Seventy-Eighth Oregon Legislative Assembly - 2015 Regular Session **MEASURE: HB 2690 A**
STAFF MEASURE SUMMARY **CARRIER: Sen. Boquist**
Senate Committee On Finance and Revenue

Fiscal: Has minimal fiscal impact
Revenue: Revenue impact issued

Action Date: 06/03/15
Action: Do Pass The A-Eng Bill.
Meeting Dates: 06/03
Vote:
Yeas: 5 - Baertschiger Jr, Boquist, Edwards, Hass, Riley
Prepared By: Kyle Easton, Economist

WHAT THE MEASURE DOES:
Exempts from property taxation land acquired and held by a nonprofit corporation for the purpose of building on the land residences to be sold to individuals with income not greater than 80 percent of area median income as adjusted for family size. Requires nonprofit corporation, within 10 years immediately preceding filing of claim for exemption, to have sold at least one residence to individuals with income not greater than 80 percent of area median income as adjusted for family size. Requires exemption to end at time of title transfer. Absent title transfer, exemption required to end after seven consecutive years with option for three year extension if claim is filed and filing fee paid. Requires additional taxes and penalties imposed upon nonprofit, if nonprofit corporation has not transferred title to the residences on the land by end of seven or ten year exemption period. Applies to property tax years beginning on or after July 1, 2015.

ISSUES DISCUSSED:

- Creation of new exemption
- Time period for nonprofits to develop property
- Inconsistency in interpretation of existing exemption law ORS 307.130, clarity provided in measure for qualifying nonprofits.

EFFECT OF COMMITTEE AMENDMENT:
No amendment.

BACKGROUND:
Property owned or under contract of sale by literary, benevolent, and charitable organizations or scientific institutions is exempt from property taxation under ORS 307.130. The existing property tax exemption for charitable organizations will generally include property of nonprofit organizations that build and then sell property to low income individuals. The nonprofit property however only becomes exempt from property taxes once the nonprofit has begun the construction process. In some cases a lag time can occur between when the nonprofit acquires the property and when construction begins. This lag period often consists of multiple years as tracts of property may be acquired and subsequently divided into multiple residential lots with residences then being built in perhaps a staggered manner. During that interim period, the land is subject to property taxation. The property subsequently becomes taxable once the nonprofit has transferred deed of the property to the low income individual acquiring the property.

The engrossed measure would exempt from property taxation the land acquired by a qualifying nonprofit from the time in which the nonprofit acquired the property until transfer of deed to the low income individual. The measure requires transfer of property within 10 years of nonprofit acquiring the property otherwise back taxes, penalties and fees are imposed.