



SB 1045: A Property Tax Exemption for Home Sharing?

Testimony for Senate Finance and Revenue – Jody Wiser – 4.18.2019

Tax Fairness Oregon is deeply sympathetic with the need for more low cost housing but is concerned that this measure adds one more claimant for already inadequate local property tax revenues, 41% of which are actually state school funds because of the way our school funding formula works. Would local jurisdictions be interested in this mechanism if you excluded K-12 dollars from the abatement? Would the Housing Alliance write a bill with so few sideboards?

The bill claims to address Oregon's homelessness crisis by providing an incentive to homeowners to rent their extra rooms at below market rates to low income individuals vetted by qualified home sharing agencies. It has no limits on the cost to the General Fund through lost K-12 funding. It would give cities and counties authority to exempt an unnamed portion of the house from the homeowner's property tax. Because the bill has no income limits and no definition for the affordability measure, unless local entities write good sideboards, an owner participating in a non-profit of their own design, could get tax abatement for a high-end condo, rented to folks with above average income. If you expect to move this bill, this committee should take more responsibility for the sideboards for this program, as you do for traditional low-income housing programs.

One of our board members has often shared her home, the property taxes for which are \$8000. Would she get a \$4000 or a \$1000 property tax abatement? Would the matched housemate be someone who needed exactly that much rent support? How much income could the housemate have and still qualify?

From our research around the country, it appears that Oregon would be the first state to offer this tax incentive. There are community agencies helping with matching services, working to successfully match and support house sharing, particularly for seniors. But in our research, we didn't find a program with this tax abatement idea. Wouldn't it make better sense to start with the matching service that other locally administered programs have found effective? We don't see where the funds would come from for managing this program. Will that be next year's ask?

Folks have long loaned and rented out spare rooms, for friends, housemates and to get companionship or assistance, without a tax inducement. We are not convinced of the necessity or impact of the tax abatement.

We would support a short pilot program if there is no abatement of education tax dollars. But this bill is not designed as a pilot with sideboards clearly spelled out by legislators; in fact it has a tail that lasts until 2032 with no annual limit placed on its cost to education funding.

We think the Committee needs to know with more precision its potential administrative process and costs. In addition to an application fee, which is expected to cover the city's application process, county assessors will have to compute the portion of the home exempted from tax and keep tabs on its status. What portion of the home would be exempted? Would there be a relationship to the

number of days rented, etc? Would an app service processed by Housing Authorities provide that information to the assessors? Who will audit and evaluate the effectiveness? And how much would this measure add to the workload of assessor's offices, most of which are underfunded now?

It is frustrating to see you enacting new taxes for education in one committee and giving away education funding in another. Let's make sure it is necessary, and that the cost does not boomerang on our efforts, displacing money needed by schools, health care and public safety.