

PROPERTY TAX EXPENDITURES AND THEIR POTENTIAL CONSEQUENCES

When new property tax expenditures are sought

As in virtually every legislative session, certain interests will seek new exemptions from property taxes. Under Oregon's rate-based property tax system, a new exemption, deferral, or special assessment causes a straight loss of revenue for public services. AOC has not been rigid in opposition to new exemptions (e.g., five-year exemption for new machinery and equipment of agricultural food processors, who clearly demonstrated business failures and a bleak economic future for its sector; personal property manufactured structures valued below \$12,500 in Clackamas, Lane, Multnomah, and Washington Counties). AOC, however, has fought bills that do not answer affirmatively to these questions: 1) Is the proposal *necessary* to implement an important statewide public purpose? 2) Is a property tax expenditure the *only way* to accomplish that purpose, as opposed to creating an income tax credit? 3) Will the business or economic sector *fail* without the property tax expenditure?

Why reject proposed property tax expenditures?

- Questions to ask before considering a property tax expenditure: Is the proposal necessary to implement an important statewide public purpose? *If so, why not fund it with state income tax revenues or an earned income tax credit?* Will the business or economic sector fail without the property tax expenditure?
- The property tax system is already cut, capped, and limited to the benefit of the property owner.
- Under Oregon's rate-based property tax system, a new exemption, deferral, or special assessment does not shift the tax burden. Rather, it causes a straight loss of revenue for education and essential public services.
- With tight state and local budgets for critical public services, why give away a legal source of public revenue?

- Statewide 45% of property taxes fund education. The State General Fund backfills shortfalls.
- The county's share of property taxes (19% statewide) helps the county fund state-shared services to the same constituents as the State. Counties need revenues to provide these services.
- A critical role counties' play in the public services infrastructure is property tax assessment and collection for education and other public services. Only 20% of resources for that service is CAFFA grants; the rest is county general funds, which are limited by Measure 50 (1997) and property tax expenditures.
- The Governor's Task Force on Federal Forest Payments & County Services (Jan. 2009) Recommendation #40: Fund the Property Tax Expenditure Compensation Fund (ORS 306.350, et. seq.) to cover all eligible local government losses. "Local governments bear the brunt of revenue losses when the State enacts new property tax breaks".
- The Task Force on Comprehensive Revenue Restructuring (Jan. 2009) 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".

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