



Testimony for HB 2083

Property Tax Deferral for Senior and Disabled Citizens

The homestead property tax deferral program goal is clear, to pay the property taxes of eligible program participants. The bill before you seeks to modify who is eligible, adds a new program goal of paying property insurance on uninsured properties, and makes changes to the recertification process.

House Bill 2083 As Introduced

The bill as introduced would make significant and wide ranging changes to the program including modifying the existing five-year ownership requirement, adding the ability for the Department of Revenue to purchase property insurance and include it in the existing tax lien, removing limits on the property's real market value, allowing homes with deferred taxes to be pledged as security for a reverse mortgage, and granting requests for deferral in the order received rather than economic need.

Many of these changes would undo 2011 legislation that was enacted in order to save the program when fund balances reached zero and the Oregon State Treasury loaned \$19M to the program to pay taxes owed. Some of the proposed changes would present significant administrative difficulties and could result in a significant fiscal impact.

Since the bill was introduced, bill sponsors have been working on -1 Amendment language that temper the proposed changes and ease many of the administrative issues. Were the bill to pass without amendment there would be significant concerns about both fund stability and fiscal impacts related to administration.

House Bill 2083 Proposed Amendments

The Department of Revenue has seen only draft amendment language to date. The following comments are based on our best understanding of what the -1 Amendment will look like.

Five-year Ownership Requirement

The program currently has a five-year ownership requirement, with a stated goal of keeping seniors in their homes. The -1 Amendment will seek to allow seniors and disabled persons to downsize and move into another home and still qualify for the program so long as they reapply within one year. The amendment would allow a senior to move from a homestead that was granted deferral into another home of lesser real market value so long as they do not have a mortgage on the new home of greater than 80% of the real market value.

The requirement related to equity will create an additional administrative burden on the department and new reporting requirements for the senior. With the 20% down requirement there will be a yet to be determined fiscal, if this requirement were removed the department believes we could implement this change with no fiscal impact.

Fire and Other Casualty Insurance

Program participants are currently required to carry homeowners insurance. The proposed amendment will allow deferral in cases where the home is insurable but not insured. If the home is uninsured the department is allowed, but not required, to purchase insurance for the homeowner and add in the cost of coverage to the lien.

As long as this language remains permissive, and the department is not required to purchase the insurance, we believe this provision can be administered with only a minimal fiscal impact.

Changes to RMV Limits

The proposed amendment will raise the real market value limitations on homesteads, allowing more valuable homes to qualify for deferral. The changes are more significant depending on the amount of time the senior has been in the home. As of 2014 the highest county median home value in the state is \$284,280. If a senior had been in their home for 25 years or more they can qualify for 200% of the county median under existing statute and 250% under the proposed change, the highest value eligible home would change from \$568,560 to \$710,700. Increasing the percentage allowance on the high end potentially invites increased public scrutiny of the value and corresponding equitability of homes eligible for deferral under the program. All things being equal, seniors who have been in their homes longer may be in a better equity position and have a greater ability to repay.

This proposed change is administratively simple, only requires updating tables in our system, and can be administered with no fiscal impact.

Additional Notification Requirements

The department is currently required to recertify program eligibility not less than once every three years. Notifications are sent out in late January or early February. Starting in 2014, the department began sending weekly notices to the counties in mid-March with the names of program participants who had failed to respond. If the participant does not respond within 65 days, typically in mid-April, the homestead is ineligible for deferral the following property tax year. Taxpayers rendered ineligible through this process may request that the Director of the department grant a retroactive deferral (RDR) under ORS 311.681: this authority had been applied liberally in cases where the applicant met all other requirements of the program.

The recertification process has been in place for two years -

- TY 2013 – 2460 recerts mailed, 238 no response, 10 RDRs (7 approved)
- TY 2014 – 3159 recerts mailed, 394 no response, 111 RDRs (106 approved)

Proposed amendment language would add a requirement that the department notify a county office of the Aging and Disability Resource Connection (ADRC) if the senior fails to recertify, and give the taxpayer an additional 90 days after that notification to respond and still maintain the deferral. This additional 90 days would put the due date after the July 1 start of the tax year, and would create a conflict with current language in the statute that says the taxpayer is “ineligible for deferral for the next following tax year.” The result would be that the disqualification was not effective for an additional year.

Administratively, the requirement as written in draft amendment language would be difficult to administer and could result in taxpayers being granted a deferral for the year after they are found ineligible. If this requirement for additional notification is necessary, the department would suggest that the notification to the Aging and Disability Resource Connection happen within the 65 days currently allowed by statute. The department could add the ADRC contacts to the same weekly notices that currently go to the county assessor, assuming they are legally authorized to receive that information.

There could be an additional administrative burden to adding a third party acting as an intermediary between the department and the program participant. No fiscal impact would be anticipated from simply adding the notice requirement to ADRC within the last month of the 65 days as described above.