

WILLAMETTE VALLEY FARM DEFERRAL ACCOUNTS  
UNDER OREGON REVISED STATUTE 308.370

by

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A RESEARCH PAPER

submitted to

DEPARTMENT OF GEOGRAPHY

OREGON STATE UNIVERSITY

in partial fulfillment of  
the requirements for the  
degree of

MASTER OF SCIENCE

June 1968

## ACKNOWLEDGEMENTS

The author wishes to express his thanks to the many people concerned with farm assessment in the Willamette Valley who contributed to this research. Without the help and cooperation of the county assessors and their staffs this paper would not have been possible. In particular I wish to thank Dr. Waldo Carlson of the Oregon State Tax Research and Planning Section who provided essential information concerning farm tax deferral legislation. I also wish to thank Mr. Jerry Holman of the State Water Resources Board for helpful advice and providing plates from which the base map was made.

Professor J. Granville Jensen, my advisor, merits particular thanks. His unstinting support and guidance greatly aided the successful completion of the study.

A final word of grateful acknowledgement is due the Crown Zellerbach Foundation whose fellowship in Resource Geography made possible a years study leading to a Master of Science degree in Resource Geography.

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Willamette Valley Tax Deferral Accounts  
Under O. R. S. 308.370

agricultural uses commonly sells for from \$3,000 per acre for residential use to as much as \$40,000 per acre for industrial use. Land valued this highly is taxed accordingly. Agricultural enterprises normally cannot bear such a tax load. Even land some distance from urban areas, especially along good roads, is subject to an enhanced value predicated on the possibility of its sale to non-farm uses. By 1961 the tax burden of the farm community had become so onerous that the Oregon State Legislature acted to relieve it. In 1961, and again in 1963, the Oregon State Legislature passed legislation to provide some tax shelter for farmers.

#### Statement of the Problem

This research is an effort to appraise the results of the 1963 legislation, especially in terms of the spatial aspect. Has it achieved the desired purpose? How many, and what size of farms are involved? Where are these farms located?

The research field work resulted in a definitive map showing the distribution of lands in the Willamette Valley which receive special assessment under Oregon Revised Statutes 308.370 to 380.395 (hereafter referred to as O. R. S. 308.370). The spatial distribution pattern is analyzed and locational influences appraised. Finally the reality of participation is analyzed in relationship to the stated purposes of the act.

### Area of the Study

O. R. S. 308.370 applies to the entire State of Oregon. Most of the farm tax accounts which receive deferral under O. R. S. 308.370 are concentrated around urban areas in the Willamette Valley. Because of the concentration of accounts, it was decided to limit the mapping and relate the spatial analysis to the Willamette Valley. The area of the study is bounded by the limits of the Willamette drainage basin. Nine counties are included in this study. They are: Washington, Clackamas, Lane, Multnomah, Benton, Marion, Linn, Polk, and Yamhill Counties.

### Collection of the Data

Research for the study began during the Winter quarter of 1965 with a library appraisal at the Oregon State University Library of the effects of urban expansion on the agricultural enterprise. During Spring quarter authorities in the area of agricultural land and its taxation were consulted and gave graciously of their time. Mr. Marion Thomas, Extension Agricultural Economist at Oregon State University, provided much valuable information on agricultural zoning in the Willamette Valley. Dr. Waldo Carlson of the Oregon State Tax Research and Planning Section, on several occasions during the spring and summer, provided essential information concerning

farm tax deferral legislation. Dr. Carlson kindly spent one day in the field illuminating aspects of the problem. Various county planners were consulted during the summer concerning the extent of, need for, and problems of county agricultural zoning. Mr. Lou Norris of the Oregon Farm Bureau Federation gave his time to explain how his organization intervened on behalf of the farmers.

The field work was carried out during the summer of 1965. The nine assessor's offices in the Willamette Valley were visited for from several days to two weeks, depending on the amount of data which had to be compiled. Of the nine assessor's offices visited, no two used exactly the same procedure for locating tax accounts. Each assessor's procedure had developed naturally from the assessment needs of his county.

The procedure followed was to get from the assessor the list of the farms under O. R. S. 308.370 and then establish their locations by tax code number and tax lot. In turn, from the cadastral books, each account was located by township, range, section, and lot. In some cases this was a difficult task because of the complexity of the records. Each tax lot generally contains an acreage figure, or it could be estimated. The acreage was then checked against the original list to be sure that the right farm account had been located. This was found necessary because in many areas a section contained so many tax lots that it was difficult to find the required one. A technique

for simplifying the search was to look only at tax lots which were the right general size. This technique, though generally successful, would sometimes fail because the greater part of a tax lot might extend onto another section and be shown on a page other than the one with the tax lot number.

Each farm usually corresponded to a single tax account, but occasionally a farm would be divided into two or more tax accounts. This commonly resulted from the farm being made up of several parcels. A contiguous farm would generally be listed under a single tax code because it would be within a single tax district. Some farms, however, are listed in two separate places under two different codes because they are divided by the boundary separating taxing districts. Some problems were also caused by joint-ownership.

The assessor's maps, on which the accounts were located, have scales of from 8 to 16 inches to the mile. When the farm had been located, and its dimensions noted, it was transferred to a county map with a scale of one inch to the mile. This data, on nine county maps, later was consolidated onto the single basin map.

### Preparation of the Map

The first step in the preparation of the map was to find a suitable base map. Basic criteria for the map were: (1) that it show all of the Willamette Valley, (2) that urban areas be depicted, and



(3) that it have a township-section grid which would make farm account location possible.

The Oregon State Water Resources Board had two maps of the Willamette Drainage Basin which satisfied the selection criteria. A choice had to be made between these two maps. The smaller map had a scale of approximately 1:333,000. The larger map had a scale twice as large, which would have made it possible to show the shape and relative size of each tax account of forty acres or more; however, about 75% of the tax accounts were less than forty acres in size, and would have to be represented symbolically anyway. In addition, the dimensions of the large map, 42 inches by 73 inches, would have made it difficult to place in a paper or use easily.

The smaller scale map was chosen. The map as published, however, contained a great deal of unwanted detail. Thus, in order to provide the required base map, the Oregon State Water Resources Board printed the research paper map from two of the four plates of their Willamette Drainage Basin Map. On the original research paper map the urban areas were black, and the many small urban areas made discrimination of farm accounts difficult. Because of this, a new map was made in which the grid, urban areas, and highways were in a half tone which would permit the farm tax account pattern to stand out.

As roads appeared to be an important factor in the location of

farm accounts, some experimenting was done to see if a road grid could be included on the map. This proved to be not possible because of the small scale of the map.

Early in the process of gathering data it became evident that many accounts were so small that individual shapes could not be represented on the map. A method had to be devised for generalizing and symbolizing the data. A dot map with a uniform dot size for each account seemed to be indicated, and was tried. The use of a dot which would correspond to the average account size, about forty acres, and cover the same relative area on the map, proved to be unsatisfactory. This was because some sections had a cluster of small accounts in one corner where a forty acre dot, representing one account, would cover all of them, making it impossible to precisely place the remaining accounts without overlapping. A smaller dot size, equivalent to twenty acres, was tried. It relieved some of the crowding. The visual density corresponded to the concentration of accounts, but gave no weight to larger accounts. Finally, the decision was made to divide the accounts into six acreage categories: 1-10 acres, 10.1-20 acres, 20.1-40 acres, 40.1-80 acres, 80.1-160 acres, and over 160 acres. The dot for each category was selected so that its coverage approximated the median of each category selected. The dots were placed to center on each account. A total of 681 dots were placed on the map.

## CHAPTER II

### AGRICULTURAL ZONING IN THE WILLAMETTE VALLEY

Agricultural zoning in the Willamette Valley reflects the desire of the Legislature to protect the farmer from rising taxes. The first action was in 1961. The legislation has been in three steps:

(1) O. R. S. 215.010 to 215.190 and 227.210 to 227.310 provided zoning authority for a county and for an incorporated city or town. (2) O. R. S. 215.203 provided for the use of zoning ordinances specifically to establish farm use zones. (3) O. R. S. 308.370 to 308.395 required farm use only assessment for land in farm use zones and special assessment of all bonafide farms for which application was made.

#### The 1961 Enabling Legislation

In 1961 the Legislature passed an act enabling counties and cities to zone and established the base for protection of farm land. The authority is contained in the following summary of the statutes.

O. R. S. 215.010 to 215.190 permit the governing body, generally the board of county commissioners, of any Oregon county to create by ordinance a county planning commission, appoint its members, and provide funds for its operation. The planning commission is required to adopt a comprehensive plan for the use of

some or all of the land in the county. The planning commissioners, who serve without pay, generally hire a professional planner. The planner and his staff then make feasibility studies. If the plan is feasible and is in the public interest it may be enacted. If there are some obstructions to a permanent zoning plan, then interim zoning may be used for a period not to exceed three years.

O. R. S. 227.210 to 227.310 provide the zoning authority for an incorporated city or town. In some instances, a municipality can incorporate an area which would include agriculturally zoned land; or initiate agricultural zoning to provide open space within the city limits. It would be unusual for a city or town to have agricultural zoning, but the authority exists.

O. R. S. 215.203 provides for the use of zoning ordinances specifically to establish farm use zones. Land within such zones must be used exclusively for farm use except as provided under O. R. S. 215.213 which lists the nonfarm uses which may be permitted. These include: public or private schools, churches, golf courses, parks and playgrounds, and utility facilities necessary for public service. Prior nonconforming uses may be continued, but not increased.

O. R. S. 215.380 provides recourse if zoning regulations are protested by at least 25% of the resident freeholders. In such an instance elections must be held to determine whether or not the

qualified electors of the district approve of such zoning regulation.

These statutes of 1961 made agricultural zoning possible in Oregon. Farmers, however, for two important reasons, received little tax relief: (1) O. R. S. 215.010 to 215.190 are only enabling legislation. They permit the county governing body to appoint a planning commission which can establish farm use zones, but do not require it. In reality most counties did not establish farm use zones. (2) Where farm use zones were established most farmers who desired tax relief were outside the farm use zone.

The 1961 statutes, providing for farmland zoning and enabling county planning, afforded little tax relief for the farmers. In 1963, therefore, legislation was enacted to assure that the farmer was provided with tax protection. The provisions of the legislation are summarized in the following:

#### The 1963 Special Assessment Legislation

The 1963 legislation, O. R. S. 308.370 to 308.395, differed from its 1961 predecessor in that its provisions were made mandatory and coverage broadened. First; it made mandatory that farm land within a farm use zone be assessed at its true cash value for farm use and not at the true cash value it would have if applied to other than farm use. Second; it provided for the special assessment of farm land not in farm use zones. This land is referred to in

statute as "unzoned farm land".

O. R. S. 308.370 to 308.395, with appended regulations, detail the provisions by which farm land outside farm use zones may receive special assessment. The intent of this legislation is to provide tax relief for farmers who desire to maintain a bona fide farm against the growing influences of urban pressures.

Under O. R. S. 308.395 the assessor is directed to assess farm land in terms of its value for farm use only, but he also must enter on the assessment roll, as a notation, the assessed value for other than farm use which would have been entered for the land were it not for the special assessment. The assessor must then compute the difference between these values which represents the potential additional taxes for the land. The assessor must also enter a notation on all tax statements, relating to farm use land, specifying the amount of potential additional taxes. These taxes must be computed for the latest five years during which the special assessment is in effect. In the sixth year the potential additional taxes for the first year is dropped from the roll. Then as long as the special assessment continues, and the farm remains a bona fide farm, the last five years of potential additional taxes will be on the assessment roll. If the farm land is sold for a non-farm use it will be disqualified for special assessment and the next general property tax roll will include the total amount of the five years potential additional

taxes at the rate of six percent. Thus, the bona fide farm is taxed only for farm use and the county recovers the last five years of potential taxes from specially assessed farms when they are sold or diverted into non-farm uses. In common practice when such a farm is sold the "back taxes" are paid by the purchaser of the land.

Two requirements must be met before a farmer can take advantage of special assessment provisions: (1) The owner of farm land must make application to the county assessor prior to February 1 of the year in which the special assessment is desired. In order for the special assessment to continue it must be renewed each year before February 1. (2) The assessor must approve the application. If the application is approved a copy is transmitted to the county clerk or recorder for recordation in the county record deeds. The copy must include a warning of future tax liability. If the application is not approved the owner may appeal directly to the State Tax Commission under O. R. S. 306.520.

## CHAPTER III

## QUANTITATIVE PARTICIPATION UNDER O. R. S. 308.370

The nine Willamette Valley counties contain approximately 20,000 farms with a total area of nearly two and one half million acres. The extent and degree of participation by the farm community under O. R. S. 308.370 is shown in Tables I, II, III, and IV.

In the Willamette Valley there are 681 deferral farm tax accounts comprising 25,088 acres. Table I lists the nine counties involved by number of farm accounts. Only 3.1% of the farms in the Willamette Valley are enrolled under O. R. S. 308.370 and they contain less than 1% of the farm land in the valley (Table II). More than one third of the deferred farm accounts are less than ten acres in size, over one half are less than forty acres.

In order to analyze the monetary effect of the special assessment provisions of O. R. S. 308.370, detailed data for the 106 accounts in Lane County were analyzed and tabulated. The results were grouped according to acreage class to show average difference between the assessed value for highest use and the assessed value for farm use. Also, the maximum and the minimum difference between highest use and farm use was noted for each class. This data is summarized in Table IV.

The difference in land valuation between non-farm and farm



TABLE I  
WILLAMETTE VALLEY FARM ACCOUNTS UNDER  
O. R. S. 308.370 BY COUNTIES (JULY 1965)

	Number of accounts	Number of acres	Average size of accounts
Washington	415	13,141	31.6
Clackamas	124	2,642	21.3
Lane	106	7,989	75.4
Multnomah	22	564	25.6
Benton	9	667	74.1
Marion	3	58	19.3
Linn	2	27	13.5
Polk	0	0	0
Yamhill	0	0	0
Total	681	25,088	36.8

Source: Computed from individual tax accounts in assessor's offices.

; ( JULY 1965)

	Average size of all farms in acres U. S. Census 1959 (1)	Average size of farm account (2) under O.R.S. 308.370
Washington	75.8	31.6
Clackamas	74.8	21.3
Lane	121.6	75.4
Multnomah	81.0	25.6
Benton	229.4	74.1
Marion	92.8	19.3
Linn	193.0	13.5
Polk	170.7	0
Yamhill	124.5	0
Total	115.6	36.8

Source: (1) Unite

(2) Indiv

JULY 1965)

	Acr).1 - 160	160.1 - 320	320.1 - 640
Washington	27 6 %	11 3 %	none
Clackamas	1 1 %	none	none
Lane	10 9 %	12 11 %	3 3 %
Multnomah	1 5 %	none	none
Benton	3 33 %	2 22 %	none
Marion	none	none	none
Linn	none	none	none
Polk	none	none	none
Yamhill	none	none	none
Total	42 6 %	25 3 %	3 1 %

Source: Computed

uses, as seen on page 1, may be very high. The actual order of difference between the two values, by acreage class, may be seen in Table IV. The assessed value, against which the millage is levied, is one-fourth of the true cash value. If a maximum millage of 100 mills is assumed, the actual difference in tax paid would be one-tenth of the difference in assessed valuation.

The average tax difference per account may be seen to range from an average low of \$31.30 for 0-10 acres to an average high of \$110.60 for 40.1 - 80 acres. It would seem that the average farmer could struggle along under an additional tax burden of from \$31.30 to \$110.60 per year without being forced out of business. The average difference may be representative of the tax burden of the average farmer, but some farmers pay more and some pay less. The maximum difference ranges from a maximum low of \$130.00 for 0 - 10 acres to a maximum high of \$768.00 for 40.1 - 80 acres. The minimum difference ranges from \$1.00 to \$8.00 for an account. Dividing each difference in valuation per acre by ten gives the actual tax difference per acre. Some of these differences could not be supported through production of agricultural commodities. The difference in the two assessed valuations per acre decreases as the size of the farm account increases. There is a marked decrease for farms of over eighty acres.

In analyzing Table IV one should remember that it represents

only those farmers who presumably felt that their tax burden warranted making application for deferral. More than 96% of the Willamette Valley farmers evidently feel that they would not realize any substantial tax relief through tax deferral.

The map folded in the back of the research paper shows the spatial distribution of tax deferred farms in the Willamette Valley. This map will be further analyzed in the next chapter.

## CHAPTER IV

### FACTORS INFLUENCING THE DISTRIBUTION OF TAX DEFERRED FARMS

A number of major factors appear to influence the distribution of tax deferred farms. Some relationships may be clearly seen on the map, and others can be inferred. The most important of these are: (1) distance from urban areas, (2) proximity to good roads, (3) policies of the assessors, and (4) farmer information.

#### Distance From Urban Areas

The map of farm tax accounts reveals a cluster of accounts around the Willamette Valley's two major urban areas. The Portland area has 561 of the valley's 681 accounts. The Eugene area has 106 accounts, but they contain about half as many acres as the total for the Portland area. These two concentrations of accounts, undoubtedly reflect increasing tax pressure resulting from urban population's demand for more space, at less cost than can be found in the urban areas. The automobile and good roads permit people to commute considerable distances. Thus many families move from the city to buy small acreages along roads, where the cost of an acre, even after the well has been drilled and the septic field layed, is less than they would pay for a lot in the city. The greatest pressure on farm land has been the result of the purchase of such small acreages for rurban

residences. The spread of industrial and commercial enterprises to the agricultural areas has intensified the pressure.

### Proximity to Good Roads

The map clearly shows the preponderance of linear clusters of farm accounts along roads. There is an especially noteworthy alignment of accounts to the northeast of Springfield in the Eugene-Springfield concentration. These follow major roads which are not shown on the map. The inference is that good roads encourage land use competition leading to pressure of tax increases.

Because of the difficulty of access there are few accounts aligned along the freeway where it slices through the rural countryside. The freeway, however, has been instrumental in speeding and expanding urban spread into the agricultural zone. The possible distance which a commuter can live from his place of work is figured, not in distance, but in time.

### Policies of the Assessors

Proximity to urban areas and good roads alone, are not sufficient to explain the spatial distribution of tax deferred farms. In the center of the valley, the major urban area of Salem has only three accounts. This is clearly anomalous in terms of urban concentration or transportation arteries. It appears from this research paper

analysis that a third factor is the manner in which the county assessor implements the statutes. There exists a wide difference between assessor's policies which have come to have an overriding influence, not only over the number of farm tax deferral accounts, but over their size as well.

The county assessor is an important factor in all farm assessment problems. The difference between the assessed valuation for highest-and-best-use and farm use, as shown in Table IV, may have been greater were it not for the aforementioned tendency of the assessors to place specially assessed farm land in the farm land capability class where it will pay the highest taxes. This is an understandable tendency where the assessor feels that the farmer is only awaiting the proper time to sell the land for a non-farm use, and is therefore taking advantage of the general tax-paying public. Every year, after five years, a year's potential additional taxes are dropped from the roll and the difference in the two assessments is lost to the public. The assessor, being well aware of this, may try to reduce the difference of the two assessments by setting the farm use assessment as high as possible. This places a burden on the bona-fide farmer because the land may not produce enough farm income to pay the high value assessment. Unless there is a rational relationship between the income potential of the land and its value for tax purposes, taxes may force sale to non-farm uses. In 1961 the state recognized this



problem in the case of timberlands and based land value on the ability of the land to produce timber.

The average tax deferred farm account is less than a third the size of the average farm account. A number of assessors have indicated that this is because small accounts are more likely to be subverted to urban uses than are larger accounts. Table IV indicates that when a farm is over eighty acres in extent the assessor tends to see farm use as it's highest and best use. This is clearly shown in the marked reduction in the per-acre difference of the two assessments.

The population growth in the Willamette Valley has produced at least two benefits for the farmer: (1) It has increased the local market for farm products, and (2) it has made it possible for many farmers to realize a considerable capital gain by selling all or part of their land for much more than they paid for it.

Assessors had been required to tax farm land for it's highest and best use. When they noted parcel after parcel of land being sold for many times the assessed value, they began to feel that they had been under-assessing the land. In terms of the guidelines laid down for them, taxation must be in proportion to value, and this value must be proven in the market place.

Under O. R. S. 308.370, the assessor has the authority to refuse any farm tax deferral application. If the applicant wishes to

protest the assessor's decision, his only recourse is to appeal directly to the State Tax Commission. It is the assessor who is given the responsibility of deciding what constitutes a bona fide farm. The assessor may advise deferral applicants that such application will not reduce their taxes, and it would not. The assessor may advise applicants that application would cause their taxes to rise, and it would. The assessor may already be taxing farm land in proportion to its ability to produce farm crops. It may be inferred that some assessors feel that the highest and best use of productive farm land is in growing crops, and not in growing sub-divisions, and their policies are designed to maintain agricultural land use.

#### Farmer Information

The farmer does not make application for a farm tax deferral unless he knows about it, and feels that its advantages outweigh its disadvantages. There are many possible sources of farmer information about tax deferral. He may read of it in newspapers or magazines; may hear of it in conversation with other farmers; organizations, such as the Grange, Oregon Farm Bureau Federation; or the County Extension Office may inform him. Many assessors have indicated that the number of farm tax deferrals is increasing as more farmers hear of it and find it to their advantage to apply.

## CHAPTER V

## CONCLUSIONS

Urban pressures on Willamette Valley farm land have resulted in an increased tax burden for the farmer. The Oregon State Legislature, believing it to be in the public interest, has passed tax legislation designed to relieve bona fide farms from the high tax burden and in part presumably to preserve farm use of land.

The problem of this study was: To what extent has the legislation achieved the stated purpose?

The following points are the conclusions of this study:

A. Few farms take advantage of tax deferral under O. R. S. 308.370.

Only 3.1% of the farms in the Willamette Valley are enrolled. They contain less than 1% of Willamette Valley farm acreage.

B. Most farms which do enroll for tax deferral are small and appear not to justify their privileged position through production of agricultural commodities.

More than half of all tax deferred farm accounts in the Willamette Valley are under twenty acres in size. Most of these small farms provide only a rural residence for a family which secures all or most of its income from urban activity, and not through agricultural production.

C. The inference of the study is that most large farms have not

participated because they do not feel an onerous tax pressure.

Large farms are seen as farms and taxed as farms by the assessor. They, therefore, find little profit in enrolling for tax deferral under O. R. S. 308.370.

D. The monetary gain appears insignificant for most of the farms which are under the tax shelter provision.

The average tax difference, by acreage class, ranges from a low of \$31.30 for 0 - 10 acres to a high of \$110.60 for 40.1 - 80 acres. Amounts of this magnitude should not be crucial in the total operating expenses of a productive farm.

E. Most deferral farms are in close proximity to large urban concentrations.

The research paper map clearly shows the clustering of farm accounts around large urban areas which results from the development of rural residences and other urban influences.

F. The number of deferral accounts under O. R. S. 308.370 is likely to continue to increase.

The State Tax Commission analyzes farm sales to determine if assessments are in proportion to value. These ratio studies still indicate that in many counties assessed values are too low. Many assessors probably will raise assessments on farms, especially along roads. This may lead to an increased number of deferral applications.

G. O. R. S. 308.370 does protect some farmers, but does little to protect the public interest in continuation of productive farm land use.

If it is in the public interest to protect bona fide farms, presumably it is because these farms produce essential food and fiber in support of the Oregon State economy. O. R. S. 380.370 will protect the bona fide farmer until he wishes to sell and will then recover some tax monies, but little evidence was developed to show that it protects the public interest in the long-range continuation of productive agricultural land use.