

Testimony on House Bill 2128

House Revenue Committee

March 23, 2015

Presented by: Tom Linhares

Representing the Oregon State Association of County Assessors

Mr. Chair and members of the committee, my name is Tom Linhares and my address is 740 Golden Pheasant Drive, Redmond, Oregon.

Thank you for this opportunity to speak on behalf of the Oregon State Association of County Assessors (OSACA) in support of House Bill (HB) 2128. I have worked in the assessment and taxation field for over 30 years and I am here today representing OSACA.

As you know, publicly owned property is exempt from property taxes. This includes property owned by the federal government, state government and all levels of local governments.

However, under ORS 307.060 (federal government) and 307.110 (state and local government) publicly owned property leased to an individual or entity whose property is taxable results in the leased property being taxable. Port districts are especially active in leasing property to private entities.

Also, under ORS 311.410 property that is taxable on July 1 remains taxable for the entire tax year (July 1 through June 30) while property that is exempt on July 1 remains exempt.

The problem that HB 2128 addresses is when a lease expires and there are property taxes that the lessee was liable for under terms of the lease that have not been paid. These delinquent taxes remain a lien on the property and continue to accrue interest charges. However, since the governmental entity now has possession of the property the county cannot foreclose on the property. The delinquent property taxes remain on the tax rolls but essentially cannot be collected.

Unfortunately, many entities, both public and private, recognize this loophole and therefore there is little if any incentive on either the party to ensure that the taxes are paid timely or at least prior to the expiration of the lease.

HB 2128, if passed, would allow the county to take legal action against the lessee to collect any property taxes that remain after the lease has expired. But this action is permissive. So if a small amount of taxes are delinquent then the county could decide to not pursue this legal remedy. Or if a small county did not have the legal resources outside the normal property tax system it could decide to not take action.

All HB 2128 does is to add another tool in the tax collector's toll box for collection of property taxes that were lawfully assessed on behalf of the county, cities, school districts and special districts in the county.

It is our hope that this additional tool, directed at the taxable entity that generated the tax bill in the first place, will provide an incentive for both the public entity that owns the property and the taxable entity that leases the property to ensure that property taxes are paid timely. Nothing would please us more than if this the new collection tool created by HB 2128 was never needed.

Thank you again for this opportunity to speak on behalf of what feel is an important bill. I would be more than happy to answer any questions you might have.