



Testimony Regarding SJR 3  
February 12, 2017

The City of Gresham remains in strong support of comprehensive property tax reform, and appreciates the Senate Revenue Committee's willingness to engage the discussion and search for opportunities to improve Oregon's system of property taxation. With one of the lowest Measure 47/50 permanent property tax rates of any full-service city in Oregon, Gresham is heavily impacted by property tax inequities and the absence of local control. While SJR 3 is a good opportunity to advance the conversation, there are a number of important issues that must be addressed in order to achieve comprehensive and effective reform.

Local Control over Permanent Rate is a Critical Component of Comprehensive Reform

SJR 3 opens the door to reform via the establishment of a homestead exemption, reconnecting property assessments with actual market conditions, which is an improvement to the system. Unfortunately, the measure is silent on the arbitrary lock on permanent tax rates caused by Measures 47 and 50. Gresham's permanent rate is \$3.61 per \$1,000 of assessed value. The rate in neighboring Portland is nearly twice that, when the special assessment for Police and Fire disability and retirement is applied. Gresham faces the same range of major urban law enforcement and emergency services Portland encounters, but is ill equipped to address them with a rate of taxation that was established when the community had very different needs.

Senate Joint Resolution 3 could address this issue through the language in Sec. 11 (3) (B) of HJR 1, which reestablishes local control over permanent rate by allowing the voters in a taxing district to revisit their permanent rate every 10 years.

Controlling the Exemption through Statute could Raise Unintended Consequences

Because SJR 3 does not set the exemption amount in the Constitution, and instead leaves it to statute to define, it makes the system vulnerable to volatility and politics. It would not be unlikely for a party or slate of legislative candidates to promise dramatic homestead exemption increases as a path to office, which would deprive local governments of stability and resources

for critical services. The exemption amount, and method for escalation, should be stated in SJR 3, rather than statute, in order to protect it from future populist political pressures.

#### Jurisdictional Changed-Property-Ratio Differences would Create Disparate Impacts

While SJR 3 re-establishes the relationship of property taxation to Real Market Value (RMV), it would impact different jurisdictions very differently, significantly advantaging some service providers, while providing less relief to others, and causing huge tax increases in some taxing districts, while causing more modest increases in others (depending on the amount of the exemption). In areas where real estate values have risen rapidly, there is a large delta between the average Taxable Assessed Value (TAV) and the average RMV. In these cases, a return to assessment on RMV could cause tax values for homeowners in some jurisdictions to double, far from offset by the modest homestead exemption expressed in SB 151, essentially putting the entire jurisdiction into Measure 5 compression.

In jurisdictions that have seen slower market value growth over time, TAVs are much closer to RMVs, meaning that assessed values would not increase as dramatically by a return to a market-based system, but also meaning that the measure would provide limited relief for resource-scarce service providers. In fact, if the exemption value were to be set too high in the future, the measure could very well be revenue disadvantageous for such communities, and substantially.

The only opportunity jurisdictions would have to potentially counterbalance the potential revenue loss from the owner-occupied single family home exemption would be through increases in taxes for commercial businesses, light industrial, and multi-family properties (industrial machinery and equipment, personal property, and utilities are already assessed at their RMVs). In Gresham's case, the revenue lost from any significant homestead exemption would not be gained back by increases to the remaining available categories.

#### Comprehensive Reform helps all Jurisdictions

Once again, the City of Gresham applauds the Senate Revenue Committee's willingness to engage this conversation and seek methods to improve the fairness and effectiveness of Oregon's broken property tax system. The return to a market-based assessment methodology, as prescribed in SJR 3, represents an opportunity to reconnect property taxes to something actually occurring in the economy, making the system less arbitrary and increasing fairness. However, if the measure remains silent on the question of permanent rate, the fairness and flexibility it seeks to offer will not be realized in many jurisdictions. By amending the proposal to also address permanent rate and establish the exemption amount and methodology in the Constitution, SJR 3 would become a much greater opportunity for tangible, comprehensive reform.