



OREGON STATE ASSOCIATION OF COUNTY ASSESSORS

February 5, 2014
House Committee on Revenue
House Bill 4141

Chair Barnhart, members of the committee, thank you for allowing me to testify today. My name is Douglas Schmidt and I am the President of the Oregon State Association of County Assessors (OSACA). House Bill 4141, proposes to tax exempt property for education purposes.

The Assessors Association understands the difficulty involved in the funding of Education under our current tax structure. However, the funding mechanism outlined in this bill raises serious concerns for the Assessors Association and we have yet to determine if this bill can even be administered. By allowing education and education districts to tax exempt property, the following are only a few of the issues that have to be addressed:

- Enterprise Zone property allows the new improvements and equipment to be exempt for an agreed upon number of years

This bill will require the assessor to create a Maximum Assessed Value (MAV) on the exempt portion of the Enterprise Zone property immediately, using the current values and current CPR's. Once the improvements come off Enterprise Zone, the Assessor will create a MAV on the improvements that is based on the total value of the improvements when they become taxable and the current CPR at that time.

There is already a MAV on the property that was created for the education tax. Now there will be a new MAV created when the Enterprise Zone exemption expires. Because there was no physical change on the property, can we remove the existing MAV or are the new and existing MAV added together.

Because the Oregon Constitution calls for one MAV for each account, there is no way to separate the MAV amount for education and do a tax calculation separate from the remaining taxing districts tax calculation.

- Partial Exemptions such as Veterans Exemptions

Qualifying Disabled Veterans receive a reduction in their Assessed Value called a Veterans Exemption. For 2014, this reduction is approximately \$22,800. Counties will need to create a mechanism to apply the full Tax Code tax rate to the full value of the veterans property and just the Education Tax Rates to just the exempt portion of the veterans property.

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- ORS 321.272 deals with exempting Timber
Counties do not have any value assigned to standing Timber, yet this bill will allow the education tax to be applied against those values. Counties would incur significant cost to hire experts to value the timber.
- ORS 307.320 deals with exempting crops on agricultural land
Counties do not have any value assigned to agricultural crops, nursery stock, etc. yet this bill will allow the education tax to be applied against those values. Counties would incur significant time and cost placing a value on these items.
- Potential doubling of the Tax Code Areas in each county
Because it is possible that each Tax Code Area in the county could have exempt property located in it, there will need to be a new duplicate Tax Code Area created to be applied to the exempt properties. This new Tax Code Area will include just the rates for education.
- How will we deal with exempt property in an Urban Renewal District.

These are just a few of the issues and problems that make this bill complex and brings into question whether it can be administered.

Thank you. If you have questions I will try and answer them.