



SJR 201 Property Tax Reform

Testimony for Senate Revenue – Jody Wisser

This bill is a great start on property tax reform

We are exceptionally pleased to see a property tax reform bill come forward at this time, especially one that is not tied to sales tax or capital gains tax. If IP 28 passes, we face an opportunity to address the complexities and inequities in our property tax system without needing to be hyper-sensitive to revenue issues. If IP 28 doesn't pass, finding additional revenue somewhere, anywhere, will likely lead Legislators to our property tax system, which is indeed the least fair part of our tax system and where we should next expect to see more revenue generation.

Even though Oregon doesn't have a sales tax, our property tax system is just average in its production of revenue per capita, slightly below average actually. But revenue production aside, the issue of inequities inherent in our current system must be addressed.

Looking across the state at homes for sale with asking prices of \$225,000 to \$250,000, we found property taxes ranging from \$1000 to \$4000. Even within Portland, we found similarly priced homes with taxes ranging from \$1800 to \$4000. Much of the value variation is because assessed values got frozen in time, while market conditions have changed. Each year exacerbates the problem. The home taxed at \$1800 can expect an increase of \$54 next year, while the home taxed at \$4000 can expect at \$120 increase.

Assessed Value to Real Market Value Averages - A return to Real Market Value is only fair. A \$250,000 home in one Portland neighborhood should not pay less than half the taxes of another home of equal value within the same service districts. The bill before you does a sensible job of addressing this Real Market Value vs Assessed Value issue while also providing for an average of several years' RMV to smooth out market changes.

3% Growth Factor - We are pleased to see this addressed in SJR 201

Other issues SJR 201 which deserve attention in a reform package:

Phase in of changes - The AV to RMV change will need to be phased in. I'm one of those taxpayers advantaged by the use of AV. My own taxes would be two and a half times more if taxed at RMV, a jump of \$7173. A homestead exemption would not soften that increase much. Changes should be phased in over a 2-5 year time period, whether for home or commercial property owners.

Permanent Rates - While different communities do value common services differently. Our variations across the state are based on historic revenue patterns more than community values. As you can see in the attached graphic, a California retiree who moves into a million dollar retirement home, or a recent college graduate buying her first home can expect to pay \$13.54/thousand in property taxes in Clackamas County, but roughly half that in Gilliam County or on the coast in Curry County. The permanent rates no longer reflect the realities of today.

Equalizing participation in school funding - the children or grandchildren in each of those homes can expect to receive the same dollar in basic school funding because of our state-wide school funding formula, which evolved after those permanent rates were set. Each community's historic high or low commitment to education or former revenue sources is now locked into permanent rates with an unfair distribution of burden. It's time to unlock the permanent rates, and to require some basic fairness where all properties pay a common rate for basic school support.

Caps of \$5 and \$10 per thousand - the caps set 20 years ago by Measure 5 do not reflect inflation and infringe on community choices. They must be opened up and made responsive to inflation.

Property tax exemptions - Property tax exemptions, particularly those allowing local communities to abate education dollars which will be felt state-wide, need thorough review and changes. But our historic exemptions and reductions for non-profits and faux non-profits, state buildings, farm and forest properties and their homesites, hobby farms, and the multitude of different low income housing abatements deserve review.

Thank you for opening the discussion at this deepened level. The public is not really aware of the inequities in our property tax system. Changing awareness will be a necessary component to creating the opportunity for success on the ballot. Oregon deserves a just and adequate property tax system.