



POLK COUNTY

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ASSESSOR'S OFFICE
DOUGLAS SCHMIDT
Assessor

March 23, 2015
House Committee on Revenue
House Bill 2129

Chair Barnhart, members of the committee, thank you for allowing me to testify today. My name is Douglas Schmidt and I am the Polk County Assessor.

HB 2129 is drafted to assist Assessors in correcting 3 types of errors in taxpayers Maximum Assessed Value that are not available to us under current statutes. Those corrections are: Correction due to errors in square footage, Correction due to non-existent property and Correction due to found property.

First, an example of the current and proposed square footage correction methods would be an average quality home built in 2011 with 1,500 sq. ft. plus a 700 sq. ft. finished attic for total square feet of 2,200. This home would have a Real Market Value of \$181,860 in Polk County's valuation system. If we discovered an error in the square feet of the attic of 200 sq. ft., this would reduce the total sq. ft. to 2,000 and the Real Market Value to \$174,000. Current statute would reduce the Maximum Assessed Value by the square feet change, or 9.1% while HB 2129 proposes a reduction in Maximum Assessed Value using the Real Market Value of 4.3%.

As shown, reducing the Maximum Assessed Value by 9.1% results in a disproportionately larger reduction compared to the Real Market Value reduction of 4.3%. Because Maximum Assessed Value is established based on the Real Market Value of the improvement, not the square feet, it is more appropriate to make this correction using the change in Real Market Value. These corrections will only be made for the current Tax Year and forward.

Second, it will give Assessors the ability to correct Maximum Assessed Value when it is discovered it includes value for property or improvements that do not actually exist. My staff valued a new apartment complex for 2014 and inadvertently added in 24 units that did not exist, worth over \$2,000,000.

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Fortunately, the error was found during a review of the property for a Board of Property Tax Appeal. Because this is the first year the property is on the tax roll, the Maximum Assessed Value can be corrected. If the error had not been found this year, the Maximum Assessed Value could not have been adjusted, only the Real Market Value. This change in statute will allow assessors to fix these errors for the current year forward so taxpayers are not paying on non-existent property.

Third, the inverse of the example above would be if those 24 units did exist at the time of the first inspection but the assessor's staff did not value them and the units were not represented in the Assessment Records. This could happen for any number of reasons; distraction during inspection, lost work papers, lack of access to a property, etc.

The next time someone from the Assessors Office visits the property and wants to add Real Market Value and Maximum Assessed Value to the account for the missed units, the courts have ruled we cannot add the value of the missed property to the Maximum Assessed Value. The value that was missed is considered "under valued" and not omitted. The change proposed in this Bill would allow assessors to add value to the Maximum Assessed Value for the current Tax Year and forward.

I believe this Bill provides Assessors the ability to correctly represent both the Real Market Value and Maximum Assessed Value of taxpayers property.

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

Douglas Schmidt
Polk County Assessor