

HB 2088 -3, -4 STAFF MEASURE SUMMARY

House Committee On Revenue

Prepared By: Kyle Easton, Economist

Meeting Dates: 3/20, 4/25

WHAT THE MEASURE DOES:

Provides authority to city, through an ordinance or resolution, to specify that area within city boundary is area to be used for purposes of computing maximum assessed value of specified property. Takes effect on 91st day following adjournment sine die.

ISSUES DISCUSSED:

- Formula used to compute new maximum assessed value would not change, rather the underlying values used in the formula would change reflective of the city specific values rather than the countywide values
- Likelihood or interest of cities (other than Gresham which is expected to use the new computation if authority is provided) that would utilize the permissive authority if given
- Secondary effect upon countywide change property ratio
 - Initially, effect would be a slight increase in countywide change property ratio with effect increasing over time
- Cities in Oregon where implementation of authority provided in measure would result in revenue gain
- Assessor concerns related to administrative costs and effects upon horizontal equity
- Potential to make changes in measure that would alleviate and/or reduce concerns of assessors
- Potentially compensating assessor for administrative costs with portion of potential increased revenue resulting from computation change contained in measure
- Ability to narrow scope of measure and minimize administrative costs, while still obtaining desirable outcome for cities.

EFFECT OF AMENDMENT:

-3 Replaces content of measure. Allows city, through ordinance or resolution, to specify that area within city boundary is area to be used for purposes of computing maximum assessed value of specified property. Allows city to adopt or repeal ordinance or resolution no more than once in a five year period. Allows county assessor to withhold city district property tax distributions, up to \$20,000, to cover costs incurred by county for software upgrades required due to city ordinance or resolution. Eliminates redundant statutory language.

-4 Replaces content of measure. Allows city, if the majority of the population of the city resides in a county with a population greater than 700,000, to specify through ordinance or resolution that area within city boundary is area to be used for purposes of computing maximum assessed value of specified property. Allows city to adopt or repeal ordinance or resolution no more than once in a five year period. Eliminates redundant statutory language

BACKGROUND:

Article XI, Section 11(1) of the Oregon Constitution requires property to be valued at the ratio of average maximum assessed value to average real market value of property located in the area in which the property is located that is within the same property class if:

- (A) The property is new property or new improvements to property;
- (B) The property is partitioned or subdivided;
- (C) The property is rezoned and used consistently with the rezoning;

HB 2088 -3, -4 STAFF MEASURE SUMMARY

(D) The property is first taken into account as omitted property;

(E) The property becomes disqualified from exemption, partial exemption or special assessment; or

(F) A lot line adjustment is made with respect to the property, except that the total assessed value of all property affected by a lot line adjustment shall not exceed the total maximum assessed value of the affected property under paragraph (a) or (b) of this subsection.

For property that fits the circumstances described in A-F above, maximum assessed value (MAV) for the property is generally determined through the following formula: RMV of property * (Avg. MAV / Avg. RMV) of property within the same area and classed the same.

HB 2088 gives authority to cities to adjust the "area" as described in the formula above, to be area within the city, rather than the current law area which is countywide. This would have the effect of computing MAV, for properties listed in circumstances A-F above, based upon the ratio of like classed properties located within the city, which may be higher or lower than a countywide ratio.