

PROPERTY TAX RELIEF

General property tax relief began with the Property Tax Relief Act of 1929. This act imposed a personal income tax and dedicated the revenues to offset the State's property tax levy. As a result, the State has not levied a property tax since 1940.

Homeowners and Renters Refund Program (HARRP)

HARRP was created in 1973 and discontinued by the 1991 Legislature. Refunds were phased down in 1991 and then ended. In 1991 HARRP gave property tax refunds to homeowners and renters with household income of less than \$10,000. Assets (excludes homestead, personal property and retirement plans) could not exceed \$25,000 unless age 65 or older. The program refunded property taxes up to a maximum for each income group.

Property Tax Relief Program (PTR)

PTR was enacted in 1979 and repealed by the 1985 Legislature. The program, when originally enacted, refunded 30% of qualifying operating levies up to a maximum of \$800 for each homeowner. Renters were refunded 4.7% of contract rent up to \$400 for each renter.

Elderly Rental Assistance (ERA)

ERA was enacted in 1975. ERA makes payments to renters age 58 and older with annual household income less than \$10,000. Assets (excludes homestead, personal property and retirement plans) must be less than \$25,000 if under age 65. No asset limit exists for participants older than 65. Rent, fuel and utility costs must exceed 20% of participant household income for calculating a payment. The payment is gross rent (including fuel and utilities) up to the \$2,100 limit less 20% of household income, such that the payment reaches the maximum of \$2,100 when income is zero and a minimum payment of \$100 at \$10,000 income. Taxpayers must file Form 90R by July 1 of the year following the year rent was paid to apply for payment the following November. Payments are made by check in November of each year out of a single appropriation to fund this program and make payments to counties in lieu of property taxes for exempt nonprofit corporation housing for elderly persons. If the appropriation is insufficient to cover the payments, payments to both programs are prorated.

In 1992, the total cash outlay from the General Fund reached its highest level with an average refund of \$711 per renter. Between 1992 and 2006, the number of participants declined by 63%; and the average refund declined by 34%. One plausible explanation is that between 2002 and 2005, mortgage interest rates declined; and the availability of financial instruments such as the 'interest only' mortgages may have enabled a number of former renters to purchase homes.¹ Another reason is that the income limits to participate in the program are less than the minimum Social Security benefit amount for couples established in 2005. The declining trend has continued through 2014, with 1,963 participants and an average refund of \$787.

Senior Citizens Property Tax Deferral Program

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

¹ There are other potential reasons for this decline that worked against eligibility. First, unless a husband and wife or registered domestic partners are living apart permanently on December 31, their income must be combined to determine their household income. Second, in 2005, cost of living allowance raised the minimum social security benefits for a couple to \$10,015.

obtains a lien on the property for the tax and accrued interest at the rate of 6% per year. At the time of enactment, the owner's household income was required to be under \$24,500 in the year prior to applying. Once in the program, a taxpayer could defer only in years when federal adjusted gross income was less than \$29,000. In 1977, the Legislature expanded the program to include special assessments. Special assessment deferral was discontinued in 2011 (HB 2543). The 1999 Legislature opened the deferral program to the disabled community and increased the initial income threshold to \$27,500 in the year prior to applying and raised household income once in the program to \$32,000. The 2001 Legislature raised the initial household income to match the "once in the program limit" of \$32,000. These income limits are indexed to the U.S. Urban CPI. The current household income limit is \$43,000 for the 2014-15 tax year.

Participation in the senior deferral program grew rapidly from the late seventies into the mid-eighties, going from 1,976 paid property tax accounts in fiscal year 1978-79 to 12,228 in 1985-86. Participation peaked in fiscal year 1989-90 at 13,165 paid senior deferral accounts. Participation then steadily declined until 2001-02 when the first group of disabled participants began receiving deferral. Participation then held relatively steady until 2008-09 when overall participation began to increase.

Nominal tax paid on behalf of deferral participants followed a relatively similar pattern. A high of \$20.2 million in tax paid was reached in 1989-90 followed by a period of steady decline. In 2001-02 when disabled participants were added to the program, tax paid began to increase modestly until 2009-10 when rapid growth occurred.

Repayment of deferred balances followed a different trend. From 1978-79 to 1993-94, repayments increased rapidly before maintaining a steady annual amount ranging between \$18 and \$22 million per fiscal year. This dynamic required continuous appropriations to the deferral revolving account through the 1994-95 fiscal years. From 1995-96 through 2007-08, as repayments continued to outpace tax payments, the deferral account was able to appropriate out over \$90 million, including payments of just over \$14.5 million to Oregon Project Independence (discussed in more detail later).

Beginning in fiscal year 2007-08 a combination of factors began to occur that would reverse the cash flow of the deferral account. Annual repayments dropped below \$18 million for the first time in over fifteen years while tax payments began to grow at an increasing pace. Fiscal year 2008-09 was the first fiscal year in which tax payments exceeded repayments since the 1991-92 fiscal year. Due to cash flow issues, Department of Revenue was forced to pay only two thirds of property tax account balances in November of 2010 with the remaining third being paid in May of 2011. 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.

Following the changes to the program in HB 2543 (2011), paid tax accounts in 2011-12 fell to about half the number in the previous year and overall taxes paid were about 62% of the previous year's. Subsequent changes have allowed some of the previously eliminated participants to requalify for the program contributing to the moderate growth in the number and total tax paid. In 2014-15, 6,911 senior and disabled accounts were paid.

Operation Project Independence

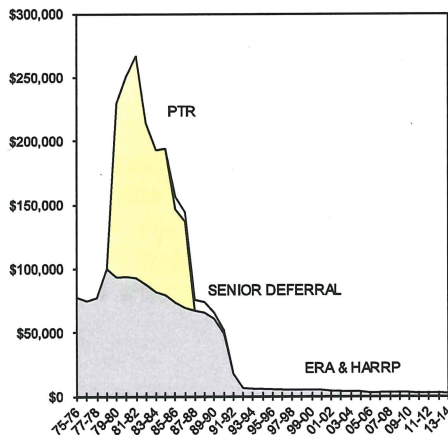
In 2005, the Legislature created Oregon Project Independence (OPI) and funded it from excess balances that accumulate in the Senior Deferral Account. Excess balances accumulate if the property tax plus interest repayments are greater than the amount that the State of Oregon pays counties on behalf of the qualified seniors and disabled who are in the Senior and Disabled Deferral Program. The first payment sent in 2006 from the Deferral Account was in the amount of \$250,000. No payment was made in 2007. The January 2008 payment was in the amount of \$14.29 million. Funding challenges related to the Senior and Disabled Deferral Program in recent years have resulted in a loss of funding to OPI. To stabilize the program's funds, the 2011 Legislature removed the program as a source of OPI funding in HB 2543.

GENERAL FUND EXPENDITURES FOR PROPERTY TAX RELIEF

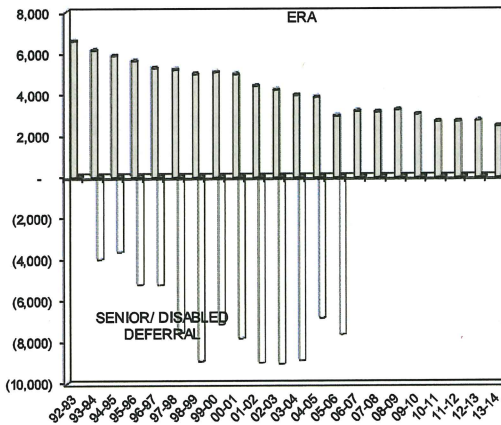
FISCAL YEAR	GENERAL FUND EXPENDITURES (\$ 000)				HARRP PROGRAM PARAMETERS			PTR MAXIMUM PAYMENT
	ERA, NPH ³ & HARRP ¹		DEFERRAL ²		INCOME LIMIT	MAXIMUM REFUND	ASSET TEST	
		PTR	PROGRAMS	TOTAL				
1975-76	\$77,693	\$0	\$0	\$77,693	15,000	490		
1976-77	74,887	0	0	74,887	15,000	490		
1977-78	77,335	0	0	77,335	15,000	490		
1978-79	100,076	0	0	100,076	16,000	655		
1979-80	93,444	135,993	0	229,437	17,500	750		800
1980-81	93,879	157,261	0	251,140	17,500	750		800
1981-82	92,810	174,053	0	266,863	17,500	750		425
1982-83	87,883	126,264	0	214,147	17,500	750		192
1983-84	81,755	111,089	0	192,844	17,500	750		170
1984-85	79,688	114,451	0	194,139	17,500	750		170
1985-86	73,573	72,913	9,926	156,412	17,500	750		100
1986-87	69,489	67,519	7,160	144,168	17,500	750		100
1987-88	67,215	0	8,559	75,774	17,500	750		0
1988-89	65,773	0	8,293	74,066	17,500	750		0
1989-90	60,971	0	4,817	65,788	17,500	750		0
1990-91	49,257	0	2,783	52,040	17,500	750	25,000	0
1991-92	18,256	0	633	18,889	10,000	500	25,000	0
1992-93	6,586	0	(1,399)	5,187	0	0	0	0
1993-94	6,143	0	(3,964)	2,179	0	0	0	0
1994-95	5,875	0	(3,612)	2,263	0	0	0	0
1995-96	5,630	0	(5,195)	435	0	0	0	0
1996-97	5,291	0	(5,219)	72	0	0	0	0
1997-98	5,205	0	(7,528)	(2,323)	0	0	0	0
1998-99	5,000	0	(8,887)	(3,887)	0	0	0	0
1999-00	5,085	0	(7,097)	(2,012)	0	0	0	0
2000-01	4,984	0	(7,779)	(2,795)	0	0	0	0
2001-02	4,417	0	(8,958)	(4,541)	0	0	0	0
2002-03	4,225	0	(9,015)	(4,790)	0	0	0	0
2003-04	3,966	0	(8,864)	(4,898)	0	0	0	0
2004-05	3,868	0	(6,800)	(2,932)	0	0	0	0
2005-06	2,956	0	(7,596)	(4,640)	0	0	0	0
2006-07	3,190	0	0	3,190	0	0	0	0
2007-08	3,148	0	0	3,148	0	0	0	0
2008-09	3,260	0	0	3,260	0	0	0	0
2009-10	3,049	0	0	3,049	0	0	0	0
2010-11	2,686	0	0	2,686	0	0	0	0
2011-12	2,691	0	0	2,691	0	0	0	0
2012-13	2,726	0	0	2,726	0	0	0	0
2013-14	2,461	0	0	2,461	0	0	0	0

NOTE: ¹ HARRP refunds ended with the Oct. 1991 payment based on the 1990 return.
² ERA, Elderly (age 58 or older) Rental Assistance for households with income less than \$10,000 continues.
³ General Fund cost as current year payments less repayments for prior years.
Prior to 1985-86 deferral payments were treated as General and Other Fund Investments.
³ Nonprofit Housing started in 1991-92.

GENERAL FUND EXPENDITURES FOR PROPERTY TAX RELIEF- 1976-2014



GENERAL FUND EXPENDITURES FOR PROPERTY TAX RELIEF -1992-2014



Source: Oregon Department of Revenue

PROPERTY TAX RELIEF

HOMEOWNER'S AND RENTER'S REFUND PROGRAM (HARRP)

RETURN YEAR	REFUNDS (\$000)				NUMBER OF RETURNS				AVERAGE REFUND (\$)			
	HOME OWNER	RENTER	MOBILE HOME	TOTAL	HOME OWNER	RENTER	MOBILE HOME	TOTAL	HOME OWNER	RENTER	MOBILE HOME	TOTAL
1975	48,277	25,789	3,017	77,083	268,010	240,922	18,445	527,377	180.13	107.04	163.57	146.16
1976	44,044	25,939	3,055	73,038	234,813	241,469	18,229	494,511	187.57	107.42	167.59	147.70
1977	57,781	31,984	4,223	93,988	222,570	214,217	19,020	455,807	259.61	149.31	222.03	206.20
1978	53,172	32,015	3,878	89,065	209,977	221,354	20,410	451,741	253.23	144.63	190.00	197.16
1979	51,211	31,990	4,278	87,479	200,311	238,150	21,254	459,715	255.66	134.33	201.28	190.29
1980	49,861	33,297	4,422	87,580	185,111	238,498	20,997	444,606	269.36	139.61	210.60	196.98
1981	47,477	32,856	4,416	84,749	171,208	221,018	20,083	412,309	277.31	148.66	219.89	205.55
1982	43,886	26,677	4,174	74,737	152,214	175,902	18,069	346,185	288.32	151.66	231.00	215.89
1983	40,938	28,207	4,092	73,237	143,524	182,165	17,363	343,052	285.23	154.84	235.67	213.49
1984	37,002	28,229	3,950	69,181	129,900	179,968	16,335	326,203	284.85	156.86	241.81	212.08
1985	34,518	25,136	3,852	63,506	120,882	176,986	15,742	313,610	285.55	142.02	244.70	202.50
1986	32,342	25,329	4,047	61,718	112,816	169,351	15,255	297,422	286.68	149.57	265.29	207.51
1987	32,253	24,129	4,104	60,486	110,549	164,051	14,925	289,525	291.75	147.08	274.97	208.91
1988	29,851	22,646	3,886	56,383	103,337	157,141	14,127	274,605	288.87	144.11	275.08	205.32
1989	22,602	19,774	3,484	45,859	79,190	138,598	12,713	230,501	285.41	142.67	274.05	198.95
1990	4,578	4,487	747	9,812	26,873	56,711	4,772	88,356	170.36	79.12	156.54	111.05

HARRP NOTES: HARRP program ended in 1991.

Refunds for 1971 and 1972 were under the Homeowners Property Tax Relief Program (HOPTR).

Mobile homes are included in homeowners and renters for 1973 and 1974.

In 1973 the household income limit increased to \$16,000 and the maximum refund schedule increased.

In 1977 the household income limit increased to \$17,500 and the maximum refund schedule increased.

In 1982 the HARRP packet was separated from the income tax packet and mailed late in March of 1983.

In 1985 each qualified renter filed separately - previously only one return was allowed per household.

In 1989 asset test added for those under age 65. Assets must be less than \$25,000 excluding the homestead, tangible personal property and retirement plans.

In 1990 the household income limit decreased to \$10,000 and the maximum refund schedule decreased.

ERA NOTES:

In 1975 renters eligible if age 65 or older with income less than \$3,000 and rent exceeds 60% of income.

In 1977 age reduced to 58 or older, income increased to \$5,000 and rent (up to \$2,100) exceeds 40% of income.

In 1989 asset limit of \$25,000 (with exclusions) added if under age 65.

In 1991 household income limit increased to \$10,000 and percent of income reduced to 20%.

Payment equals rent (up to \$2,100) less 20% of household income (\$10,000 limit).

ERA payments are made each fall for returns filed in the Spring. Returns may be filed up to 3 previous years.

ELDERLY RENTAL ASSISTANCE (ERA)			
RETURN YEAR	REFUNDS (\$000)	RETURNS	AVERAGE REFUND
1980	2,820	4,699	\$600
1981	2,184	3,525	620
1982	2,028	3,129	648
1983	1,757	2,738	642
1984	1,482	2,397	618
1985	1,358	2,228	610
1986	1,161	1,930	602
1987	1,063	1,810	587
1988	879	1,549	567
1989	549	1,045	526
1990	6,357	11,372	559
1991	5,564	10,430	533
1992	6,555	9,216	711
1993	5,522	9,542	679
1994	4,978	8,880	561
1995	4,652	8,230	565
1996	4,425	7,873	562
1997	4,214	7,571	557
1998	4,289	7,708	556
1999	4,238	7,579	559
2000	3,487	7,732	451
2001	3,202	6,215	515
2002	4,794	9,596	500
2003	2,745	5,076	541
2004	2,502	4,614	542
2005	2,095	3,996	524
2006	1,797	3,934	477
2007	1,660	3,286	443
2008	1,656	3,646	454
2009	1,422	3,284	433
2010	1,122	3,240	343
2011	994	2,784	357
2012	918	2,500	367
2013	855	2,284	375
2014	787	1,963	401

NON PROFIT HOUSING			
FISCAL YEAR	REFUNDS (\$000)	RETURNS	AVERAGE REFUND
FY 95	648	25	25,920
FY 96	664	28	23,714
FY 97	760	31	24,516
FY 98	747	32	23,344
FY 99	828	34	24,353
FY 00	901	36	25,028
FY 01	1,009	38	26,553
FY 02	840	39	21,538
FY 03	1,083	41	26,415
FY 04	1,221	43	28,395
FY 05	1,364	44	31,000
FY 06	1,263	44	28,705
FY 07	1,396	44	31,727
FY 08	1,488	44	33,818
FY 09	1,602	48	33,385
FY 10	1,627	48	33,894
FY 11	1,566	50	31,312
FY 12	1,697	49	34,633
FY 13	1,503	51	29,471
FY 14	1,683	50	33,667
FY 15	1,674	47	35,617

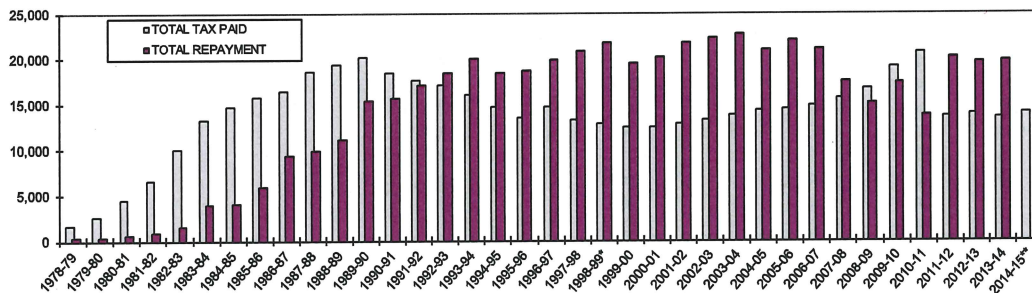
Source: Oregon Department of Revenue

SENIOR CITIZENS PROPERTY TAX DEFERRAL

FISCAL YEAR	PROPERTY TAXES		SPECIAL ASSESSMENT		Disabled Deferral		(\$ 000)		
	PAID ACCTS.	AVG. PAID	PAID ACCTS.	AVE. PAID	PAID ACCTS.	AVG. PAID	TOTAL TAX PAID	TOTAL REPAYMENT	BALANCE OWED
1978-79	1,976	\$ 845	111	\$ 56	0	0	1,676	273	N/A
1979-80	4,000	\$ 645	168	\$ 187	0	0	2,649	370	N/A
1980-81	6,046	\$ 723	184	\$ 352	0	0	4,438	559	N/A
1981-82	7,097	\$ 917	246	\$ 442	0	0	6,614	833	N/A
1982-83	8,827	\$ 1,103	389	\$ 656	0	0	9,992	1,529	22,859
1983-84	10,976	\$ 1,181	404	\$ 761	0	0	13,275	3,864	34,540
1984-85	11,603	\$ 1,236	430	\$ 853	0	0	14,710	4,018	45,806
1985-86	12,228	\$ 1,261	501	\$ 735	0	0	15,785	5,859	56,811
1986-87	12,632	\$ 1,282	419	\$ 677	0	0	16,480	9,320	65,732
1987-88	12,738	\$ 1,430	422	\$ 548	0	0	18,493	9,934	75,236
1988-89	13,092	\$ 1,463	396	\$ 613	0	0	19,410	11,117	84,834
1989-90	13,165	\$ 1,513	393	\$ 641	0	0	20,164	15,347	91,676
1990-91	12,976	\$ 1,398	379	\$ 579	0	0	18,387	15,603	96,856
1991-92	12,039	\$ 1,449	411	\$ 544	0	0	17,685	17,051	100,433
1992-93	12,181	\$ 1,387	476	\$ 337	0	0	17,085	18,484	102,763
1993-94	11,681	\$ 1,358	495	\$ 366	0	0	16,058	20,022	102,937
1994-95	11,216	\$ 1,299	504	\$ 334	0	0	14,740	18,352	103,967
1995-96	10,763	\$ 1,235	431	\$ 397	0	0	13,519	18,714	102,373
1996-97	10,520	\$ 1,380	365	\$ 391	0	0	14,703	19,921	101,801
1997-98	10,823	\$ 1,207	343	\$ 486	0	0	13,260	20,788	99,784
1998-99*	9,769	\$ 1,272	209	\$ 469	0	0	12,832	21,719	136,268
1999-00	9,184	\$ 1,345	170	\$ 414	0	0	12,443	19,541	135,161
2000-01	8,822	\$ 1,396	155	\$ 468	0	0	12,392	20,172	133,271
2001-02	9,215	\$ 1,362	137	\$ 473	281	\$ 1,041	12,835	21,792	129,900
2002-03	9,107	\$ 1,404	254	\$ 206	387	\$ 1,080	13,196	22,210	126,224
2003-04	8,900	\$ 1,485	211	\$ 255	524	\$ 1,154	13,783	22,647	122,953
2004-05	8,300	\$ 1,633	158	\$ 328	633	\$ 1,182	14,302	20,901	120,031
2005-06	8,666	\$ 1,555	132	\$ 359	712	\$ 1,190	14,402	21,993	117,262
2006-07	8,627	\$ 1,595	105	\$ 314	786	\$ 1,251	14,814	21,135	116,079
2007-08	8,483	\$ 1,708	86	\$ 366	869	\$ 1,335	15,681	17,518	119,236
2008-09	8,652	\$ 1,765	78	\$ 522	890	\$ 1,480	16,662	15,042	126,375
2009-10	9,366	\$ 1,862	74	\$ 568	1,104	\$ 1,448	19,089	17,312	133,886
2010-11	9,883	\$ 1,880	N/A	N/A	1,207	\$ 1,509	20,743	13,764	137,961
2011-12	6,890	\$ 1,828	N/A	N/A	689	\$ 1,511	13,644	20,126	144,398
2012-13	6,530	\$ 1,927	N/A	N/A	805	\$ 1,595	13,867	19,604	145,111
2013-14	5,952	\$ 2,031	N/A	N/A	819	\$ 1,677	13,534	19,687	145,090
2014-15**	6,053	\$ 2,077	N/A	N/A	858	\$ 1,681	14,048	-	-

NOTES: Senior repayment excludes special assessments until 1983-84. Balance owed includes interest from 98-99 forward. Interest rate of 6% is calculated as simple interest prior to changes for the 2011-12 Tax Year, where it is changed to compound. In 1984 household income limit of \$17,500 added for tax deferral and special assessment. Property tax deferral income limit was \$18,500 in 1990, \$19,500 in 1991, and \$24,500 through tax year 2000-01. In 2001-02, The annual income to remain eligible for the tax deferral program was increased to \$32,000 indexed to the CPI. The 1999 Legislature opened the deferral program to the disabled community beginning 2001-02. * In 1998-99 while converting from one mainframe system to another, the DOR discovered that interest for prior years had not been posted to the senior deferral account. The increase in the 'balance owed' in 1998-99 reflects the impact of this interest. ** Total repayments and balance owed not reported for 2014-15 as at time of publication, only half of fiscal year had elapsed.

SENIOR & DISABLED DEFERRAL PROGRAM - TAXES PAID AND REPAYMENTS RECEIVED



**Repayments for 2014-15 not reported as fiscal year only partially completed.

Source: Oregon Department of Revenue