

**REVENUE IMPACT OF  
PROPOSED LEGISLATION**  
79th Oregon Legislative Assembly  
2017 Regular Session  
Legislative Revenue Office

**Bill Number:** HB 2964  
**Revenue Area:** Property Taxes  
**Economist:** Kyle Easton  
**Date:** 4/27/2017

*Only Impacts on Original or Engrossed  
Versions are Considered Official*

**Measure Description:**

Modifies existing permissive property tax exemption to allow existing qualified dwelling units newly purchased or rehabilitated to qualify for property tax exemption for up to ten successive property tax years. Modification applies to ordinances or resolutions adopted or amended by a city governing body after effective date of act.

**Revenue Impact:** No direct revenue impact

**Impact Explanation:**

Measure provides cities with authority to adopt property tax exemption program providing exemption to newly purchased or rehabilitated qualified dwelling units with market values of no more than 120% of median sales price of dwelling units located within city. The structure of a qualified property (land is taxable) receiving exemption is exempt from city imposed property taxes, or from all district imposed property taxes if the rates of taxation of taxing units whose governing bodies agree to grant the tax exemption, when combined with the rate of taxation of the city, equal 51% or more of the total combined rate of taxation levied on the property. In specified instances, for full exemption to apply, the governing body of the county must also agree to exemption.

Statute governing exemption provides city adopting exemption program considerable latitude in determining exemption parameters applicable to exempt property. Statutory parameters limit exemption applicability to single-unit housing dwellings that are any of the following:

- Newly constructed
  - Purchased
  - Rehabilitated
- } market values  $\leq$  120% of city median sales price of dwelling units

Statutory parameters as modified by measure provide the potential for a large number of properties to be exempt from property taxes for up to 10 successive years. This creates the potential for large reductions in property tax revenues. However, impact upon property tax revenues is ultimately dependent upon the number of cities that adopt such programs and the additional parameters cities enact as part of the exemption program. The existing exemption program is predominately used by the city of Portland and most recently estimated to reduce property tax revenues by about \$5.5 million per biennium.

Existing law sunset requiring new construction to be completed before January 1, 2025, is not applicable to newly purchased or rehabilitated units. As HB 2964 is an expansion of an existing tax expenditure, ORS 315.037(3) is not applicable and therefore no sunset exists for the expanded portions (newly purchased and rehabilitated units) of the property tax expenditure.

**Creates, Extends, or Expands Tax Expenditure:**      Yes  No

The policy purpose of this measure is contained in ORS 307.654 as amended which reads:

**307.654 Legislative findings.** (1) The Legislative Assembly finds it to be in the public interest to encourage homeownership among low and moderate income families.

(2) The Legislative Assembly further finds and declares that the cities of this state should be able to establish and design programs to stimulate the purchase, rehabilitation and construction of single-unit housing for homeownership by low and moderate income families by means of a limited property tax exemption, as provided under ORS 307.651 to 307.687.