



# MODIFYING OREGON'S PROPERTY TAX SYSTEM

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*Senate Finance & Revenue Committee  
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# Two Referrals:

1. Change to Measure 5  
(SJR 10)
2. Change to Measure 50



# Measure 5 (1990)



- ▣ Capped property taxes for all general governments (cities, counties, special districts) and schools at \$10 and \$5 respectively per \$1,000 of real market value (RMV)
  - Limits property taxes to 1.5% of RMV
    - ▣ \$200,000 home = \$2,000 limit on general government property taxes; \$1,000 limit for schools
    - ▣ Measure 5 limits mimic the real estate market
    - ▣ Limits do not include capital bond measures



# Compression



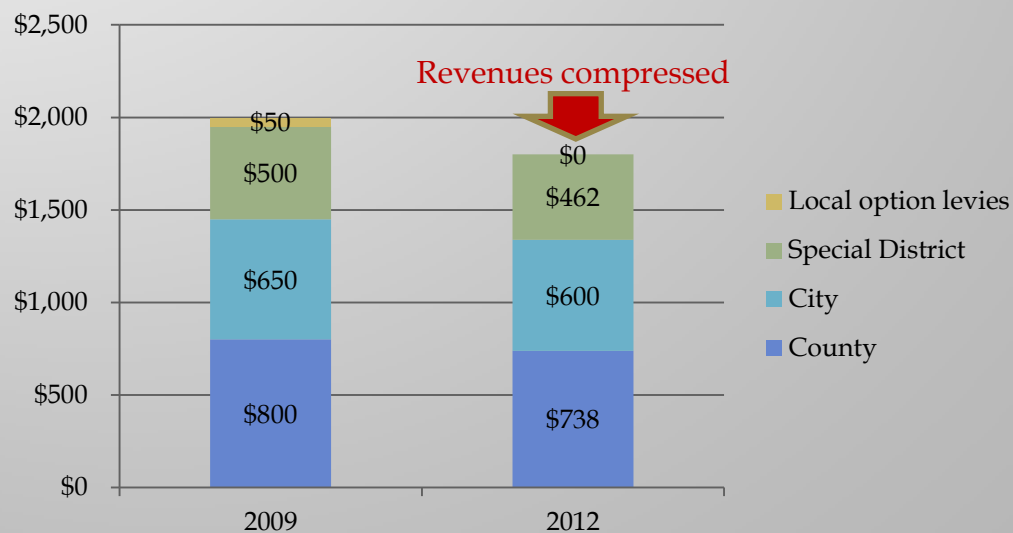
- ▣ If the property taxes on an individual property exceed the Measure 5 limits, the taxes are reduced until the limitations are reached, a process known as compression
  - Voter-approved temporary taxes are reduced first, all the way to \$0, before collections from permanent rates are compressed
  - More than half of Oregon cities are in compression, as are all counties and 90 percent of school districts
  - Revenue lost to compression is increasing



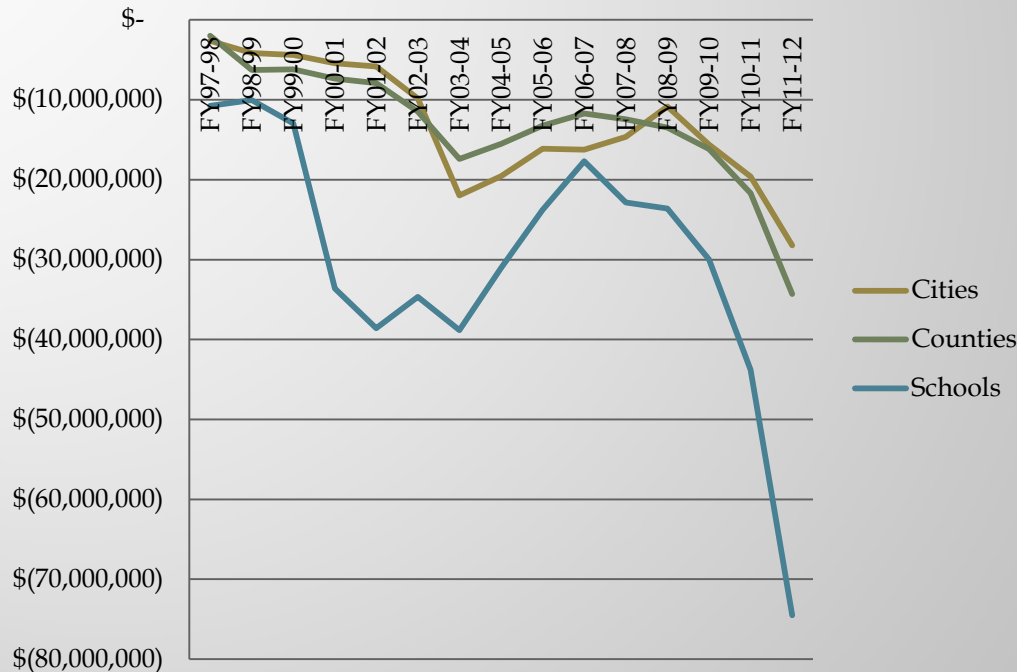
# Compression Example

	2009	2012	Difference
RMV	\$200,000	\$180,000	(\$20,000)
Measure 5 limits	\$2,000	\$1,800	(\$200)
<b><u>Local Taxes</u></b>			
<i>Local option levies</i>	\$50	\$0	(\$50)
<i>Special District</i>	\$500	\$462	(\$38)
<i>City</i>	\$650	\$600	(\$50)
<i>County</i>	\$800	\$738	(\$62)

Revenue lost to  
compression



# Compression Losses for Cities, Schools and Counties



Since FY2008-09 revenue lost to compression has increased:

- 216% for schools, or by \$50.9 million
- 154% for counties, or by \$20.8 million
- 161% for cities, or by \$17.4 million

# Compression Loss on Local Option Levies

	Percentage of levy lost to M5 compression	Calculated Tax	Taxes reduced due to M5 compression	Tax imposed
Morrow County School District Levy	72%	\$ 1,421,000	\$ 1,020,000	\$ 401,000
West Linn/Wilsonville School District Levy	71%	\$ 9,320,000	\$ 6,585,000	\$ 2,735,000
Crow-Applegate-Lorane School District Levy	66%	\$ 313,700	\$ 208,000	\$ 105,700
Tigard-Tualatin School District Levy	57%	\$ 8,773,000	\$ 4,994,000	\$ 3,779,000
Eugene School District Levy	56%	\$ 18,778,000	\$ 10,550,000	\$ 8,228,000
Portland City Children's Levy	47%	\$ 19,175,000	\$ 8,949,000	\$ 10,226,000
Corvallis School District Levy	47%	\$ 7,746,000	\$ 3,602,000	\$ 4,144,000
Portland Public School District Levy	34%	\$ 80,164,000	\$ 27,414,000	\$ 52,750,000
Sweet Home City Police and Library Levies	33%	\$ 2,735,000	\$ 905,000	\$ 1,830,000
Albany City Public Safety Levy	33%	\$ 2,500,000	\$ 825,000	\$ 1,700,000

# Three Major Problems



- ▣ #1 - Undermines local control
  - ▣ Voters are no longer in control of services provided locally
    - ▣ City of Sweet Home
    - ▣ Beaverton Public Schools
    - ▣ West Linn/Wilsonville School District
    - ▣ Tigard-Tualatin School District
    - ▣ Portland Public Schools



# Fosters Belief in Bad Government

## The Oregonian

Multnomah County's cutbacks in hours and services, tied to Oregon's complicated tax code, caught plenty of library-goers off-guard. Hollywood resident David Sparks is among those who voted to extend levy funding in May on the mistaken assumption that the library would stay open seven days a week.

"So terribly disappointed that what we voted for apparently wasn't," said Sparks, who has four children younger than 12 and brings his family to the library weekly.

Multnomah County voters approved the renewal of the library levy with 84% of the vote.



# Three Major Problems



- ▣ #2 – Spillover effects
  - ▣ The actions of one taxing district can have an effect on overlapping districts
  - ▣ Examples:
    - Sweet Home, Albany and Linn County
    - Madras and Jefferson County
    - Redmond and Deschutes County
    - Multnomah County Library and Portland

# Three Major Problems

- #3 – Some people not paying for voter-approved taxes



*In many ways, our system really is nuts...*

*About one third of Portland homeowners don't have to pay the entire [local option levy], and more than a quarter of all homeowners don't have to pay anything at all...*

*Thanks to property tax compression, thousands of Portland homeowners may vote in support of tax hikes from which they are effectively exempt.*

*[Measures 5 and 50 have] created compression related inequities and distortions in a number of cities... they also tie the hands of local voters.*

# Solution

- ▣ Voter Control Referral – SJR 10
  - Empower voters to pass local option levies outside of statewide limits
    - Levies remain limited to five years maximum
    - Referral is not retroactive
    - Levies could still be passed within statewide limits
    - Proposed levies outside of limits must state that the taxes paid will not be reduced due to statewide limits



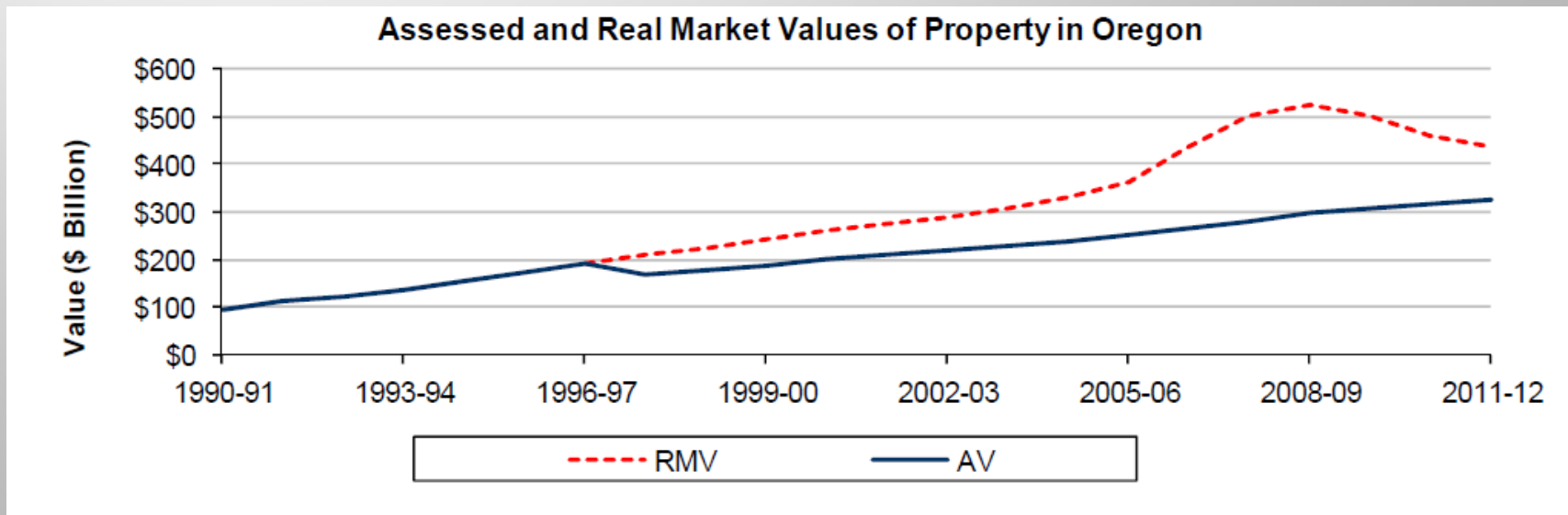
# Two Referrals:

1. Change to Measure 5
2. Change to Measure 50  
(SJR 11)



# Measure 50 (1997)

- ▣ Set a new assessed value (AV) level
  - At 10% less than 1995 RMV
- ▣ Capped annual growth in AV at 3% annually
- ▣ Set permanent rates for all taxing districts



# Inequity - Neighborhood to Neighborhood



Measure 50 locked in AV at 1995 levels

## *A Tale of Two Blocks*

Established

Block 1	RMV	AV	Taxes
9910 SW 61st	\$ 269,670	\$ 213,930	\$ 4,236
9931 SW 61st	\$ 270,590	\$ 236,110	\$ 4,270
9930 SW 61st	\$ 279,390	\$ 216,920	\$ 4,385
9911 SW 61st	\$ 311,450	\$ 252,070	\$ 4,897

This block receives a Measure 50 discount of **13 to 23 percent** off their tax rate applied to their RMV.

Gentrifying

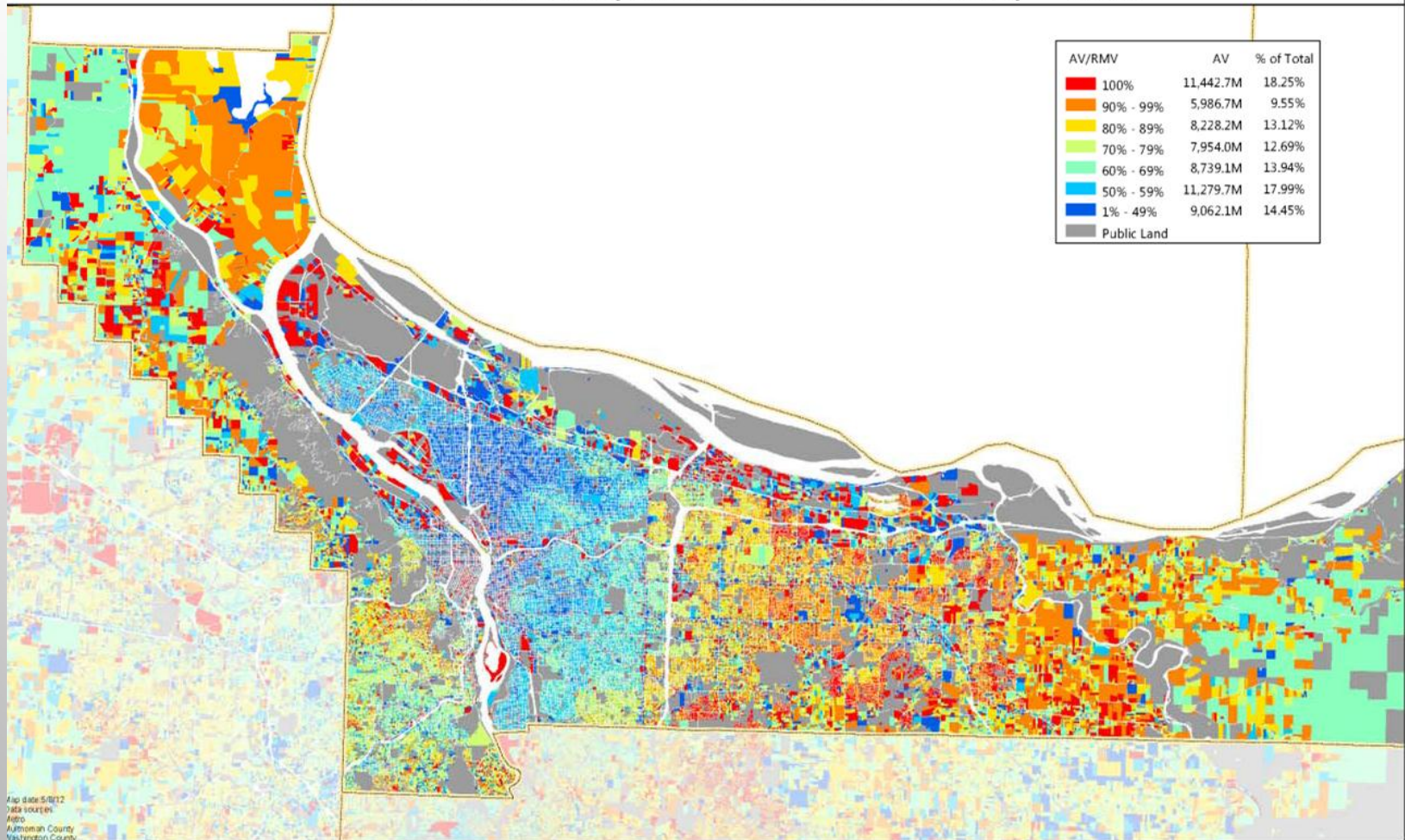
Block 2	RMV	AV	Taxes
5134 NE 16th	\$ 267,870	\$ 72,870	\$ 1,624
5117 NE 16th	\$ 268,480	\$ 51,790	\$ 1,154
5126 NE 16th	\$ 282,140	\$ 51,640	\$ 1,151
5133 NE 16th	\$ 352,530	\$ 81,930	\$ 1,826

This block receives a Measure 50 discount of **73 to 82 percent** off their tax rate applied to their RMV.

\* Figures are from 2011-12 tax statements

# Ratio of AV to RMV in Multnomah County

Assessed Value Analysis of Multnomah County - 2012

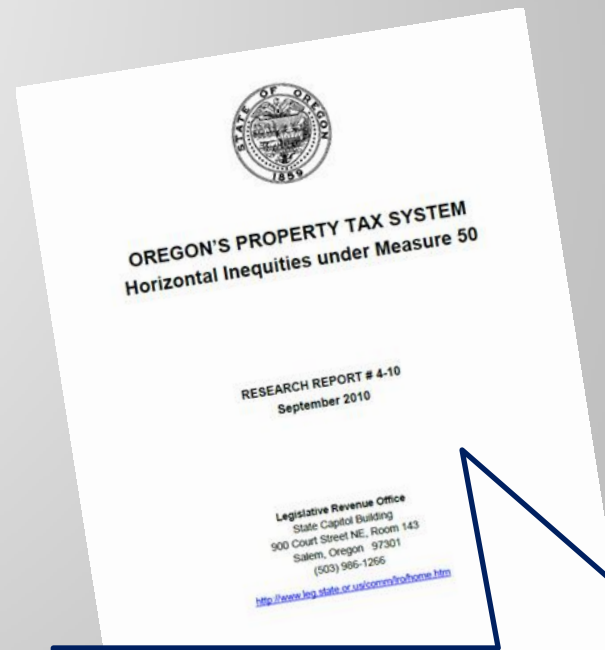




# Inequity - Property to Property

Measure 50 inequities are not confined to the Portland metro area

	RMV	AV	Taxes	Difference
Bend	\$ 245,250	\$ 136,600	\$ 2,080	
	\$ 245,320	\$ 245,320	\$ 3,640	(\$1,560)
	\$ 270,510	\$ 132,630	\$ 2,020	
	\$ 270,480	\$ 270,480	\$ 4,080	(\$2,060)
	\$ 285,270	\$ 103,080	\$ 1,570	
	\$ 285,200	\$ 285,200	\$ 4,232	(\$2,662)
Redmond	\$ 164,710	\$ 99,720	\$ 1,846	
	\$ 164,500	\$ 164,500	\$ 2,967	(\$1,121)
	\$ 155,590	\$ 134,530	\$ 2,490	
	\$ 155,690	\$ 155,690	\$ 2,808	(\$318)
Sisters	\$ 277,990	\$ 123,220	\$ 1,997	
	\$ 276,080	\$ 251,520	\$ 4,102	(\$2,105)



“Horizontal inequities—unequal tax treatment of taxpayers with similarly valued property, are widespread among the four counties (Deschutes, Jackson, Multnomah and Sherman) observed.”

\* Figures are from 2011-12 tax statements

# Oregon's Unique Detachment from RMV



- ▣ On reset at sale: “Of the 18 states that apply their assessment limit to individual parcels, only Arizona, Minnesota, and Oregon do not have this acquisition value feature.”
- ▣ “With no periodic recalibration of assessed values to market levels, the Oregon system has gone the farthest of any in breaking the link between property taxes and property values.”

Source: “Property Tax Assessment Limits: Lessons from Thirty Years of Experience.” Mark Haveman and Terri A. Sexton. Lincoln Institute of Land Policy. 2008.

# Solution

- ▣ Reset at Sale – SJR 11
  - Reset a property's assessed value (AV) to real market value (RMV) at the time of sale or construction
    - Includes provision to allow eligible low income seniors to move without seeing taxes increase
    - Revenue could help fund more targeted deferral or exemption programs

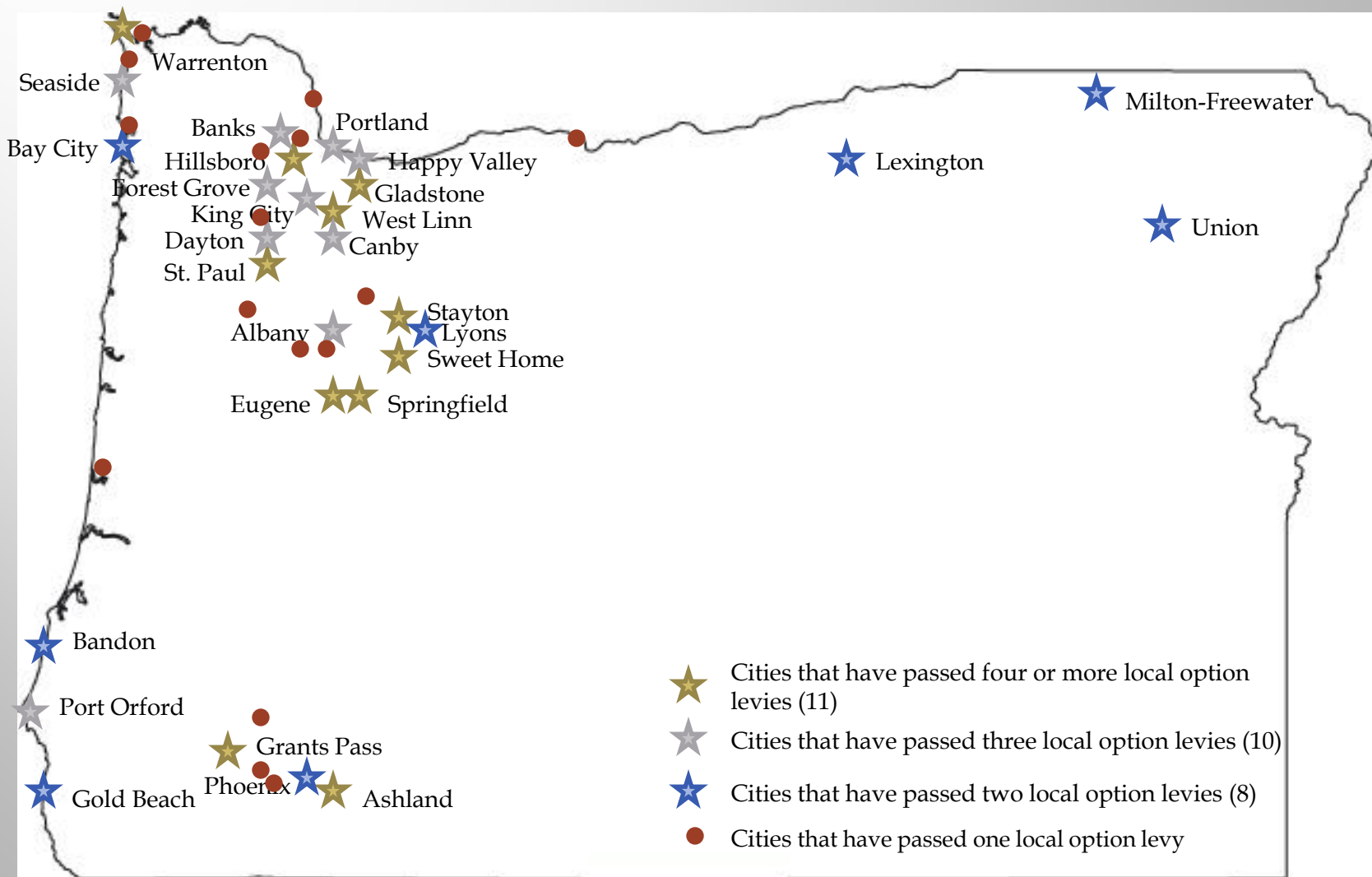


# Questions?

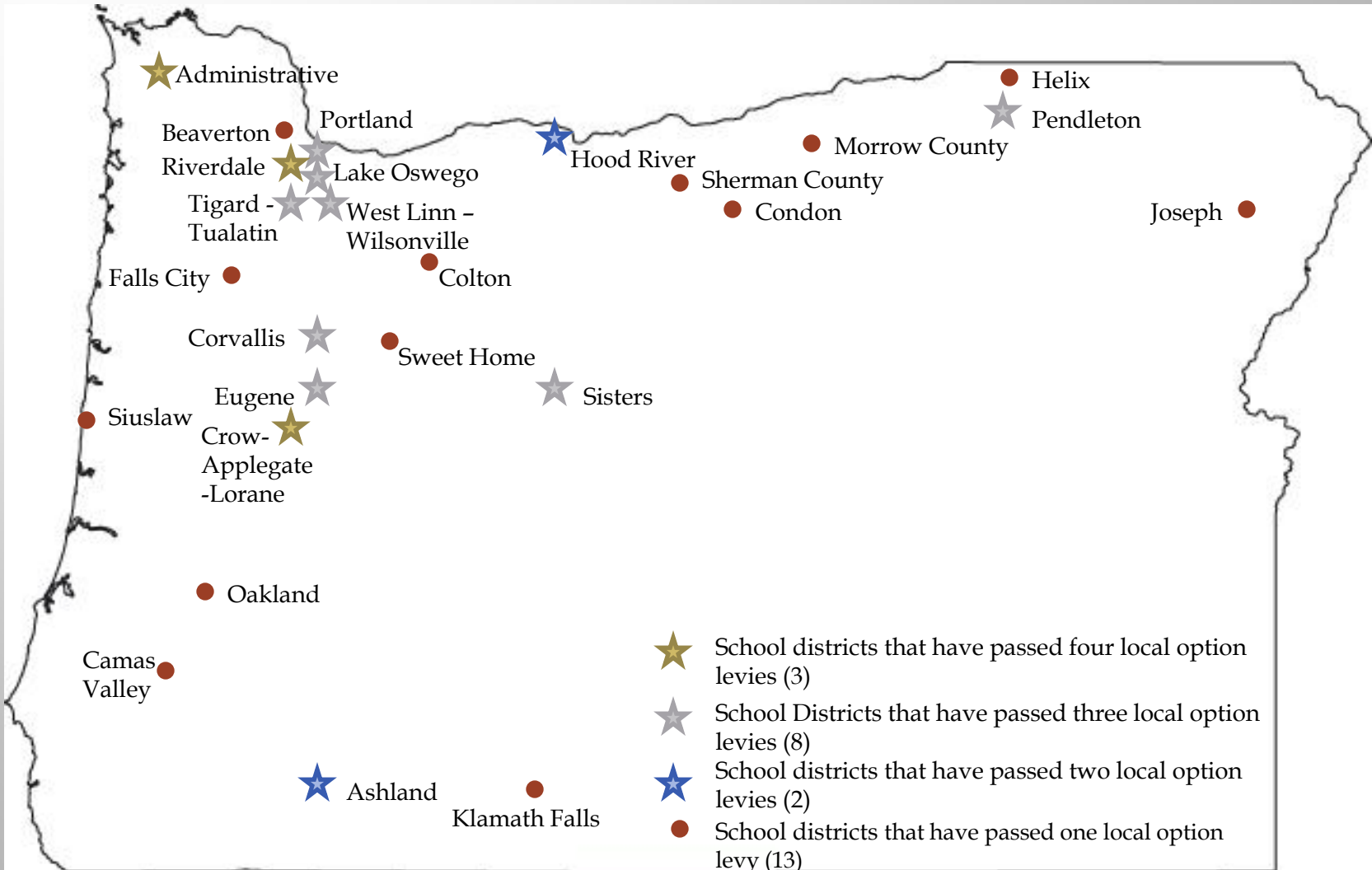
Additional information available at:  
[www.orcities.org/taxreform](http://www.orcities.org/taxreform)



# City Local Option Levies



# School District Local Option Levies



# County Local Option Levies

