

SJR 2 & SJR 21: Relating to Property Taxes
Testimony of Eric Fruits, Ph.D.

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I am the research director at Cascade Policy Institute and an adjunct professor at Portland State University where I have taught courses in real estate finance and urban economics and edit PSU's quarterly real estate journal.

I have been studying Oregon's property tax system for years. It's a mess, but it's our mess and it's a mess that's worked for more than two decades. It provides stable funding for local governments and a degree of certainty to property owners.

SJR 21 repeals Ballot Measure 50. This reminds me of the story of Chesterton's Fence, a favorite allegory of JFK's: Before tearing down a fence that you deem to be unnecessary, ask first, "Why is this fence here in the first place?"

Before repealing Measure 50, you must ask, "Why did Oregonians overwhelmingly pass Measure 50?"

The answer is straightforward: Unsustainably huge increases in property tax bills drove an Oregon tax revolt culminating in Measure 50. Measure 50 was passed by more than 10 percentage points to stop tax authorities from doing exactly what you are contemplating doing this session.

In assessing property taxes, Oregon relies on two measures of value against which to levy the tax. "Real market value" (RMV) is pretty much what it sounds like: it's an estimate of what the party would sell for in an arms-length transaction. "Maximum assessed value" (MAV) is based on straightforward formula based on the state's constitutional property tax limitations. Roughly

speaking, taxes are levied on the lower of the two value measures. Across Oregon, MAV is about 40 percent lower than RMV. In Portland, the gap is bigger.

Under SJR 2, MAV would be redefined to equal 75 percent of real market value. For many—if not most—homeowners in Oregon, this would result in a property tax increase. The bills also introduce an exemption on the first \$25,000 of assessed value.

Consider a typical home in Portland. The home has a RMV of \$450,000, an assessed value of \$216,000, and a tax bill of \$5,400 (\$25 per \$1,000 of assessed value). The assessed value is less than 0.75 of RMV, so the new tax would be more than \$7,800.

This amounts to a 44 percent increase in property taxes. Some homeowners will see their property taxes more than double. This could cause significant financial hardship on senior citizens and other low-income and fixed income residents.

These tax increases would be disastrous for many small and locally owned businesses. Consider my neighborhood record store, Music Millennium, creator of the “Keep Portland Weird” bumper sticker. Under SJR 2, their property tax bill would increase five-fold, by more than \$35,000. That’s a lot of extra records to sell in an era of increasing online competition—they can’t just raise prices.

I understand that Oregon’s property tax system is an inequitable mess. SJR 2 relieves this inequity in the worst possible way. Under SJR 2, no one will see property tax relief. It makes no one better off and makes many property owners worse off and many of these, it makes much worse off.

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Calculation for typical home in Portland

Current	
RMV	\$450,000
AV	\$216,000
Property tax	\$5,400
SJR 2	
0.75 x RMV	\$337,500
Exemption	\$25,000
Tax base	\$312,500
Tax	\$7,810
Tax increase	\$2,413
	45%

Calculation for Music Millennium

Current	
RMV	\$2,305,580
AV	\$315,720
Property tax	\$7,897
SJR 2	
0.75 x RMV	\$1,729,185
Exemption	—
Tax base	\$1,729,185
Tax	\$43,230
Tax increase	\$35,333
	447%