

# REVENUE IMPACT OF PROPOSED LEGISLATION

Seventy-Sixth Oregon Legislative Assembly  
2012 Regular Session  
**Legislative Revenue Office**

<b>Bill Number:</b>	SB 1529 - A
<b>Revenue Area:</b>	Property Tax
<b>Economist:</b>	Christine Broniak
<b>Date:</b>	2-6-2012

## Measure Description:

Requires Department of Revenue to establish separate class for real property machinery and equipment. Establishes separate classes for all machinery and equipment, for state assessed industrial property under ORS 306.126, and for industrial and commercial property combined. Changes collection proceedings for machinery and equipment accounts that have delinquent taxes to allow for warrant and seizure of the machinery and equipment.

## Revenue Impact (in \$Millions):

	2011-13	2013-15	2015-17
Local Government	\$ 0.09	\$ 0.46	\$ 0.83
Local School Districts	\$ 0.06	\$ 0.31	\$ 0.55

**Impact Explanation:** The measure changes the classifications of various types of property. When the Changed Property Ratio (CPR) is calculated, it is done using all the property that is grouped into a class. It is the ratio of existing assessed values to real market values and ranges from 0 to 1. This ratio is used to determine the maximum assessed value for taxation on all newly constructed property or improvements. To regroup property has the effect of changing the calculation of the CPR that will be applied to any newly added value.

Industrial properties often had a high CPR, because the machinery and equipment grouped into the industrial class with them has a depreciating real market value. Removing the machinery and equipment to its own class as this measure does reduces the CPR for industrial properties as a result, resulting in a revenue loss from this category.

Because of its smaller amount of machinery and equipment and less depreciation, the commercial class tends to have lower CPR's. By combining the commercial class with the industrial class, CPR's are raised for this group, and this is a source of revenue gain.

Despite having its machinery and equipment removed from its class, the state-assessed industrial properties still have a high rate of depreciation, and their CPR will be around 1. Since these properties are currently grouped into the "industrial" class, their CPR's are lower because they are grouped in with locally-assessed industrial properties that tend to have less depreciation. The measure puts these state-assessed industrial properties into their own class, and the CPR is therefore higher. This is a source of revenue gain.

Finally, machinery and equipment is currently in either the commercial or industrial class with other properties that don't depreciate as much. The CPR on this property is lower as a result of this

grouping. When separated out into its own class, machinery and equipment has a higher CPR. Therefore, there is revenue gain from this change.

The net effects can be seen in the table below and in the summary table above.

Tax Year	Locally Assessed Industrial	Commercial	State Assessed Industrial	Machinery & Equipment Industrial	Machinery & Equipment Commercial	Net Impact
2012-13	-730,518	724,591	59,570	96,028	3,244	152,914
2013-14	-1,461,985	1,450,124	119,217	192,180	6,492	306,027
2014-15	-2,194,404	2,176,600	178,941	288,458	9,744	459,339
2015-16	-2,927,775	2,904,021	238,743	384,860	13,001	612,851
2016-17	-3,662,099	3,632,387	298,623	481,388	16,262	766,562
2017-18	-4,397,377	4,361,700	358,581	578,041	19,527	920,473

The measure also provides collection measures for machinery and equipment if property tax accounts become delinquent. Currently, the county only has the option of foreclosure on the machinery and equipment, which takes 6 years. This measure would expand the ability to collect the delinquent taxes by a warrant and seizure on the machinery and equipment, which is a faster process and does not leave the property open to depreciation or loss while waiting for the foreclosure process. This change would have some positive revenue impact if counties recover money for machinery and equipment that they seize. The size of this impact is unknown and would depend on the prevalence of this collection method's use.

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