

Senate Bill 987

Sponsored by COMMITTEE ON BUSINESS AND TRANSPORTATION

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**.

Directs Legislative Revenue Officer to study land value taxation. Defines "land value taxation" to mean property tax system that imposes higher uniform rate of tax on land assessments than on improvement assessments.

Takes effect on 91st day following adjournment sine die.

A BILL FOR AN ACT

1 Relating to land value taxation; and prescribing an effective date.

2
3 Whereas the cumulative effects of limiting the growth of property assessments under Ballot
4 Measure 50 (1997) are continuous revenue shortfalls, an increasing disparity between true market
5 values and taxable assessments and unequal tax treatment of taxpayers with similarly valued prop-
6 erty; and

7 Whereas economic analysts have spoken out clearly against both the use of limited assessments
8 as a tax restraint and the perverse manner in which the taxation of improvement values discourages
9 capital investment and the efficient use of land; and

10 Whereas present limitations on revenue authority, including Ballot Measure 50 limits and stat-
11 utory automatic property tax exemptions, erode local control and undermine the ability of cities to
12 maintain a healthy mix of revenues; and

13 Whereas under a split-rate land value property tax system, the tax rate on the assessed land
14 values of all parcels in a taxing jurisdiction is higher than the rate on building assessments, thereby
15 taxing mainly the site value created by the community at large; and

16 Whereas under the revised land value tax system, all properties within a local jurisdiction would
17 be taxed at the same split rate, consistent with the constitutional intent to tax all classes of land
18 users uniformly; and

19 Whereas in the aggregate, a land value tax is presumed to encourage local investment, dampen
20 land price inflation, help protect at-risk rural resource lands from development pressures and stim-
21 ulate infill development; and

22 Whereas by capitalizing marginal land tax liability into lower resale prices and lowering the
23 expectation of speculative returns, the land value tax helps housing prices become more widely af-
24 fordable and still leaves a substantial amount of cumulative equity in the hands of homeowners; and

25 Whereas a land value tax is expected to restore fairness and efficiency to the tax system, is a
26 reliable source of revenue and is relatively easy to administer; now, therefore,

27 **Be It Enacted by the People of the State of Oregon:**

28 **SECTION 1. (1) As used in this section, "land value taxation" means, for all taxable real**
29 **property, a property tax system that imposes a higher uniform rate of tax on land assess-**
30 **ments than on improvement assessments.**

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 **(2) The Legislative Revenue Officer shall conduct a study of land value taxation. The**
2 **study must include:**

3 **(a) An examination of the tax burden effects of a change from the current system of**
4 **property taxation under Ballot Measure 5 (1990) and Ballot Measure 50 (1997) to land value**
5 **taxation.**

6 **(b) Simulation model comparisons of tax applications using true market assessments and**
7 **a revenue-neutral framework.**

8 **(c) An examination of comparative economic incentive effects on classes of land use in**
9 **selected local urban and rural jurisdictions.**

10 **(d) An assessment of comparative revenue-generating effects on multiple taxing districts**
11 **within a local jurisdiction.**

12 **(e) An examination of an alternative method to a split-rate land value tax that would**
13 **exempt a specified proportion of the median assessment of all improvements within a juris-**
14 **diction under a single-rate tax regimen.**

15 **(f) An evaluation of tax burden relief measures that might accompany land value taxa-**
16 **tion, including a homestead exemption and property tax deferral for homeowners who are**
17 **financially overburdened.**

18 **(3) The Legislative Revenue Officer shall submit a report on the study, in the manner**
19 **provided by ORS 192.245, to the interim committees of the Legislative Assembly related to**
20 **revenue no later than September 15, 2018.**

21 **SECTION 2.** Section 1 of this 2017 Act is repealed on the date of the convening of the 2019
22 regular session of the Legislative Assembly as specified in ORS 171.010.

23 **SECTION 3.** This 2017 Act takes effect on the 91st day after the date on which the 2017
24 regular session of the Seventy-ninth Legislative Assembly adjourns sine die.
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