



SB 1045: We support the -1 amendment, to this attempt to stimulating room rentals

Senate Finance and Revenue – Jody Wiser – 5.2.2019

Tax Fairness Oregon is very pleased to see the -1 amendment to SB 1045. It is definitely time to exclude education funding from property tax exemptions. The state has much of the responsibility for funding education, particularly K-12 funding, but also for Community Colleges. Approximately 45% of property tax revenue is education related and the K-12 funding formula makes property tax dollars essentially state dollars.

Despite that fact, since 1990 when Measure 5 took effect, the legislature has passed 45 new property tax breaks with a total cost for the upcoming biennium of \$838 million. Of that \$838 million, approximately \$380 million is education funding that has gone missing.

It makes little sense to be raising an extra \$2 billion for education funding with one hand and giving it away in a new property tax break with the other hand. Even if the education dollars are removed with the -1 amendment, the bill has numerous flaws.

Given the huge variations in property taxes for equal value homes, it is hard to see how this program can be made equitable. Suppose the decision is to allow a 25% deduction in property taxes for a full year of rental. Amongst the members of the TFO Steering Committee, the exemption would be \$3,250 a year at the high end and \$440 a year at the low end, given the variation in our property taxes. How is that fair? How does it relate to the difference between receiving market rate rent and renting at a reduced rate? Section 8 funding vouchers make up the difference between what is affordable to the renter and market rates. With a property tax exemption, how does one match that logical approach.

It isn't that sharing living space is a new idea. It's moved from bunk houses and rooming houses, to newspaper ads, to Craig's list, and now to multiple "rooms to rent" websites. There are hundreds of homes with shared space available through multiple home share websites: Trulia, Roomba, Bungalow, Kangaroom, SpareRoom, Roomies, Findroommate, Indianroommates, and Roomster all have Portland listings. Silvernest does not stand alone. Shared housing is nothing new. It's been happening forever, without a property tax break. And we can see nothing in this bill that would keep owners who are currently renting a room or two from being the benefactors of this program. There are likely tens of thousands of homeshares currently in existence in Oregon. Even if you significantly limit the income level of renters to say 30% or 40% of AMI, it is hard to see how this alone solves the problem. Here's the [AMI chart for Portland](#) so you can see that at 60% nearly every one of the 1500 new \$16/hour hires at the Troutdale Amazon distribution center would be eligible, but [there are lots of rooms for rent within their price range today in Portland](#).

Home share programs like that at Ecumenical Ministries and in San Mateo are different, providing social service supports in matching renters with those who have a home. The services include background checks

and support to both parties in finding appropriate matches. These services won't come as a tax break and another website. They come with the personal touch, one that gives folks support and confidence, [as do formal Home Share programs around the country:](#)

Home Share offers individuals and seniors shared housing

Shared housing can provide a homeowner as well as the home sharer with access to affordable Housing and mutual support. Non-profits and housing authorities around the nation administer the Homesharing Program. This service has proven to be more secure and effective than other more traditional roommate services or options. The program has been gaining national recognition as an affordable housing opportunity that can provide individuals, in particular seniors and singles, with financial relief as well as companionship.

This national homeshare organization knows of no state with a property tax break to augment any homesharing program. In fact, it is staffing and advertising dollars that constrain their programs.

SB 1045 doesn't provide either of those and seems both unnecessary and designed for abuse.

- A medical school student a with a three-bedroom home, gets rent and a property tax exemption for the roommates they planned on all along?
- A girlfriend, boyfriend or grandchild or niece moves and the property taxes are reduced?
- The rental lasts two months, but since there is no verification, the property tax break continues for the full year or maybe longer?

Measures that are essential to make the bill palatable:

- Adopt the -1 amendment
- Adopt sideboards, including:
 - Income eligibility below 50% of AMI for family size like other rental assistance programs
 - Annual verification by program sponsors of rental periods and income eligibility
 - Percentage of home property taxes exempted related to number of days of year home is shared with income eligible renters and percentage of home used exclusively by renters
OR taxes reduced by the amount by which the rent received was below market rate
 - Domestic partners and related parties (by blood or marriage) are ineligible
- Make it a two to four-year pilot program with one or two counties designing pilot programs and reporting to the legislature with full demographic data on both owners and renters, rents as a percentage of income, taxes exempted per renter, stability of housing and evictions and including training for homeowners on legal responsibilities and specific issues related to paying taxes on rental income.

But again, I want to re-iterate our support for the -1 amendment. Even if you write strong sideboards, it makes little sense to be raising an extra \$2 billion for education funding with one hand and giving it away with the other in property tax breaks that effect K-12 funding.