

**76TH OREGON LEGISLATIVE ASSEMBLY  
STAFF MEASURE SUMMARY  
HOUSE REVENUE COMMITTEE**

**MEASURE: SB 818  
CARRIER:**

**REVENUE: May have revenue impact, statement not yet issued**

**FISCAL: May have fiscal impact, statement not yet issued**

*Preliminary*

**Action:**

**Vote:**

**Yeas:**

**Nays:**

**Exc.:**

**Prepared By:** Christine Broniak, Economist

**Meeting Dates:** 3/07

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**WHAT THE BILL DOES:** Requires that all property classification be based on the highest and best use of the land. Requires that taxes in excess of the amount that would have been paid if this requirement had been in place from July 1, 2006 to July 1, 2011 be refunded or abated.

**ISSUES DISCUSSED:**

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**EFFECT OF COMMITTEE AMENDMENTS:**

**BACKGROUND:** The concept of highest and best use of property is used in the assessment process. The term highest and best use describes property that is utilized at its highest value, financially feasible, reasonably probable, and physically possible use. The category that a property is placed in has relevance for the changed property ratio (CPR.) This is the ratio of assessed value to real market value that is used to establish an assessed value against which property may be taxed when new property or improvements are constructed. Each classification of property has an assigned changed property ratio that is applied to determine an initial assessed value on newly constructed property or improvements.

Currently, properties are classified in a category according to the highest and best use of the property. If a structure of one category is built on land that is zoned for another category, the highest and best use is the category of the structure, and not the land. By changing the category of property based on the land, a number of properties would have their category changed for the purposes of assessment.

The measure provides that refunds will be given to taxpayers in cases where this recategorization results in a reduction in assessed value and a resulting reduction in taxes. However, it does not provide for collection of any tax increases that may result from this recategorization. Therefore, it will reduce property tax revenue to local taxing districts.

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