

D R A F T

SUMMARY

Directs Legislative Revenue Officer to study land value taxation. Defines “land value taxation” to mean property tax system that imposes higher uniform rate of tax on land assessments than on improvement assessments.

Takes effect on 91st day following adjournment sine die.

A BILL FOR AN ACT

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Relating to land value taxation; and prescribing an effective date.

Whereas the cumulative effects of limiting the growth of property assessments under Ballot Measure 50 (1997) are continuous revenue shortfalls, an increasing disparity between true market values and taxable assessments and unequal tax treatment of taxpayers with similarly valued property; and

Whereas economic analysts have spoken out clearly against both the use of limited assessments as a tax restraint and the perverse manner in which the taxation of improvement values discourages capital investment and the efficient use of land; and

Whereas present limitations on revenue authority, including Ballot Measure 50 limits and statutory automatic property tax exemptions, erode local control and undermine the ability of cities to maintain a healthy mix of revenues; and

Whereas under a split-rate land value property tax system, the tax rate on the assessed land values of all parcels in a taxing jurisdiction is higher than the rate on building assessments, thereby taxing mainly the site value created by the community at large; and

Whereas under the revised land value tax system, all properties within a local jurisdiction would be taxed at the same split rate, consistent with the

NOTE: Matter in **boldfaced** type in an amended section is new; matter *[italic and bracketed]* is existing law to be omitted. New sections are in **boldfaced** type.

1 constitutional intent to tax all classes of land users uniformly; and

2 Whereas in the aggregate, a land value tax is presumed to encourage local
3 investment, dampen land price inflation, help protect at-risk rural resource
4 lands from development pressures and stimulate infill development; and

5 Whereas by capitalizing marginal land tax liability into lower resale
6 prices and lowering the expectation of speculative returns, the land value tax
7 helps housing prices become more widely affordable and still leaves a sub-
8 stantial amount of cumulative equity in the hands of homeowners; and

9 Whereas a land value tax is expected to restore fairness and efficiency
10 to the tax system, is a reliable source of revenue and is relatively easy to
11 administer; now, therefore,

12 **Be It Enacted by the People of the State of Oregon:**

13 **SECTION 1. (1) As used in this section, “land value taxation”**
14 **means, for all taxable real property, a property tax system that im-**
15 **poses a higher uniform rate of tax on land assessments than on im-**
16 **provement assessments.**

17 **(2) The Legislative Revenue Officer shall conduct a study of land**
18 **value taxation. The study must include:**

19 **(a) An examination of the tax burden effects of a change from the**
20 **current system of property taxation under Ballot Measure 5 (1990) and**
21 **Ballot Measure 50 (1997) to land value taxation.**

22 **(b) Simulation model comparisons of tax applications using true**
23 **market assessments and a revenue-neutral framework.**

24 **(c) An examination of comparative economic incentive effects on**
25 **classes of land use in selected local urban and rural jurisdictions.**

26 **(d) An assessment of comparative revenue-generating effects on**
27 **multiple taxing districts within a local jurisdiction.**

28 **(e) An examination of an alternative method to a split-rate land**
29 **value tax that would exempt a specified proportion of the median as-**
30 **essment of all improvements within a jurisdiction under a single-rate**
31 **tax regimen.**

1 **(f) An evaluation of tax burden relief measures that might accom-**
2 **pany land value taxation, including a homestead exemption and prop-**
3 **erty tax deferral for homeowners who are financially overburdened.**

4 **(3) The Legislative Revenue Officer shall submit a report on the**
5 **study, in the manner provided by ORS 192.245, to the interim com-**
6 **mittees of the Legislative Assembly related to revenue no later than**
7 **September 15, 2018.**

8 **SECTION 2.** **Section 1 of this 2017 Act is repealed on the date of the**
9 **convening of the 2019 regular session of the Legislative Assembly as**
10 **specified in ORS 171.010.**

11 **SECTION 3.** **This 2017 Act takes effect on the 91st day after the date**
12 **on which the 2017 regular session of the Seventy-ninth Legislative**
13 **Assembly adjourns sine die.**

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