



HOUSE BILL 3550

Comments by Gil Riddell, AOC Policy Director, before the House Revenue Committee, May 14, 2015.

House Bill 3550 would give authority to a county to adopt an ordinance or resolution to grant an exemption from property taxes imposed on homesteads of volunteer firefighters. The ordinance must specify the amount or percentage of assessed value that is exempted, and the minimum number of hours of volunteer service required before the firefighter becomes eligible to claim the exemption. According to Legislative Counsel, this bill in effect delegates to counties the state's authority to exempt property taxes of all local taxing districts within the county.

AOC appreciates the public service provided to all of Oregon by volunteer firefighters, who generously give their time and energy and risk their health to keep communities safe.

Although to exercise this authority is a county option, and AOC supports appropriate local government control of policy, **AOC opposes HB 3550 for several reasons.**

- If this is a matter of *statewide interest*, and AOC believes that it is, it seems more appropriate to provide an *income tax credit (from state finances)*, rather than a property tax exemption (from local finances). In fact, the proper policy may be in HB 2818, which adds the Oregon Volunteer Firefighters Association to the list of entities eligible for an individual income tax return check-off contribution, and is on your agenda today. In fact the sponsor of HB 2818, Representative Boone, has been a champion of volunteer firefighters, and has attempted to provide them recognition and benefits as a matter of *statewide interest* over several sessions.
- HB 3550 quickly makes the *policy* question of paying volunteers to perform voluntary service a *political* question, where those who would benefit organize to influence the close-at-hand county governing body. It is akin to the state passing to counties a hot potato.
- There are many worthy volunteer programs, e.g., search and rescue, hospitals, libraries. Who is next for this benefit? Unless this benefit covers all worthy programs, it creates a societal inequity.
- There will be inequities within this authority, in any event. The volunteer firefighter who rents will receive no benefit. And it is no matter that the ordinance or resolution uses an amount or a percentage of assessed value to be exempt; the size of the benefit will be different depending on the assessed value of the individual's homestead.

- Does the value of this county/state benefit become federal taxable income to the beneficiary?
- The state alone enacts or authorizes property tax expenditures, affecting local resources. The recent track record of state/county partnership in public finance has been spotty.
 - In 1999, the Legislature began appropriating \$5 million plus CPI/biennium through the Department of Revenue budget to the state assessment and taxation account (CAFFAA) to help support assessment and collection of taxes for the state-funded education system. This advanced the policy that beneficiaries of the service will help pay the cost. Unfortunately, in the 2009 session dominated by the Great Recession, the Legislature eliminated its biennial appropriation to the A&T fund, “sweeping” the \$5.2 million for other state general fund programs. Counties were also affected by the Great Recession, of course, yet continued as well as they could to provide critical public services. Among these services is to appraise, assess, and collect property taxes for all schools and other local districts while retaining a mere 17 percent of collections statewide. The state directly benefits from this service by the property taxes collected by counties for state-funded education (nearly \$2.5 billion or 45% of the total in FY 2013-14). The state’s \$5.2 million contribution to CAFFAA has not yet been returned.
 - Although it would not apply to this bill, the Legislature, since the enactment of the Property Tax Expenditure Funding Law in 1999, has *never* provided any revenues to the Property Tax Expenditure Funding Account. The PTEFL (ORS 306.350 to 306.359) is to pay general local governments – under most circumstances - 50 percent of revenues foregone as a result of new or expanded property tax expenditures, thus requiring the state to share in the cost of the Legislature’s decision to expend local revenues.