

76TH OREGON LEGISLATIVE ASSEMBLY  
2012 Regular Session  
STAFF MEASURE SUMMARY  
HOUSE REVENUE COMMITTEE

MEASURE: HB 4039 – A4  
CARRIER:

REVENUE: Revenue Impact Statement Issued  
FISCAL: Minimal Fiscal Impact

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Action:

Vote:

Yeas:  
Nays:  
Exc.:

Prepared By: Christine Broniak, Economist

Meeting Dates:

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**WHAT THE BILL DOES:** Requires financial institution to notify potential borrower of prohibition against pledging tax deferred homestead as security for reverse mortgage. Allows taxpayer to elect to credit payments to deferred taxes payable as result of determination of ineligibility. Specifies classification of homesteads for purposes of determining county median RMV. Requires Department of Revenue to certify eligibility for deferral not less than once every three years but in a flexible manner. Requires department to report to interim committee regarding claim form for homestead property tax deferral program for property tax year beginning on July 1, 2012.

**ISSUES DISCUSSED:**

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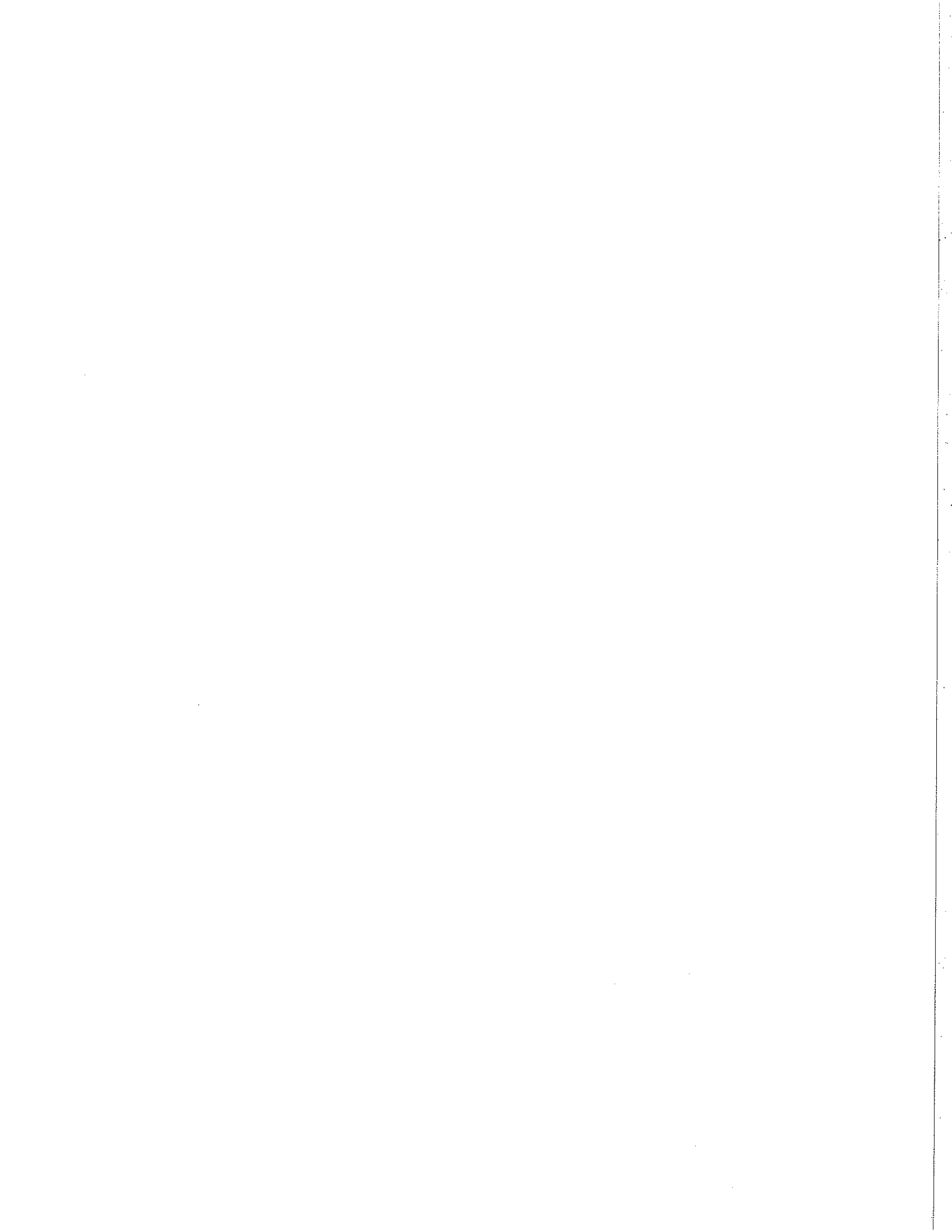
**EFFECT OF COMMITTEE AMENDMENTS:** Broadens the notification requirement of the prohibition against pledging tax deferred homesteads as securities for reverse mortgages to all lenders, rather than only to financial institutions as defined in ORS 706.008. Removes the reference to the Fair Trade Practices Act. Extends a two year reprieve to existing program participants who were disqualified solely due to having a reverse mortgage and who had completed their recertification paperwork for the 2011-12 tax year's payment. Allows them to continue to participate in the program for the 2011-12 and 2012-13 tax year. Directs the Department of Revenue to pay the property taxes for 2011-12 tax year to assessors and directs assessors to refund the money to the taxpayers. Requires the Department of Revenue to conduct a survey of participants to gather socioeconomic information. Requires the survey form to be developed in consultation with the Legislative Revenue Officer and presented to the interim Legislative Assembly revenue committees for approval.

**BACKGROUND:** House Bill 2543, passed in the 2011 Regular Legislative Session, made a number of changes to the Senior and Disabled Property Tax Deferral program to restore solvency of the program's funds. It added maximum income requirements that were broader, real market value limits on the homes of program participants, a requirement that homeowners be in their homes for 5 years prior to participation, and a number of other requirements including a prohibition on participation for those who had pledged their homes as security for a reverse mortgage. A two-year delay in the implementation of the law prohibiting reverse mortgages for participants is one proposed solution to financial hardship that may have been caused by this decision.

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Prepared by: Matt Stayner  
Reviewed by: Steve Bender, Laurie Byerly  
Date: 2/13/12

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**Measure Description:**

Requires lender to notify potential borrower of prohibition against pledging tax-deferred homestead as security for reverse mortgage.

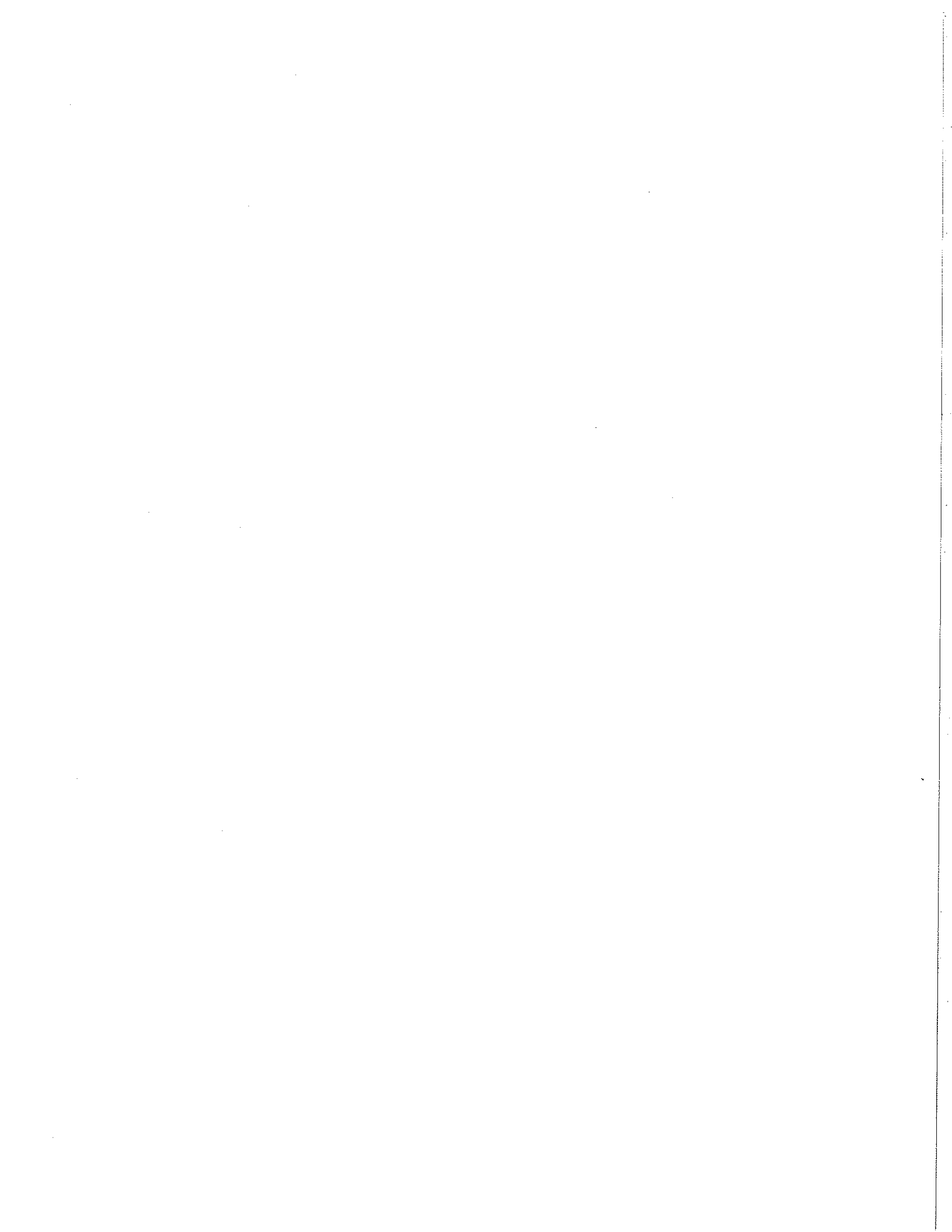
**Government Unit(s) Affected:**

Counties, Department of Consumer and Business Services (DCBS), Department of Revenue(DOR)

**Analysis:**

The proposed legislation has been determined to have  
**MINIMAL EXPENDITURE IMPACT**  
on state or local government.

While this individual measure has a "Minimal" fiscal impact, an agency may incur a net fiscal impact greater than minimal depending on the cumulative impact of all measures enacted into law that affect the agency.



**REVENUE IMPACT OF  
PROPOSED LEGISLATION**  
**Seventy-Sixth Oregon Legislative  
Assembly**  
**2012 Regular Session**  
**Legislative Revenue Office**

**Bill Number: HB 4039 - A4**  
**Revenue Area: Property Tax**  
**Economist: Christine Broniak**  
**Date: 2-12-2012**

**Measure Description:**

Requires financial institution to notify potential borrower of prohibition against pledging tax deferred homestead as security for reverse mortgage. Allows taxpayer to elect to credit payments to deferred taxes payable as result of determination of ineligibility. Specifies classification of homesteads for purposes of determining county median RMV. Requires Department of Revenue to certify eligibility for deferral not less than once every three years but in a flexible manner. Requires department to report to interim committee regarding claim form for homestead property tax deferral program for property tax year beginning on July 1, 2012.

Extends a two year reprieve to existing program participants who were disqualified solely due to having a reverse mortgage and who had completed their recertification paperwork for the 2011-12 tax year's payment. Allows them to continue to participate in the program for the 2011-12 and 2012-13 tax year. Directs the Department of Revenue to pay the property taxes for 2011-12 tax year to assessors and directs assessors to refund the money to the taxpayers. Requires the Department of Revenue to conduct a survey of participants to gather socioeconomic information. Requires the survey form to be developed in consultation with the Legislative Revenue Officer and presented to the interim Legislative Assembly revenue committees for approval.

**Revenue Impact (in \$Millions):**

	2011-13	2013-15	2015-17
Senior and Disabled Deferral Account	-\$6.01	\$0.85	\$0.59

**Impact Explanation:**

The aspect of the measure that has a revenue impact is the extension of a 2-year reprieve to the existing participants in the Senior and Disabled Property Tax Deferral program who were dropped from the program due to having pledged their home as security for a reverse mortgage. This extends participation in the program for the 2011-12 and 2012-13 tax years to 1,664 individuals who would not otherwise be able to participate in those years. The program balance before and after this change is below:

November Balance (In Millions)	2011	2012	2013	2014	2015
Current Law (HB 2543)	-700,000	5,700,000	13,100,000	22,200,000	35,228,042
2 Year Reprieve for 1,664 individuals previously disqualified for a Reverse Mortgage	-4,028,000	-314,647	7,575,903	17,040,235	30,360,996

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The impact of HB 2543 in the 2011 session was to reduce the program from 12,000 existing and new participants to just over 5,800 participants and new applicants. This has reduced the payment obligations of the program in the 2011-12 tax year from an anticipated \$24.2 million to \$9.4 million. This measure would offset some of the impacts of HB 2543.

**Creates, Extends, or Expands Tax Expenditure:**      Yes  No