

## HB 3453 STAFF MEASURE SUMMARY

### House Committee On Revenue

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**Meeting Dates:** 5/9, 5/23

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#### WHAT THE MEASURE DOES:

Modifies two existing property tax exemptions: exempt lease from taxable owner (ORS 307.112) and exempt lease from exempt owner (ORS 307.166).

##### Exempt Lease from Taxable Owner - 307.112

To qualify for property tax exemption, requires the lease, sublease or lease-purchase agreement of property held under lease, sublease or lease purchase agreement by exempt entity and used in accordance with exemption requirements, to include terms stating that any tax savings resulting from the exemption shall inure solely to the benefit of the lessee. Requires documentary proof of tax savings in lease terms if assessor is not satisfied that tax savings inure solely to benefit exempt leasing institution or organization.

##### Exempt Lease from Exempt Owner - 307.166

To qualify for property tax exemption, requires any tax savings resulting from exemption to inure solely to the benefit of the lessee, sublessee or possessor of the property.

#### ISSUES DISCUSSED:

- Underlying justification or reasoning for providing exemption from property taxes of property leased to exempt entity
- DOR rules regarding the existing statute, how below rental rates are determined
- How nonprofit would determine whether lease rental is reflective of below market rent equal to the property tax savings
- Example of how benefit of property tax exemption would inure solely to the benefit of the exempt entity leasing the property as prescribed in measure.

#### EFFECT OF AMENDMENT:

No amendment.

#### BACKGROUND:

##### Exempt Lease from Taxable Owner - 307.112

Under current law, real or personal property of a taxable owner held under lease, sublease or lease-purchase agreement by an institution or organization granted exemption or the right to claim exemption is exempt if the property is used in accordance with exemption requirements and the rental price of the property has been established to reflect the savings below market rent resulting from the exemption from taxation. Application is required to be filed with county assessor to receive exemption.

HB 3453 would modify language requiring benefit of exemption and the tax savings that result from exemption, to inure solely to the benefit of the exempt organization leasing the property.

##### Exempt Lease from Exempt Owner - 307.166

**HB 3453 STAFF MEASURE SUMMARY**

Under current law, property exempt from property taxation that is held by an exempt owner and the exempt owner leases or otherwise grants the use and possession of the property to another institution or organization that is likewise granted exemption, the property is exempt from property taxation. For the property to be exempt, the rent payable under the lease or other grant of use and possession must reflect the tax savings resulting from the exemption. Application is required to be filed with county assessor to receive exemption.

HB 3453 would modify language requiring benefit of exemption and the tax savings that result from exemption, to inure solely to the benefit of the exempt organization leasing or subleasing the property.