

**REVENUE IMPACT OF
PROPOSED LEGISLATION
79th Oregon Legislative Assembly
2017 Regular Session
Legislative Revenue Office**

**Bill Number: HB 2088 - A
Revenue Area: Property Taxes
Economist: Kyle Easton
Date: 5/12/2017**

***Only Impacts on Original or Engrossed
Versions are Considered Official***

Measure Description:

Allows city, if the majority of the population of the city resides in a county with a population greater than 700,000, to specify through ordinance or resolution that area within city boundary is area to be used for purposes of computing maximum assessed value of specified property. Requires public hearing and approval by a three-fifths majority of members of governing body of the city for ordinance or resolution to be adopted. Allows city to adopt or repeal ordinance or resolution no more than once in a five-year period. Allows county assessor to withhold from city property tax distribution, amount equal to cost of software upgrades required due to city ordinance or resolution, up to \$60,000. Changes to definition of area as adopted by city applicable to assessment years beginning on or after January 1, 2019, or with assessor consent, January 1, 2018.

Revenue Impact: No direct revenue impact, however, positive impact upon property tax revenue is expected (see impact explanation).

Impact Explanation:

Measure provides permissive option to cities within Multnomah County to specify that area within city boundary is area to be used for purposes of computing maximum assessed value of specified property. As option is permissive to cities, no direct revenue impact exists. Ultimate impact upon property tax revenues will depend upon the number of cities that adopt an ordinance or resolution, and value particulars of properties within that city. Impact on property tax revenues over time will be dependent upon growth patterns in property values and location of new property construction.

Depending upon circumstances of properties within city taxing boundaries, specifically whether a city computed changed property ratio is greater than the countywide ratio, cities may opt to define area within city for purposes of determining changed property ratio. Using a greater changed property ratio to determine maximum assessed value of property following an exception event (e.g. - new property improvements, property disqualification from exemption, property partitioned or subdivided) will result in a higher maximum assessed value being calculated for the property. Generally, this will result in a higher tax liability for the property leading to increased property tax revenues for all taxing districts imposing taxes on property located within city that has adopted citywide change property ratio computation.

Based upon analysis of potentially affected cities within Multnomah County, impacts upon revenue would initially be largely dependent upon high value commercial/industrial property development and impacts upon revenue will predominantly be located in City of Gresham. Over time, increased revenue resulting from higher initial maximum assessed value determinations will accrue leading to larger increases in revenue in years following ordinance or resolution adoption. A simplified realistic scenario

for City of Gresham is a \$50,000 increase in year one, which would subsequently accrue to year two as a \$50,000 increase plus the increase in higher maximum assessed value determinations in year two. Because of the accruing of the revenue change, year two revenue increase, assuming \$50,000 initial year increase in year two, would be \$100,000 (sum of year one and year two).

Depending upon the number of cities that adopt ordinance or resolution, Multnomah County's countywide changed property ratio could be affected depending upon a multitude of factors including property value appreciation and location of new construction. Over time, this would be expected to slightly increase property tax revenues throughout Multnomah County.

Creates, Extends, or Expands Tax Expenditure: Yes No