Seventy-Eighth Oregon Legislative Assembly - 2015 Regular Session **MEASURE: HB 2083**
PRELIMINARY STAFF MEASURE SUMMARY
House Committee On 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: 03/12, 04/21
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WHAT THE MEASURE DOES:
Creates exception to five-year ownership requirement for homestead of claimant for deferral if claimants for deferral moved to homestead from a homestead that met all the homestead requirements. Allows deferral for homestead if homestead is insurable for fire and other casualty. Allows Department of Revenue to purchase insurance for the homestead and add cost of insurance coverage to the lien for deferred taxes. Eliminates qualification criteria related to function of real market value (RMV) of homestead in relation to county median RMV and number of years claimant has continuously owned and lived in homestead. Eliminates prohibition of pledging homestead receiving deferral as security for a reverse mortgage. Allows eligible claims filed under certain circumstances to be granted in order received. Repeals statutes made irrelevant. Takes effect on 91st day following adjournment sine die.

ISSUES DISCUSSED:

- People aging in their home
- County outreach following previous program changes - variation of the outreach by county
- Working with local aging and disability groups in coordination notification process for recertification
- Effect changes to program have/had upon revolving account
- Accuracy of previous Department of Revenue forecasts
- Policy holder of insurance coverage when insurance purchased by Department of Revenue
- Collection process of insurance if insurance claim is filed
- Income and net worth requirements
- Existing law five year requirement for deferring on a subsequent property
- Equity protections for Department of Revenue when deferral participant pays off previous deferral homestead and subsequently begins deferring on new homestead.

EFFECT OF COMMITTEE AMENDMENT:
-1 Replaces content of bill
Creates exception to five-year ownership requirement for homestead of claimant for deferral if claimants for deferral moved to homestead from a homestead that met all the homestead requirements, sell existing qualifying homestead within one year of purchasing new home and owe no more than 80 percent of purchase price of new application homestead. Allows Department of Revenue to purchase insurance for the homestead and add cost of insurance coverage to the lien for deferred taxes. Increases county median real market value qualification limits. Requires Department of Revenue to notify the office of Aging and Disability Resource Connection if recertification is not received. Expands time period with which taxpayers are required to respond to request for recertification. Changes apply to tax years beginning on or after July 1, 2016.

-2 Replaces content of bill
Creates exception to five-year ownership requirement for homestead of claimant for deferral if claimants for deferral moved to homestead from a homestead that met all the homestead requirements, sell existing qualifying homestead within one year of purchasing new home, satisfy lien for deferral on existing home and owe no more than 80 percent of purchase price of new application homestead. Requires homestead to be insured for fire and other casualty. Allows Department of Revenue to purchase insurance for uninsured homestead and add cost of insurance coverage to lien. Increases county median real market value qualification limits for taxpayers that have continuously owned and lived in homestead at least 21 years. Requires Department of Revenue to electronically notify an office of Aging and Disability Resource Connection or seniors and people with disabilities division of the Department of Human Services if recertification is not received with 35 days after sending notification to taxpayer. Conforms new language with existing statutes. Changes apply to property tax years beginning on or after July 1, 2016.

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.