



Testimony on SJR 201  
February 3, 2016

The City of Gresham is strongly supportive of property tax reform, and appreciates the Senate Revenue Committee's willingness to discuss the issue, and ensure that it remains a focal point of the broader revenue reform discussions in Oregon. While SJR 201 starts the discussion by raising some issues within the current property tax system, The City of Gresham believes there are key factors in the draft measure that merit adjustment, and some additional reform principles that should be included in any property tax proposal.

- UNKNOWN EXEMPTION CLOUDS POTENTIAL FINANCIAL IMPACT



SJR 201 would establish a homestead exemption, which the City of Gresham does not necessarily oppose. However, the undefined nature of the homestead exemption makes it impossible to know how the Legislature would establish the exemption going forward, leaving a completely unknown revenue impact to local agencies, and subsequent questions regarding the impact on public services.

- Not knowing how a future Legislature may choose to establish the exemption also means that opponents of the measure would be able to raise concerns that taxes in some jurisdictions may increase dramatically. A future Legislature could choose to establish an extremely low exemption, effectively raising taxes severely, or a very high exemption, effectively choking off local public services.

- SOME JURISDICTIONS GET A WINDFALL, OTHERS TAKE A LARGE HIT

While SJR 201 re-establishes the relationship of property taxation to Real Market Value (RMV), it would impact different jurisdictions very differently, significantly advantaging some service providers, and just as significantly constraining others. Currently, the average Taxable Assessed Value (TAV) in the City of Portland hovers around 55 percent of the average RMV. In Gresham, on the other hand, the average TAV is closer to 80 percent of the average RMV. That means that the City of Portland would presumably experience a substantial windfall as a result of taxing based on RMV (and taxpayers in

Portland would potentially see property tax bills increase dramatically), while Gresham would only see a moderate increase in the total tax base, likely more than offset by any potential homestead exemption, resulting in a net-loss of revenue to provide critical Police and Fire services. Consider this example of how the measure could impact homes in different jurisdictions very differently:

<b>Portland</b>			<b>Gresham</b>		
	Average TAV	\$ 184,000		Average TAV	\$ 184,000
	Average RMV*	\$ 345,600		Average RMV*	\$ 221,200
	Total 15/16 Tax Rate**	\$ 23.6472		Total 15/16 Tax Rate***	\$ 16.3397
		<b>Annual Difference</b>			<b>Annual Difference</b>
	15/16 Tax Example	\$ 4,351.08		15/16 Tax Example	\$ 3,006.50
	\$50,000 Exemption	\$ 5,711.29		\$50,000 Exemption	\$ 2,797.36
	\$100,000 Exemption	\$ 5,622.10		\$100,000 Exemption	\$ 1,980.37
	\$150,000 Exemption	\$ 4,625.39		\$150,000 Exemption	\$ 1,163.39
		<b>\$ 1,360.21</b>			<b>\$ (209.15)</b>
		<b>\$ 1,271.02</b>			<b>\$ (1,026.13)</b>
		<b>\$ 274.31</b>			<b>\$ (1,843.12)</b>

\* Average RMV is calculated based on houses in the jurisdiction with a TAV of \$184,000

\*\* Multnomah County Levy Code Area 201 (Portland)

\*\*\* Multnomah County Levy Code Area 026 (Gresham)

In the example above, under all three potential exemption scenarios, the Portland home would see a significant tax increase, while the Gresham home would see a tax decrease (and a decrease in revenue available for the City of Gresham to provide public services).

- The only opportunity jurisdictions would have to potentially counterbalance the potential revenue loss from the owner-occupied single family home exemption would be through increases in taxes for commercial businesses, light industrial, and multi-family properties (industrial machinery and equipment, personal property, and utilities are already assessed at their RMVs). In Gresham’s case, the revenue lost from any significant homestead exemption would not be gained back by increases to the remaining available categories.

• **MISSES OPPORTUNITY TO ADDRESS ARBITRARY, DISPARATE RATES**

SJR 201 is silent on the dramatic issues caused by the arbitrary and antiquated permanent tax rate provisions in Measure 50. The City of Gresham’s permanent tax rate is \$3.61 per \$1,000, which is one of the lowest tax rates for any major, full-service city in Oregon. Portland’s rate, for comparison (including their special assessment for Public Safety Retirement and Disability) is nearly twice that of Gresham at around \$7.08 per \$1,000.

- Permanent rates were established in the mid-1990s, and reflected the needs and desires of communities across Oregon only at that specific point in time. Gresham has experienced dramatic urban growth since the rates were established, and has also experienced the

unprecedented movement of poverty, and need for public services, to its jurisdiction. Gresham's 2016 needs are significantly different than they were two decades ago, but the permanent rate is arbitrarily stuck in time. SJR 201 does not currently provide an opportunity for communities to address their changing circumstances and needs via their rates of taxation, and should be amended to address this major issue and inequity.

- LEAVES “TIMBER COUNTY” ISSUES UNRESOLVED

This same problem is a major contributing factor for the “timber county” issues recently experienced in Oregon. In the mid-1990s, these counties had significant revenue coming from the sale of federal timber, or from subsequent federal payments in lieu of timber receipts. As a result, they had very low permanent property tax rates on the books when the Measure 5 limitations were established. Since then, their federal revenue has largely disappeared, leaving their revenue needs, like Gresham's, in a very different place than they were 20 years ago. It would be a very unfortunate missed opportunity to refer a property tax reform measure to the voters that doesn't also provide an avenue to address the timber county issues.

- UNCERTAIN FATE FOR LOCAL OPTION LEVIES

Though SJR 201 provides for the ability of voters to approve local option levies, it leaves very little or no room for the levies to be funded within Measure 5 “compression” limitations. Because the collective general government combined rate (especially within urban areas) is likely to be greater than \$10, if taxes are calculated based on real market value, the levy would be immediately eliminated because it would exceed the \$10 per \$1,000 RMV limitation in Measure 5, and the compression methodology dictates that levies are completely eliminated before the permanent rates compress. The City of Gresham encourages amendments that would keep local option levies viable and intact.