

# Division of Assessment, Recording & Taxation



Date March 7, 2019

To: The Honorable Hass, Chair  
Finance and Revenue Committee

Subject: Senate Bill 837; amendment to Oregon Revised Statute 309.115

Chair Hass and members of the committee;

For the record, my name is Jeff Brown. I am the Deputy Assessor & Deputy Director of Multnomah County Division of Assessment, Recording & Taxation. I thank you for your time today to talk about Senate Bill 837.

Senate Bill 837 seeks to add a sale of property to ORS 309.115 as one of the reasons an adjustment may be made to the real market value of adjudicated property. A property is adjudicated when a tribunal such as the Board of Property Tax Appeals, the Magistrate or Regular Division of the Oregon Tax Court or the Oregon Department of Revenue enters an order setting a property's real market value following an appeal.

ORS 309.115 prescribes that an adjudicated real market value is to be the value on the assessment and tax rolls for the 5 assessment years following the year for which the order was entered. Within the law, however, there exists 8 reasons that changes to real market value are allowed during the 5 years. Senate Bill 837 seeks to add a sale of the property as the 9<sup>th</sup>. Some of the allowable changes to real market value currently within the law are items such as subdivision, rezoning, remodeling, additions or damage to a property. Absent from the law, however, is allowing a change to the real market value should a sale of the property take place indicating the real market value is incorrect. The consequence is that an incorrect value, no matter what the property tax implication might be, is allowed to persist for whatever time remains of the adjudication period.

Currently the law allows for overvalued property to be appealed, which provides a remedy for new owners. It is the undervalued property relative to its sale price that can result in providing a new owner a de facto property tax exemption. I'm unable to speak to the specific intent of the law at the time of the creation, but if a property tax exemption was indeed the intent, then this statute may better reside in the exemption statutes to better accommodate administration.

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A simple example of a situation that Senate Bill 837 seeks to remedy would be a property adjudicated at \$1,000,000 sells by way of an arm's-length, non-distressed transaction for \$2,000,000. Clearly such a sale would indicate that the \$1,000,000 real market value is incorrect, but the law as it is currently written, has no provision allowing assessors to appraise the property and correct the value for this situation. Senate Bill 837 would serve to remedy this.

Lastly, an additional consequence created by the lack of SB 837's fix to ORS 309.115 is that it is forcing assessors into non-compliance with ORS 308.232, the law that requires all taxable property be valued at 100% of its real market value each year. Without the addition of SB 837's proposed language there is no mechanism allowing assessors to comply with ORS 308.232 under the circumstances discussed here today.

Chair Hass, members of the committee, I thank you again for allowing me to appear before you today and would be happy to answer any questions you may have at this time. I will add, too, that should I be unable to answer any question, I will make it my top priority to get the answer to you post-haste.

Jeff Brown  
Deputy Assessor/Deputy Division Director  
Multnomah County Assessment, Recording & Taxation

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