

# House Joint Resolution 1

Introduced and printed pursuant to House Rule 12.00. Pre-session filed (at the request of House Interim Committee on Revenue)

## SUMMARY

The following summary is not prepared by the sponsors of the measure and is not a part of the body thereof subject to consideration by the Legislative Assembly. It is an editor's brief statement of the essential features of the measure **as introduced**.

Proposes amendment to Oregon Constitution repealing ad valorem property tax assessment provisions created by House Joint Resolution 85 (1997) (Ballot Measure 50 (1997)), requiring ad valorem property taxes to be assessed on real market value of property, authorizing local taxing districts to increase permanent rate limits once in 10 years by submitting question to voters of district, directing Legislative Assembly to provide exemption from ad valorem property taxes for owner-occupied principal dwellings and tax lots upon which dwellings are located and increasing maximum collection rates imposed by Ballot Measure 5 (1990).

Refers proposed amendment to people for their approval or rejection at special election held on same date as next primary election.

## JOINT RESOLUTION

**Be It Resolved by the Legislative Assembly of the State of Oregon:**

**PARAGRAPH 1.** The Constitution of the State of Oregon is amended by repealing sections 11 and 11k, Article XI, and by adopting the following new section 11 in lieu thereof, by amending sections 11b and 11L, Article XI, and by creating a new section 11m to be added to and made a part of Article XI, such sections to read:

**SECTION 11. (1)(a)(A) For ad valorem property tax purposes, each unit of property in this state shall be assessed as provided by law at the real market value of the property.**

**(B) Notwithstanding subparagraph (A) of this paragraph, the Legislative Assembly may provide by law for the special assessment of classes of property.**

**(b) The real market value of property for any property tax year shall be the amount in cash that could reasonably be expected to be paid by an informed buyer to an informed seller, each acting without compulsion, in an arm's-length transaction occurring as of the assessment date for the property tax year, as established by law.**

**(c) The Legislative Assembly shall provide by law for adjusting the real market value of property for a current property tax year to reflect a substantial casualty loss of value after the assessment date.**

**(2)(a) Subject to exemptions, special assessments and all other exceptions provided by law, ad valorem property taxes shall be computed by multiplying the real market value of property, as determined by law, by the permanent limit on the rate of ad valorem property taxes of each local taxing district, as determined under subsection (3) of this section, in which the property is located.**

**(b) For purposes of paragraph (a) of this subsection, the Legislative Assembly may provide by law for assessing property at the average real market value of the property for a specified number of years. The averaging authorized under this paragraph applies only to property that was in existence for all of the specified number of years.**

**(3)(a)(A) A local taxing district's permanent limit on the rate of ad valorem property**

**NOTE:** Matter in **boldfaced** type in an amended section is new; matter [*italic and bracketed*] is existing law to be omitted. New sections are in **boldfaced** type.

1 taxes shall be the permanent limit on the rate of ad valorem property taxes imposed by the  
2 local taxing district on the effective date of this section.

3 (B) A local taxing district may increase the permanent limit on the rate of ad valorem  
4 property taxes by submitting the question of the increase to the voters of the district. An  
5 increase may not be approved under this subparagraph more than once in any consecutive  
6 10-year period.

7 (b) A local taxing district that has not previously imposed ad valorem property taxes may  
8 submit to the voters of the district a proposed permanent limit on the rate of ad valorem  
9 property taxes to be imposed by the district. The question of the proposed permanent limit  
10 may be submitted to the voters only on the date of a general election held throughout this  
11 state. The proposed permanent limit shall go into effect for the first property tax year that  
12 begins after the election on the question of the proposed permanent limit if the proposed  
13 permanent limit is approved by a majority of voters voting on the question. The permanent  
14 limit approved under this paragraph shall be the district's permanent limit under paragraph  
15 (a) of this subsection.

16 (c) If two or more local taxing districts seek to consolidate or merge, the permanent  
17 limit on the rate of ad valorem property taxes to be imposed by the consolidated or merged  
18 district shall be the permanent limit that would produce the same tax revenue as the local  
19 taxing districts would have cumulatively produced in the year of consolidation or merger, if  
20 the consolidation or merger had not occurred.

21 (d) If a local taxing district divides, the permanent limit on the rate of ad valorem  
22 property taxes to be imposed by each local taxing district after division shall be the same  
23 as the undivided local taxing district's permanent limit under paragraph (a) of this sub-  
24 section prior to division. The permanent limit determined under this paragraph may not be  
25 greater than the permanent limit that would have produced the same amount of ad valorem  
26 property tax revenue in the year of division if the division had not occurred.

27 (e) Rates of ad valorem property taxes established under this subsection may be carried  
28 to a number of decimal places and rounded, as provided by law.

29 (4)(a)(A) A local taxing district other than a school district may impose a local option ad  
30 valorem property tax levy that exceeds the limitations imposed under this section by sub-  
31 mitting the question of the proposed local option levy to the voters of the district and ob-  
32 taining the approval of a majority of the voters voting on the question. The question of the  
33 proposed local option levy may be submitted to the voters only on the date of a primary or  
34 general election held throughout this state.

35 (B) The Legislative Assembly may enact laws permitting a school district to impose a  
36 local option ad valorem property tax levy as otherwise provided under this subsection.

37 (b) A local option levy imposed pursuant to legislation enacted under this subsection may  
38 be imposed for no more than five years, except that a local option levy for a capital project  
39 may be imposed for no more than the lesser of the expected useful life of the capital project  
40 or 10 years.

41 (5)(a) Ad valorem property taxes imposed pursuant to this section, other than taxes de-  
42 scribed in subsection (6) of this section, are subject to the limitations described in section  
43 11b of this Article.

44 (b) The limits on property taxes by category, \$6 (for public school system purposes) and  
45 \$11 (for other government purposes) per \$1,000 of real market value, described in subsection

1 (1) of section 11b of this Article shall be determined on the basis of property taxes imposed  
2 in each geographic area taxed by the same local taxing districts.

3 (c) If property taxes exceed the categorical limits:

4 (A) Any local option levies imposed pursuant to subsection (4) of this section shall be  
5 proportionally reduced by those local taxing districts imposing local option ad valorem prop-  
6 erty taxes within the respective category; and

7 (B) If the limits are exceeded after all local option ad valorem property taxes are elimi-  
8 nated, all other ad valorem property taxes shall be proportionally reduced by those taxing  
9 districts imposing other ad valorem property taxes within the respective category, until the  
10 limits are no longer exceeded.

11 (d) The percentages used to make the proportional reductions under paragraph (c) of this  
12 subsection shall be calculated separately for each category.

13 (6) Property taxes imposed to pay bonded indebtedness are not subject to the categorical  
14 limits under subsection (5) of this section or section 11b of this Article. Such bonded  
15 indebtedness consists of:

16 (a) Bonded indebtedness authorized by a provision of this Constitution;

17 (b) Bonded indebtedness issued on or before November 6, 1990;

18 (c) Bonded indebtedness:

19 (A) Incurred for capital construction or capital improvements; and

20 (B)(i) If issued after November 6, 1990, and approved prior to December 5, 1996, the is-  
21 suance of which has been approved by a majority of voters voting on the question; or

22 (ii) If approved by voters after December 5, 1996, the issuance of which has been approved  
23 by a majority of voters voting on the question in an election that is in compliance with the  
24 voter participation requirements of applicable law; and

25 (d) Bonded indebtedness issued to refund bonded indebtedness described in this sub-  
26 section.

27 (7)(a) An urban renewal agency, area, plan or project is not a local taxing district.

28 (b) If ad valorem property taxes are divided as provided in section 1c, Article IX of this  
29 Constitution, in order to fund a redevelopment or urban renewal project, the ad valorem  
30 property taxes levied against the increase shall be used exclusively to pay any indebtedness  
31 incurred for the redevelopment or urban renewal project.

32 (8)(a) The Legislative Assembly shall provide by law for an exemption from ad valorem  
33 property taxes imposed on a homestead pursuant to this section. The Legislative Assembly  
34 shall provide by law a method for determining and granting the exemption.

35 (b) As used in this subsection, "homestead" means the owner-occupied principal dwelling,  
36 either real or personal property, owned by the taxpayer and the tax lot upon which the  
37 dwelling is located. If the dwelling is located in a multiunit building, the homestead is the  
38 portion of the building actually used as the principal dwelling and the homestead's percent-  
39 age of the value of the building's common elements and the tax lot upon which the building  
40 is situated. The percentage is the value of the dwelling unit that is the homestead compared  
41 to the total value of the multiunit building exclusive of any common elements.

42 (9) Nothing in this section affects a local taxing district's or urban renewal agency's ob-  
43 ligation to pay indebtedness to which subsection (5) of section 11 of this Article (2015 Edition)  
44 or subsection (16) of section 11 of this Article (2015 Edition), or any laws enacted pursuant  
45 to subsection (5) of section 11 of this Article (2015 Edition) or subsection (16) of section 11

1 of this Article (2015 Edition), as in effect on the day before the effective date of this section,  
 2 relate. The Legislative Assembly may enact any laws necessary to ensure payment of the  
 3 indebtedness described in this subsection.

4 (10) Section 32, Article I, and section 1, Article IX of this Constitution, do not apply to  
 5 this section.

6 (11) If any provision of this section is determined to be unconstitutional or otherwise  
 7 invalid, the remaining provisions shall continue in full force and effect.

8 **Sec. 11b.** (1) During and after the fiscal year 1991-92, taxes imposed upon any property shall  
 9 be separated into two categories: One which dedicates revenues raised specifically to fund the  
 10 public school system and one which dedicates revenues raised to fund government operations other  
 11 than the public school system. The taxes in each category shall be limited as set forth in the table  
 12 which follows and these limits shall apply whether the taxes imposed on property are calculated on  
 13 the basis of the value of that property or on some other basis:

14 MAXIMUM ALLOWABLE TAXES  
 15 For Each \$1000.00 of  
 16 Property's Real Market Value  
 17

| 18 <u>Fiscal Year</u> | <u>School System</u> | <u>Other than Schools</u> |
|-----------------------|----------------------|---------------------------|
| 19 1991-1992          | \$15.00              | \$10.00                   |
| 20 1992-1993          | \$12.50              | \$10.00                   |
| 21 1993-1994          | \$10.00              | \$10.00                   |
| 22 1994-1995          | \$ 7.50              | \$10.00                   |
| 23 [1995-1996         | \$ 5.00              | \$10.00]                  |
| 24 <b>1995-2018</b>   | <b>\$ 5.00</b>       | <b>\$10.00</b>            |
| 25 <b>2018-2019</b>   | <b>\$ 6.00</b>       | <b>\$11.00</b>            |

26 and thereafter

27 Property tax revenues are deemed to be dedicated to funding the public school system if the  
 28 revenues are to be used exclusively for educational services, including support services, provided  
 29 by some unit of government, at any level from pre-kindergarten through post-graduate training.

30 (2) The following definitions shall apply to this section:

31 (a) "Real market value" is the minimum amount in cash which could reasonably be expected by  
 32 an informed seller acting without compulsion, from an informed buyer acting without compulsion,  
 33 in an "arms-length" transaction during the period for which the property is taxed.

34 (b) A "tax" is any charge imposed by a governmental unit upon property or upon a property  
 35 owner as a direct consequence of ownership of that property except incurred charges and assess-  
 36 ments for local improvements.

37 (c) "Incurred charges" include and are specifically limited to those charges by government  
 38 which can be controlled or avoided by the property owner.

39 (i) because the charges are based on the quantity of the goods or services used and the owner  
 40 has direct control over the quantity; or

41 (ii) because the goods or services are provided only on the specific request of the property  
 42 owner; or

43 (iii) because the goods or services are provided by the governmental unit only after the indi-  
 44 vidual property owner has failed to meet routine obligations of ownership and such action is deemed  
 45 necessary to enforce regulations pertaining to health or safety.

1 Incurred charges shall not exceed the actual costs of providing the goods or services.

2 (d) A “local improvement” is a capital construction project undertaken by a governmental unit

3 (i) which provides a special benefit only to specific properties or rectifies a problem caused by  
4 specific properties, and

5 (ii) the costs of which are assessed against those properties in a single assessment upon the  
6 completion of the project, and

7 (iii) for which the payment of the assessment plus appropriate interest may be spread over a  
8 period of at least ten years.

9 The total of all assessments for a local improvement shall not exceed the actual costs incurred  
10 by the governmental unit in designing, constructing and financing the project.

11 (3) The limitations of subsection (1) of this section apply to all taxes imposed on property or  
12 property ownership except

13 (a) Taxes imposed to pay the principal and interest on bonded indebtedness authorized by a  
14 specific provision of this Constitution.

15 (b) Taxes imposed to pay the principal and interest on bonded indebtedness incurred or to be  
16 incurred for capital construction or improvements, provided the bonds are offered as general obli-  
17 gations of the issuing governmental unit and provided further that either the bonds were issued not  
18 later than November 6, 1990, or the question of the issuance of the specific bonds has been approved  
19 by the electors of the issuing governmental unit.

20 (4) In the event that taxes authorized by any provision of this Constitution to be imposed upon  
21 any property should exceed the limitation imposed on either category of taxing units defined in  
22 subsection (1) of this section, then, notwithstanding any other provision of this Constitution, the  
23 taxes imposed upon such property by the taxing units in that category shall be reduced evenly by  
24 the percentage necessary to meet the limitation for that category. The percentages used to reduce  
25 the taxes imposed shall be calculated separately for each category and may vary from property to  
26 property within the same taxing unit. The limitation imposed by this section shall not affect the tax  
27 base of a taxing unit.

28 (5) The Legislative Assembly shall replace from the State’s general fund any revenue lost by the  
29 public school system because of the limitations of this section. The Legislative Assembly is author-  
30 ized, however, to adopt laws which would limit the total of such replacement revenue plus the taxes  
31 imposed within the limitations of this section in any year to the corresponding total for the previous  
32 year plus 6 percent. This subsection applies only during fiscal years 1991-92 through 1995-96, inclu-  
33 sive.

34 **Sec. 11L.** (1) The limitations of [*sections 11 and*] **section 11b** of this Article do not apply to  
35 bonded indebtedness incurred by local taxing districts if the bonded indebtedness was incurred on  
36 or after January 1, 2011, to finance capital costs as defined in subsection (5) of this section.

37 (2) Bonded indebtedness described in subsection (1) of this section includes bonded indebtedness  
38 issued to refund bonded indebtedness described in subsection (1) of this section.

39 (3) [*Notwithstanding subsection (1) of this section, subsection (8) of section 11 of this Article, as*  
40 *limited by section 11k of this Article, applies to measures*] **Measures** that authorize bonded indebt-  
41 edness described in subsection (1) of this section **may be approved only if at least 50 percent of**  
42 **registered voters eligible to vote on the measure cast a ballot, unless the election is held in**  
43 **May or November of any year.**

44 (4) The weighted average life of bonded indebtedness incurred on or after January 1, 2011, to  
45 finance capital costs may not exceed the weighted average life of the capital costs that are financed

1 with that indebtedness.

2 (5)(a) As used in this section, "capital costs" means costs of land and of other assets having a  
3 useful life of more than one year, including costs associated with acquisition, construction, im-  
4 provement, remodeling, furnishing, equipping, maintenance or repair.

5 (b) "Capital costs" does not include costs of routine maintenance or supplies.

6 **SECTION 11m. (1) Legislation implementing the provisions of section 11 of this Article**  
7 **is not subject to the emergency declaration prohibition in section 1a, Article IX of this**  
8 **Constitution.**

9 (2) This section is repealed on January 2, 2021.

10  
11 **PARAGRAPH 2. The amendment proposed by this resolution shall be submitted to the**  
12 **people for their approval or rejection at a special election held throughout this state on the**  
13 **same date as the next primary election.**