

House Committee on Revenue
Wednesday, February 5, 2014
Testimony on HB 4141

Doris Penwell, Association of Oregon Counties

I am testifying today in opposition to HB 4141.

The purpose and intent behind Representative Unger's proposal is well understood by the Association of Oregon Counties—desire to increase funding for schools. Local officials across the state have a close and vested interest in seeing that the schools in their jurisdictions are funded.

The bill, though, proposes a major change to our tax system in Oregon. And the impacts from the suggested changes to all property tax abatements that are in place would create a need to restructure any programs that use the abatement system.

The county assessors will address their issues separately and in some detail, but it is important to note that the change proposed by this bill would require assessors to redo how property tax rolls are delineated by taxpayer—essentially separating out schools from how all other entities are dealt with in the system.

Our brief analysis of the bill leads us to wonder if by changing the taxation system going forward we would treat some taxpayers differently than others within a single program. For examples, urban renewable plans, enterprise zone exemptions, Strategic Investment Program projects in place now would be treated, funded and taxed differently than those projects that would come into play after the effective date of the acts.

As most of you know, 45 to 50 percent of local property taxes pay for schools now, with abatements in place. Changing the system to disallow abatements would not fix our tax system and allow for payment of needed services at any level. And our tools would be eliminated.

One of the hallmarks of business property tax abatement programs is that they are established only by actions of local officials. The reason that local officials choose such programs is that they are trying to distinguish their area from another in the state or outside the state, by attracting new investment on which income and property taxes are paid. They are looking to future growth in their community, including better funding for their schools.

The abatement programs have become more plentiful over the years because of the inequitable nature of the Oregon tax system to pay for local and state programs, and the need to defray the high cost of property taxes in order for businesses and citizens to be prosperous.

The statutory exemptions at issue in this bill run from business incentives, to outright nonprofit and cultural exemptions such as fraternal and religious organizations, senior and low-income housing, etc. If this bill were enacted as it is written, each of the programs would see a dramatic rise or new institution of property taxes. This would not help to solve our current tax system problems.

To minimize the value of economic development abatement programs would leave us with few tools at the local level for improving communities and their prosperity—in a sizable way. In addition, by singling out schools and education service districts from having to participate along with other local entities in community planning, removes them from the local conversations. This is not healthy.

1For these and other reason, we must oppose this bill. We need a better conversation about a change to our tax system that solves multiple problems, not just funding for schools.