

Date: April 12, 2017
To: House Committee on Revenue
From: The Association of Oregon Counties
Subject: House Bill 2384

Please add to the records of the House Committee on Revenue these comments related to House Bill 2384, which is on the committee's agenda for public hearing on April 12, 2017.

AOC OPPOSES HOUSE BILL 2384

HB 2384 grants a property tax exemption to homesteads of seniors on limited or fixed incomes. The goal of the bill is laudable, but carries with it difficulties and questions.

AOC assumes that this bill will stand alone and not be part of a comprehensive public revenue reform package. Such a reform package would be analyzed as a whole.

HB 2384 sets a limit on taxes due on homesteads of seniors 65 years of age or older living on a fixed income equal to the total amount of taxes due for the property tax year preceding the first year for which relief under the bill is allowed. The amount of taxes in excess of the limit is abated.

County assessors are concerned about whether they are able to administer the bill. The assessors do not have the capability to automatically abate or defer a portion of property taxes levied; it would require a computer system rewrite.

The bill raises another question, one of inter-governmental relations. If this is sound statewide public policy, why does the bill use critical **local** property tax resources to pay for it? Other states use income taxes, such as a refundable income tax credit, as a "circuit breaker". In fact, current Senate Bill 160 creates the template to use for property tax exemption bills: a refundable income tax credit for a qualified senior homeowner with a property tax assessment greater than 10 percent of the homeowner's adjusted gross income. The income tax in Oregon is, after all, the major revenue source for the state, and this bill imposes state policy. Under Oregon's rate-based property tax system, which is already cut, capped, and limited to benefit the property owner, a property tax expenditure causes a straight loss of revenue for essential local and state-shared public services.

And there is an existing program, the Senior Citizens Property Tax Deferral Program, that is state-funded and pays the homeowner's local property taxes in exchange for a lien on the house. Might an affordable adjustment to this program meet the purpose of the bill?

The Task Force on Comprehensive Revenue Restructuring (Jan. 2009) made this short-term recommendation: “Refrain from new property tax expenditures or state mandates on local governments. This recommendation is directed at the Legislature and essentially says ‘do no harm’ that will make local government’s fiscal situation worse”.