

TO: Oregon State House of Representatives, Revenue Committee

Conveyed via e-mail to [lro.exhibits@state.or.us](mailto:lro.exhibits@state.or.us)

CC: The Honorable Representative Gorsek, Representative Piluso, Representative Johnson, Representative Fagan, Senator Monnes Anderson

DATE: May 4, 2015

FROM: City of Wood Village; City Administrator Peterson on behalf of Mayor and Council

SUBJECT: HJR12 and HJR20

The property tax system in Oregon is broken. In Wood Village, a community inside the Metro Boundary at the easterly side of the region, property tax revenues are 47% of the total General Fund revenues to our government. Public Safety in our local government is provided by contract through regional providers, sheriff for policing and Gresham for fire and life safety. Despite these efforts to contain costs, Public Safety expenses consume 100% of all property taxes, plus 98% of all state shared revenues from cigarette, liquor and state revenue sharing. This is only public safety, it does not address parks and the many services residents wish to have from our local government. This was not the case before the limits imposed by the combination of constitutional measures that have so crippled the property tax system.

Each year as we work on the budget we attempt to explain to residents how the system functions in our town. It is difficult to explain why one neighbor pays more in taxes, new properties are assessed below homes constructed in the 1980's, and how there is never a way to change the "permanent" tax rate or to reset the values for properties. When commercial properties have values at 56% of their estimated real market value, industrials are assessed at real market, and homes are somewhere between 63% and 100% of their real market value as the basis for taxing.

There simply has to be a way to make the system more responsive, and more equitable. Our residents were outraged when they found the levy for the Multnomah County Library District impacted their taxes significantly, while all the properties in Portland that are in compression paid nothing for the service.

Our City Council has endorsed the proposal to reset values at sale (HJR12). While an imperfect answer, it at least averts the constant error created by compounding a value from the mid 1990's in perpetuity. Even worse than this compounded error is "change ratio" property that has sold for \$340,000 and establishing an assessed value at \$216,478, fully \$60,000 below the neighbor. This will also simply compound in perpetuity with no way to correct how this value compares in the neighborhood.

We also have observed local governments attempt to fund new services through serial levies. The voters support taxing themselves anticipating a service, and find that the combination of compression and other limits does not provide the funding needed by the local government to provide the service promised. This has discouraged many of our local governments from even attempting a serial levy, and forced us to look for other solutions. The League advocates HJR20 as a solution, eliminating the compression on levies if local governments seek to have taxpayers specifically vote to recognize that the compression will not impact the levy. This is a measure that returns some portion of the taxing power to the taxpayers.

While we endorse both of these proposals, there are a series of other ideas that are currently being proposed to resolve issues throughout the state. Each of these adds a level of uncertainty to the questions before the voters, and like when there are multiple tax proposals on a single ballot, it becomes easiest to just say no. It would seem most logical to put together an interim committee with a charge to address the property tax system and resolve the many issues that plague the system.