



HB 2978 Allows local jurisdictions to reduce property taxes – we oppose

Testimony for House Revenue 3.27.2017

HB 2978 authorizes local governing bodies of tax districts to create a standard exemption on taxable real property within that district, applicable to operating taxes, local option taxes, or both. The exemption would need to be approved by a majority of voters within that taxation district.

For example, an \$10,000 standard exemption on a property assessed at \$ 200,000 would effectively be assessed at \$190,000. In short, this bill creates the potential for a taxing district to provide a new tax property break.

Tax Fairness Oregon questions the need for this bill or why it was introduced when Oregon's state budget is facing a large shortfall. If the goal is to reduce property taxes because of surplus revenues within a taxing district - a scenario that seems remote under current circumstances - then local governing bodies can simply reduce tax rates.

If the goal is to provide a local option for a homestead exemption, the application of the exemption to all properties - whether residential or a primary residence, or commercial - contradicts this aim.

Indeed, there would need to be clarification if the exemption applied to each property held or the aggregate of properties held by the same ownership in the district. If the former, a single owner of multiple properties would receive multiple exemptions, while a single owner of one property would receive only one, regardless of relative values. This raises a clear fairness issue. And applying the measure to the aggregate of properties would be cumbersome, given properties are often are under fractional ownership.

Too, one must consider if the authority to reverse a previously granted exemption under HB 2978 would be possible if economic conditions warrant. No such language exists in the bill.

Tax Fairness Oregon opposes HB 2978. There appears to be little merit or cause for its introduction. At the very least, the potential to reduce local revenues for education must be avoided, and an amendment should be applied that would remove any impact to education dollars under this bill.