

A-Engrossed
Senate Bill 653

Ordered by the House June 7
Including House Amendments dated June 7

Sponsored by Senator WALKER

SUMMARY

The following summary is not prepared by the sponsors of the measure and is not a part of the body thereof subject to consideration by the Legislative Assembly. It is an editor's brief statement of the essential features of the measure.

Permits tax-exempt entities to claim exemption for property held under sublease from taxable owner **under certain conditions.**

Allows sublessee qualifying for tax exemption to file claim with county assessor by certain date. Provides for refund of taxes if taxes on exempt value were paid or abatement of taxes and interest if taxes on exempt value were not paid.

Takes effect on 91st day following adjournment sine die.

A BILL FOR AN ACT

1
2 Relating to tax exemption for property subleased by tax-exempt entities; creating new provisions;
3 amending ORS 307.112; and prescribing an effective date.

4 **Be It Enacted by the People of the State of Oregon:**

5 **SECTION 1.** ORS 307.112 is amended to read:

6 307.112. (1) Real or personal property of a taxable owner held under lease, **sublease** or lease-
7 purchase agreement by an institution, organization or public body, other than the State of Oregon,
8 granted exemption or the right to claim exemption for any of its property under ORS 307.090,
9 307.130, 307.136, 307.140, 307.145 or 307.147, is exempt from taxation if:

10 (a) The property is used by the lessee **or, if the lessee is not in possession of the property,**
11 **the entity in possession of the property** in the manner, if any, required by law for the exemption
12 of property owned, **leased, subleased** or being purchased by it; and

13 (b) It is expressly agreed within the lease, **sublease** or lease-purchase agreement that the rent
14 payable by the institution, organization or public body has been established to reflect the savings
15 below market rent resulting from the exemption from taxation.

16 (2) The lessee **or, if the lessee is not in possession of the property, the entity in possession**
17 **of the property** shall file a claim for exemption with the county assessor, verified by the oath or
18 affirmation of the president or other proper officer of the institution or organization, or head official
19 of the public body or legally authorized delegate, showing:

20 (a) A complete description of the property for which exemption is claimed.

21 (b) If applicable, all facts relating to the use of the property by the lessee **or, if the lessee is**
22 **not in possession of the property, all facts relating to the use of the property by the entity**
23 **in possession of the property.**

24 (c) A true copy of the lease, **sublease** or lease-purchase agreement covering the property for
25 which exemption is claimed.

26 (d) Any other information required by the claim form.

NOTE: Matter in **boldfaced** type in an amended section is new; matter [*italic and bracketed*] is existing law to be omitted.
New sections are in **boldfaced** type.

1 (3) If the assessor is not satisfied that the rent stated in the lease, **sublease** or lease-purchase
2 agreement has been established to reflect the savings below market rent resulting from the tax ex-
3 emption, before the exemption may be granted the lessor shall provide documentary proof, as spec-
4 ified by rule of the Department of Revenue, that the rent has been established to reflect the savings
5 below market rent resulting from the tax exemption.

6 (4)(a) The claim shall be filed on or before April 1, except as follows:

7 (A) If the lease, **sublease** or lease-purchase agreement is entered into after March 1 but not
8 later than June 30, the claim shall be filed within 30 days after the date the lease, **sublease** or
9 lease-purchase agreement is entered into if exemption is claimed for that year; or

10 (B) Notwithstanding that no hardship grounds exist, if a late filing fee is determined, paid and
11 distributed in the manner provided in ORS 307.162 (2), the claim shall be filed on or before December
12 31 of the tax year for which exemption is first claimed.

13 (b) The exemption first shall apply for the tax year beginning July 1 of the year for which the
14 claim is filed. The exemption shall continue so long as the use of the property remains unchanged
15 and during the period of the lease, **sublease** or lease-purchase agreement. If the use changes, a new
16 [application] **claim** shall be filed as provided in this section. **If the use changes due to sublease**
17 **of the property or any portion of the property from the tax exempt entity described in sub-**
18 **section (1) of this section to another tax exempt entity, the entity in possession of the**
19 **property shall file a new claim for exemption as provided in this section.** If the lease, **sublease**
20 or lease-purchase agreement expires before July 1 of any year, the exemption shall terminate as of
21 January 1 of the same calendar year.

22 **SECTION 2. The amendments to ORS 307.112 by section 1 of this 2007 Act apply to tax**
23 **years beginning on or after July 1, 2007.**

24 **SECTION 3. (1) Notwithstanding the time periods set forth in ORS 307.112, for the tax**
25 **year beginning July 1, 2007, a sublessee qualifying for exemption from property taxation un-**
26 **der ORS 307.112 may file a claim in writing with the county assessor, on forms supplied by**
27 **the assessor, by December 31 next following the effective date of this 2007 Act.**

28 (2) If taxes on the exempt value have been paid, the taxes shall be refunded in the man-
29 ner prescribed in subsection (3) of this section. If taxes on the exempt value have not been
30 paid, the taxes and any interest thereon shall be abated.

31 (3) The tax collector shall notify the governing body of the county of any refund required
32 under this section. Upon receipt of notice from the tax collector, the governing body shall
33 cause a refund of the taxes and any interest paid to be made from the unsegregated tax
34 collections account described in ORS 311.385. The refund under this subsection shall be made
35 without interest. The county assessor and tax collector shall make the necessary corrections
36 in the records of their offices.

37 **SECTION 4. This 2007 Act takes effect on the 91st day after the date on which the reg-**
38 **ular session of the Seventy-fourth Legislative Assembly adjourns sine die.**

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