; and
- 10 4. Indexed for inflation.

11 The value of all farm land for inheritance tax purposes should be
12 based on its farm use value.

13 Timber should be exempt from estate, inheritance and gift taxes,
14 recognizing that timber will not be harvested by each generation.

15 Valuations for estate taxes should reflect practices that were
16 implemented because of governmental actions. These practices may
17 include environmental restrictions such as mandated environmental
18 practices implemented on private property, wetlands, stream/riparian
19 habitat, and Spotted Owl habitat, all of which may decrease production
20 capabilities and/or property value for agriculture use.

21 We believe that the continuity of the operation of family farms is
22 desirable and important. The effect of estate taxes should not adversely
23 impact the ability to transfer family farms from generation to generation.
24 (00), (04), (05), (06), (07), (10)

Social Security Taxes 2.700

1 Self-employed persons should be able to deduct the employer's
2 share of their Social Security taxes as an expense.

3 We oppose means testing (reducing benefits for high income wage
4 earners) as a way to keep the Social Security system solvent.

5 The social security tax should be a dedicated fund, and used only for
6 the purpose for which it is collected.

Woodland Assessments 2.800

1 Lands in forest or small woodlands designations and managed in
2 accordance with the state Forest Practices Act should be assessed in
3 accordance with their productive value. Homesites up to one acre, which
4 are an integral part of these lands, should be assessed on the same
5 principle as is practiced on EFU designated lands.

Timber Taxes 2.810

1 We support abolishment of the severance tax for those who choose
2 to pay their property tax responsibility through property taxes rather than
3 the severance tax.

4 The value of small tracts of timber land should not be higher than the
5 farm use value of comparable classes of farm land.

6 Any taxes on timber should be for services related to protection,
7 reforestation, fire protection and management of timber and should only
8 be used for such service. (00)

Policy No. 2.820, Small Tracts Option Tax, was deleted in 2004.

Pollution Control Tax Credits 2.900

1 We support tax credits for agricultural producers for construction,
2 remodeling, purchasing, or leasing of facilities or equipment for air or
3 water pollution control. An option of credit on income taxes or property
4 taxes should be available.

5 We recommend that capital investment made in equipment or
6 facilities that reduce or eliminate nonpoint source pollution be eligible for
7 Oregon Pollution Control Tax Credit Certification by the Oregon
8 Environmental Quality Commission.

Energy Tax Credits

2.920

1 We support tax credits and similar tax incentives to promote private
2 development of new energy sources.

School Finance

2.950

1 If additional (replacement) revenue is necessary to fund the state's
2 increased role in funding schools, then that additional revenue should
3 come from an increase in the income tax rate, and such revenue must be
4 used only for financing schools.

5 Community colleges should be funded on the same basis as other
6 institutions of higher education.