Dear Legislator:

As a senior citizen I am proposing an idea for re-structuring the former Property Tax Deferral Program.

I have been disqualified from the existing program because of changes made in 2011. I have a reverse mortgage and live in a home that is deemed "too expensive" to qualify. My home is 100 yrs old and was purchased 45 years ago. Our only source of income is Social Security (we have no assets other than our home). I believe that qualification should be based on INCOME (and other assets such as stocks and bonds etc.). After all, the whole purpose of the deferral program is to allow low income seniors to remain in their homes and not have to sell it to pay taxes.

My proposal takes into consideration this idea and others. It protects the Department of Revenue from "under water" properties and limits the "exposure" of the State to a maximum of $5000.00 in individual loans plus gives partial tax relief to seniors with higher value homes and taxes greater than the $5000 limit.

Please read my attached proposal and give it serious consideration at the next opportunity.

Sincerely

Gerald Duffy

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A Proposal for Property Tax Deferral Legislation

State of Oregon 2012

By: Gerald Duffy October 10, 2012

Since the Property Tax Deferral program in existence has caused so much controversy and hardship, I propose the following solution:

(The intent of this proposal is to benefit low income, retired (and handicapped) people and still give the State of Oregon assurances of being paid back the loans made for property tax deferral. It would replace the current, outdated and much complicated system. It would allow the applicants to know, in advance, if they could qualify and it would give the Department of Revenue (DOR) the ability to know, in advance, what their maximum exposure would be.)

This proposal is a Loan made by the State to be repaid upon the death or non-occupancy of the applicant(s) and would carry a 6% annual rate of interest.

The loan requirements would be:

1. Name(s), address and ages of borrower(s)
2. Property address
3. Length of residency
4. Annual household income (including Social Security)
5. Total assets (not including residence)
6. Percentage of outstanding mortgage (regular or reverse) to Real Market Value (RMV)*
7. Proof of adequate insurance on the property.

The State of Oregon could approve the loan based on:

1. A 6% annual interest
2. A Maximum deferral amount of $5000.00 (cap)
3. Approval of loan application

Features of this proposal:

The deferral of property taxes would allow low income seniors (less than $39,000 per year/couple) and handicapped, the ability to remain in their homes. (also less than $50,000 total assets, not including their residence)

The “cap” would cover property taxes of most of the applicants and still allow partial relief to those with higher tax burdens. (eg. Property taxes above the $5000 “cap”)

The State’s liability would be limited to a maximum of $5000.00 per loan.

The State would not be left with trying to collect their loan on “under water” mortgages.

The whole process would be streamlined and easy to follow without the complications of adding the current, arcane formulas of “Mean Market Value” times some percentage of residency with each county being different. These formulas change with the changing real estate markets and county assessments. Telling people that their property is “worth too much” does not mean a thing since in order to realize the value means they must sell the property (the whole reason for the tax deferral program is to allow seniors to remain in their homes). Their <u>income</u> should determine their acceptability.

**These figures are available from any mortgage contract (regular or reverse) and from the prior year’s Tax Statement. The percentage can be set by the DOR………I would suggest 75% max*.

Sample application:

Name: William Frobnitz Age: 68

Erma Frobnitz Age: 65

Address: 16230 SW Main

Portland, OR 97201 County: Washington

Property Address: same

Length of residency: 18 yrs

Annual Income: $ 31,500

Total assets (not including residence): $32,600

% of Mortgage to RMV: $ 251,000 = 64%

$390,000

Property Insurance: Allstate Homeowners Amount: $400,000

Policy # 123456

DOR use only

Appd. Doug Swanson Date: 7/15/2013 Amount: $2751.00