FISCAL IMPACT OF PROPOSED LEGISLATION **Measure: HB 2452 - A**

80th Oregon Legislative Assembly – 2019 Regular Session
Legislative Fiscal Office

Only Impacts on Original or Engrossed Versions are Considered Official

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Measure Description:
For purposes of eligibility of property for homestead property tax deferral program, creates floor of $250,000 for maximum allowable real market value of homestead.

Government Unit(s) Affected:
Counties, Department of Revenue (DOR)

Summary of Fiscal Impact:
Costs related to the measure are indeterminate at this time - See explanatory analysis.

Analysis:

The measure would modify the eligibility criteria of the homestead property tax deferral program (Senior and Disabled Property Tax Deferral Program) by excluding a property unless its real market value is less than the greater of $250,000 or a percentage of the county median real market value. The Department of Revenue (DOR) would be required to recompute the maximum allowable real market value for each tax year beginning on or after July 1, 2020. The measure would also extend the filing period for deferral claims filed with the county assessor for the year immediately preceding the property tax year for which the deferral is claimed. A deferral claim filed during the extended filing period would be subject to a fee. The measure would extend the homestead property tax deferral program until the property tax year beginning July 1, 2031. It would also reduce the amount that counties pay to DOR from uncollected deferred taxes and interest. The measure would take effect 91 days after the Legislative Assembly adjourns *sine die*.

Department of Revenue (DOR)

The measure would require DOR to process claims in the extended filing period. DOR would thus need to modify the deferral claim forms and instructions and update the GenTax application case parameters to enable the extended filing period in the system. DOR could experience an increase in claims due to changes in the real market value eligibility criteria, requiring the agency to make additional payments to counties for those approved accounts. To update these criteria, DOR would need to update the GenTax application and recertification process, as well as the online information and instructions. The change to county tax foreclosure-related payments to DOR would require creating an invoice letter using an interest waiver calculation in GenTax in order to notify the county of the payment required. DOR anticipates being able to implement these changes with its existing budget.

The fiscal impact to DOR is indeterminate, however, because it is unclear how the measure would impact the liquidity of the homestead property tax deferral program. The measure would reduce the amount of deferral interest that counties would be required to pay to DOR following county tax foreclosure. The measure would also provide an extended filing period for deferral claims, which could mean DOR would pay out more in deferred tax liabilities. Because it is unclear how much the measure would reduce the deferred interest Counties pay to DOR, and how much more in deferred property taxes that DOR would process, the fiscal impact to DOR is indeterminate.

Given the large balance in the Senior and Disabled Property Tax Deferral Program account currently, the measure would not adversely impact the account's liquidity, according to the Department of Revenue.

Counties

By expanding the filing period for deferral claims, County Assessors would have an increased workload. It is unclear how substantial the increase would be because it would depend on the number of claims filed within the extended filing period. However, because the measure would require a claimant to pay a fee for any claim filed within the extended filing period, the accompanying fee could temper the increased number of claims. That said, the amount of fee revenue generated would depend on the number of filings, and the number of filings would determine how substantial the increase in workload would be to County Assessors.

The measure would also reduce the amount of interest that Counties pay to DOR on foreclosed properties. The potential savings would depend on the number of properties foreclosed upon in the exemption window and the amount of the interest attributable to the Counties.

The fiscal impact to Counties is thus indeterminate.