

Measure 5 Compression

February 27, 2013

Types of Taxes in Oregon

- Permanent rate limit
- Local option
- Assessments, and Fees
- General obligation bond

Measure 5 Categories

Article 11, section 11b: Taxes on property are categorized as:

- Excluded from Limitation (G. O. Bonds)
- Dedicated to Education (K-12, ESD, Community College)
- Dedicated to General Government (All Others)

Measure 5 Limits

- **Excluded from Limitation**
 - No limit
- **Education**
 - Limited to \$5.00 per \$1000 of Market value
- **General Government**
 - Limited to \$10.00 per \$1000 of Market value

Values

- **RMV = Real Market Value**
 - Used to test for the Measure 5 limits.
- **MAV = Maximum Assessed Value**
 - Measure 50's faux value limitation.
- **AV = Assessed Value**
 - The lesser of RMV or MAV
 - Used to calculate the Measure 50 tax.

Compression

- Compression is the term used to describe the reduction in the property taxes on an account when the Measure 50 tax exceeds the Measure 5 tax limit.
- The assessor must reduce, or compress, the tax to fit under the \$5 and \$10 limitations.
- Compression then, only occurs on accounts whose taxes in a category exceed to tax limitation.
- This varies from property account to property account depending on the RMV to AV relationship, the total of tax rates applicable to a property, the types of levies and any fees or assessments applicable.

Example: If the total tax rate for general government levies is \$14 / \$1000 and the AV is \$76,384 and the RMV is \$100,000:

Tax calculation: $\$14 \times \$76,384$ (assessed value) = \$1,069.38

Measure 5 limit: $\$10 / \$1000 \times \$100,000$ (real market value) = \$1,000.00

Loss due to compression = \$ 69.38

Code Area Rate Ranges

The limitations are tested for each property.

Tax rates can range quite a bit within a county.

<u>County</u>	<u>Low</u>	<u>High</u>
• Marion	8.99	19.58
• Multnomah	12.23	23.45
• Washington	8.90	20.86

Priority of Taxes in Compression

Within Category ("Education" or "General Government")

- Local Option Taxes are compressed first.
If there is more than one Local Option, they are compressed proportionately.
- Permanent Rate Taxes, fees and assessments are compressed only after all Local Option Taxes are zero.

Local Option Taxes are Compressed First

	Values		M5 Limit	
	RMV	\$100,000		\$10/1000 RMV = \$1,000.00
	MAV	\$80,000	(= AV)	
	Rate	Tax Extended	Compression Loss	Tax Imposed
General Government				
City - Perm. Rate	8.6430	\$691.44		\$691.44
Library Perm. Rate	3.8495	\$307.96		\$307.96
City - Local Option	0.1483	\$11.86	11.26	\$0.60
Total General Government	12.6408	\$1,011.26		\$1,000.00

Two or more Local Options are Compressed Proportionately

	Values		M5 Limit	
RMV	\$100,000		\$10/1000 RMV = \$1,000.00	
MAV	\$80,000	(= AV)		
General Government	Rate	Tax Extended	Compression Loss	Tax Imposed
City - Perm. Rate	8.6430	\$691.44		\$691.44
Library Perm. Rate	3.8495	\$307.96		\$307.96
City - Local Option	0.1483	\$11.86	\$11.78	\$0.08
Library - Local Option	1.0000	\$80.00	\$79.48	\$0.52
Total General Government	13.6408	\$1,091.26	\$91.26	\$1,000.00