

PRELIMINARY STAFF MEASURE SUMMARY**Senate Committee On Finance and Revenue****Fiscal:** May have fiscal impact, but no statement yet issued**Revenue:** May have revenue impact, but no statement yet issued**Action Date:****Action:****Meeting Dates:****Prepared By:** Kyle Easton, Economist**WHAT THE MEASURE DOES:**

Proposes amendment to Oregon constitution to be submitted to the people for their approval or rejection at the next regular general election held throughout the state. Amendment repeals ad valorem property tax assessment provisions created by House Joint Resolution 85 (1997) and approved by voters as Ballot Measure 50 (1997). Requires ad valorem property taxes to be assessed on real market value of property. Requires Legislative Assembly to provide by law for an exemption from ad valorem property taxes imposed on an owner-occupied principal dwelling. Allows Legislative Assembly to provide by law for assessing property at the average real market value of the property for a specified number of years so long as property was in existence for all of the specified number of years. Requires a local taxing district's permanent limit on the rate of ad valorem property taxes to be the permanent limit on the rate of ad valorem property taxes imposed by the local taxing district on the effective date of measure.

ISSUES DISCUSSED:**EFFECT OF COMMITTEE AMENDMENT:**

No amendment.

BACKGROUND:

Oregon's current property tax system is largely governed by two constitutional ballot measures: Measure 5 approved in 1990 and Measure 50 approved in 1997.

Measure 5 is a tax limitation constitutional amendment approved by Oregon voters in 1990. It restricted taxes on any parcel of property per \$1,000 of real market value: the education category is limited to \$5 and general government to \$10. Tax "compression" occurs if the tax extended on a property exceeds either of the Measure 5 limits. That is, if taxes for an individual property exceed the limits, then the taxes for that property are reduced to the limits. Local option levies are the first levy type to be reduced. General obligation bonds are not restricted by Measure 5 limits.

In May 1997 voters passed a second constitutional amendment to limit property tax. Measure 50 did not replace Measure 5, but rather established a second level of restrictions. Measure 50 gave each district a permanent tax rate which cannot be increased without a constitutional amendment. However, voters can approve local option levies for up to five years for operations, and up to the lesser of ten years or the useful life of capital projects. Measure 50 also defined the concept of Assessed Value (AV). The 1997-98 Maximum Assessed Value (MAV) for each property was set at 90% of its 1995-96 real market value (RMV). If no new construction occurs on the property, then the growth in maximum assessed value is capped at 3% a year. However, assessed value cannot exceed real market value.