

HB 2407 -2 STAFF MEASURE SUMMARY

House Committee On Revenue

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Meeting Dates: 3/2, 5/10

WHAT THE MEASURE DOES:

With respect to deferred billing credits, in instances where amount of refund due exceeds the deferred billing credit, reduces computation of interest from one percent per month to one-third of one percent per month. Eliminates three percent prompt payment discount in instances where taxes are due following final resolution of appeal. Requires taxes due following final resolution of appeal to be paid with interest computed at rate of one-third of one percent per month. Specifies that accrual of interest begins with inclusion of deferred billing credit and ends with the final resolution of the appeal to which the credit relates. Applies to deferred billing credits ordered on or after January 1, 2017.

ISSUES DISCUSSED:

- Ability to charge interest on past due amounts
- Possibility that changes provided in measure will deter continuation of litigation that may be ongoing due to property owner's ability to earn income on deferred amounts
- Amendments are being drafted
- Concept provided by county assessor and tax collector: collect disputed tax due, place in interest bearing account that is distributed to party that eventually prevails in tax appeal
- Proposal by League of Oregon Cities: At time of appeal resolution, if found in favor of county or Department of Revenue, taxes are collected with interest
- Requiring tax payer to pay disputed amount results in a cost to the property tax owner who does not have use of those funds.

EFFECT OF AMENDMENT:

-2 Replaces content of measure. Eliminates deferred billing credit statutory language following effective date of act. Deferred billing credits issued prior to effective date of measure are unaffected by changes in measure as amended. Allows county assessor to issue a potential refund credit in instances where deferred billing credits are allowed under current law. Requires taxpayer to pay amount of taxes included in potential refund credit. Upon issuance of potential refund credit, requires county treasurer to withhold amount of taxes included in potential refund credit and deposit withheld amounts in investment pool or any other investment account. Requires county treasurer to provide for proper accounting of any interest accruing on withheld amount. Upon final resolution of appeal to which potential refund credit relates, requires amount withheld and interest accrued to be refunded to taxpayer or deposited into unsegregated tax collections account depending upon outcome of appeal. Eliminates assessor quarterly reporting of deferred billing credits, requires assessor to annually report potential refund credits. Takes effect on 91st day following adjournment sine die.

BACKGROUND:

Enacted in 2011 by HB 2569, Deferred Billing Credits (DBC) provide the county assessor with the authority to, at their discretion, issue a DBC to taxpayers when tax assessment is appealed and dollar amount in dispute exceeds \$1 million. Assessor is allowed to provide DBC in any amount deemed necessary to address the risk presented by an appeal. The issuance of a DBC mitigates the risk to the county tax collector, and in effect local taxing districts, from being required to refund taxes previously collected, with 12% interest in instances where final resolution of appeal results in a refund of taxes paid. When a DBC has been issued, taxpayer is not required to pay taxes extended equal

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to amount of the deferred billing credit. If final resolution of appeal results in taxes being owed by property owner, taxes are due within 45 days following the date on which the county assessor mails the notice of tax due. Taxes paid within 45 days of notice are payable without interest and after application of the three percent discount for prompt payment.

Interest charge and collected on delinquent property taxes accrues at the rate of one and one-third percent per month (ORS 311.505). Refund interest paid accrues at a rate of one percent per month (ORS 311.812).