

**Testimony to the Oregon Senate Finance & Revenue Committee
on behalf of SB 702
at the Working Session, 26 March 2019**

SB 702 directs LRO to conduct a study of the incentive and equity effects of a land value tax on properties in Oregon's cities and towns.

A growing number of Oregonians are becoming aware of the gross inequities in Oregon's broken property tax system that have built up over the past 25 years – where property owners see very different tax bills from their neighbors with similar types of property.

The LRO study would look at a local option exemption from the limitations of Measures 5 & 50, and a return to real market assessments. This itself would correct some of the inequities, but as many economists conclude: the equal rate tax system is laden with economic distortions; it brings about adverse consequences, including disincentives to invest in new building projects and rather to speculate on land.

The LRO study would investigate the incentive effects of a land value tax in Oregon cities and towns. Experience with the split-rate LVT in Pennsylvania and other nations has demonstrated positive incentives such as: encouraging capital investment in real estate and dampening land price inflation thus increasing housing production and affordability. A property tax based upon site values provides an incentive to bring land into productive use, boosting economic development and more efficient land use.

Certainly, this first step will be worth the effort. Moreover, it will help guide the next steps to comprehensive property tax reform in Oregon.

I encourage you to vote yes on SB 702 and take this first step.

**Thomas Gihring, Research Director
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