

SB 181 A STAFF MEASURE SUMMARY

House Committee On Revenue

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Meeting Dates: 5/9, 6/1

WHAT THE MEASURE DOES:

Requires specified institutions seeking property tax exemption under ORS 307.130 to annually file an information return on or before April 1 preceding each tax year for which exemption is claimed. Specifies that late filing provisions contained in ORS 307.162 apply to the filing of an information return. Specifies contents of information return. Requires reporting institution to include with information return, most recently required and timely filed Form 990 and Form CT-12 of the reporting institution or link to a version of the form that is publicly available on the Internet. Requires institution that files a Form 990-N with the Internal Revenue Service, to file an information return that contains the information set forth on the Form 990-N filed by institution for current tax year instead of Form 990. Requires property to be disqualified from exemption under ORS 307.130 if information contained in information return or initial application for exemption was misleading or false. Imposes additional taxes on disqualified property in an amount equal to the property taxes that would have otherwise been imposed had the property not been exempt for up to the five immediately preceding property tax years, plus interest computed at the rate of one and one-third percent per month. Requires county assessor to provide notice of information return requirements to all reporting institutions whose property has been granted exemption under ORS 307.130 for the 2017-18 property tax year. Provides late filing of information return for initial 2018-19 property tax year. Specifies that information returns are kept as public records. Makes a number of insubstantial statutory modifications to ORS 307.130. Takes effect on 91st day following adjournment sine die.

ISSUES DISCUSSED:

- Measure and information return requirement applies only to exemption under ORS 307.130
 - Organizations qualifying for exemption under different statute are not subject to information return requirement (e.g. - Fraternal organizations, religious organizations)
- Intent of return information being collected and how assessors are expected or expecting to use the information
- Example of organizations attempting to receive exemption that may be questionable
- Legislative Counsel opinion regarding Oregon Grange being a fraternal organization and thus not affected by SB 181
- Meetings of the interim legislative work group
- Value of property tax exemption in terms of forgone property tax revenues
- Other organizations that could or should be required to file an information return
 - In later years, potential of changing information return requirements to something less than annual reporting
- Information return contains information that is publicly available in some instances, but not all
- Information return requirements are based upon parameters of existing law exemption per relevant case law
- Potential for reasonable concern from nonprofit community
- Need for the information return, why assessors cannot seek the information out on their own
- Clawback language and how it compares to other property tax requirements (e.g. - farm/forest deferral, business personal property).

EFFECT OF AMENDMENT:

No amendment.

BACKGROUND:

This Summary has not been adopted or officially endorsed by action of the committee.

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ORS 307.130 is a relatively broad exemption available to various types of nonprofit institutions including: hospitals and health organizations, social welfare organizations, museums and specified charitable retail stores. To qualify for exemption, organizations must initially apply to the assessor of the county in which the property resides. So long as ownership of all property included in the initial application remains unchanged, a new claim is not required.

Charitable organizations that solicit funds, hold assets, or otherwise do business in Oregon are required to register with the Charitable Activities Section of the Department of Justice (DOJ) and annually file financial reports with the Department. Annual reporting is met by filing DOJ form CT-12.

Form 990 is an annual information return required to be filed with the Internal Revenue Service (IRS) by most organizations exempt from the federal income tax under section 501(a) of the Internal Revenue Code. An organization's gross receipts and total assets determine which form an organization is required to file, the 990 being the most comprehensive. Organizations with gross receipts greater than or equal to \$200,000 or total assets greater than or equal to \$500,000 at the end of the tax year are required to file the full 990 return. Various schedules may be required as part of 990 filing depending upon the characteristics of the nonprofit organization. For example, hospitals are required to file Schedule H which includes information specific to hospital organizations. Certain organizations are not required to file annual 990 returns including certain: religious, governmental, political, foreign, or organizations with limited gross receipts. Completed form 990 returns are required to be made publicly available in their entirety.