

PRELIMINARY STAFF MEASURE SUMMARY

Senate Committee On Finance and Revenue

Fiscal: May have fiscal impact, but no statement yet issued

Revenue: May have revenue impact, but no statement yet issued

Action Date:

Action:

Meeting Dates:

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WHAT THE MEASURE DOES:

Requires lien amount placed upon property of tax-deferred homestead to be equal to actual amounts of deferred taxes, interest and fees associated with account. Eliminates requirement of Department of Revenue to estimate future amounts of deferred taxes, interest, fees, and place lien equal to estimate. Modifies existing liens on homestead properties. Allows taxpayer to limit amount of lien for deferred taxes by making voluntary payment to Department of Revenue. Applies to property tax years beginning on or after July 1, 2015.

ISSUES DISCUSSED:

EFFECT OF COMMITTEE AMENDMENT:

No amendment.

BACKGROUND:

The senior deferral program was enacted in 1963. Homeowners age 62 and older may defer payment of property taxes until the owner dies or sells the property. The State pays the tax and obtains a lien on the property for the tax and accrued interest at the rate of 6% per year. Beginning in fiscal year 2007-08 a combination of factors began to occur that would reverse the cash flow of the deferral account. In response to the cash flow issues, multiple changes were made to the deferral programs. Changes are described below.

2009 - HB 3199

- Removed continuing appropriation from state General Fund to deferral revolving account in times of insufficient funds to make deferral payments
- Established authority of State Treasurer to lend moneys to the Department of Revenue in amounts needed to make deferral payments. Required repayment of funds to Treasury within five years with interest.

2011 - HB 2543

- Limited net worth (excluding value of home) for new and existing participants to \$500,000
- Adjusted continuing qualification income criteria to household income rather than adjusted gross income
- Instituted home occupancy requirement of owning and living in home for at least five years prior to applying for program
- Required proof of homeowner's insurance
- Limited qualifying properties to those at a certain percentage of the county median real market value of residential properties. Limit is dependent in part on number of years a participant (or applicant) has owned and lived in the home.
- Changed interest rate from six percent simple to six percent compound for deferred amounts on or after November 2011
- Required participant re-certification every two years
- Properties with reverse mortgages no longer allowed to participate
- Eliminated five year extension for heirs to repay deferred taxes

- New special assessment deferrals no longer accepted
- Eliminated transfer of excess funds to Oregon Project Independence.

2012 - HB 4039

- Allowed participants removed from program solely due to reverse mortgage disqualification stemming from HB 2543 (2011) changes to receive deferral in 2011 and 2012
- Changed recertification requirement to “not less than once every three years” allowing for a staggered recertification process
- Refined definition of county median RMV.

2013 - HB 2510, HB 2489

- HB 2510 allowed reverse mortgage participants brought back into deferral program by HB 4039 (2012) to remain in program in perpetuity so long as they meet all other qualification criteria
- HB 2489 created ability for participants that participated in program in 2011 and no longer qualify due to reverse mortgage or five year property requirements to reapply for deferral in the program beginning in 2014. Limited re-approval of participants to first 700 to reapply.

2014 – HB 4148

- Changed interest rate back to 6% simple rather than 6% compound. Applies interest retroactively for program participants that pay balances on or after July 1, 2016.