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Members of the Oregon Senate  
Via Email  
c/o lro.exhibits@oregonlegislature.gov

**Re: HB 2407A**

Dear Members of the Oregon Senate:

I am writing to highlight one point that is not addressed in the materials on record that compare the deferred billing credit and potential refund credit mechanisms: HB 2407A would remove an economic incentive to resolve property tax disputes quickly.

The general rule under current law is that both the county and the taxpayer are encouraged to resolve property tax disputes due to a high rate of interest during a dispute, essentially 12% against the county. (A taxpayer is subject to a 16% interest on delinquent taxes). The high rates of interest encourage the taxpayer to pay the tax timely and encourage the county to resolve cases quickly.

If the amount of tax in dispute is more than \$1 million, the current deferred billing credit law allows the county to avoid the 12% interest by using the deferred billing credit mechanism. The county can choose whether or not to use this mechanism. However, the county must pay a price for avoiding the interest: it must forgo collecting the portion of the tax that the county decides is at risk (or if the taxpayer has already paid, the county must issue an initial refund of that portion of the tax) and to credit that amount to the taxpayer. Current law incents the county to resolve the dispute in order to bill and recover the amount of tax the court determines is owed. The taxpayer, in exchange for not being allowed the 12% interest under ORS 311.812(3), is allowed use of the deferred amount of tax.

HB 2407A would allow the county to eliminate the 12% rate of interest without any offsetting benefit to the taxpayer. Neither party would have the use of the amount of tax at risk. The county would collect the tax from the taxpayer and hold it in trust. If the court decides that the taxpayer has overpaid, the taxpayer would receive only the interest actually earned (at money market account rates), and the county would not owe any additional interest on the funds held in trust. Of course, both parties would continue to have an incentive to resolve the case in order to have access to the escrowed funds. But the prospect of 12% interest would no longer be available to provide an incentive to resolve the case quickly.

Very truly yours,

A handwritten signature in blue ink, appearing to read "Robert T. Manicke", is written over a light blue horizontal line.

Robert T. Manicke