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Testimony concerning 2015 Oregon SB 573, 3-11-15

Senators, Staff and Assembled Citizens:

My name is Jeff Strang. I'm the chair of Common Ground Oregon-Washington, which worked with Sen. Dembrow to introduce SB 573, a property tax study bill.

Each year further we get from the passage of Measure 50 in 1997, our property taxes become less fair and equitable. Neighbors with similar real property values can pay widely different property taxes – one can be twice as much or more than the other.

In addition, our property tax system is very complex and difficult for taxpayers to understand. We need a new system.

To this end, Senate Bill 573 would study the effects of de-linking property tax rates on buildings and improvements such as drainage systems, irrigation systems and forests from those on land itself. We've gotten so used to property tax rates on improvements and land being equal that we don't realize there is another way. But there are a number of positive effects from setting rates higher on land than on improvements. A lower rate on improvements encourages construction and renovation. A higher rate on land encourages development toward the zoned maximum, making best use of provided public infrastructure.

In these days of human civilization covering almost all of the earth, land values are mostly determined by the public services provided, the legal uses society allows, and the improvements made by neighbors. In other words, land values are mostly determined by society.

On the other hand, improvements to land are made through the initiative of individual owners.

So it makes sense that we would want to tax socially determined values such as land, rather than taxing individual enterprise that leads to positive economic activity.

Taxation of land, rather than improvements, has been advocated by a number of notable economists and social reformers for over 100 years, such as Thomas Paine, Henry George, Milton Friedman, Joseph Stiglitz, and Peter Orszag. Land value taxation is practiced in over 30 countries and in some Pennsylvania cities. In Hawaii, it was repealed in 1977 because of concern over too much development in Waikiki Beach, although it's really zoning regulations that determine the maximum development allowed.

In conclusion, studying a split-rate property tax system should be part of our effort to intelligently reform property taxes toward a more equitable, transparent and economy-enhancing system.

Thank you for your consideration.