

FISCAL IMPACT OF PROPOSED LEGISLATION

80th Oregon Legislative Assembly – 2020 Regular Session
Legislative Fiscal Office

Measure: SB 1541 - 1

***Only Impacts on Original or Engrossed
Versions are Considered Official***

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Measure Description:

Provides, for purposes of ad valorem property taxation, frozen assessed value for homestead of individual at least 68 years old, or person with disability, if homestead and individual would be eligible for homestead property tax deferral program but for fact that homestead is pledged as security for reverse mortgage.

Government Unit(s) Affected:

Department of Revenue (DOR), Counties, Oregon Judicial Department (OJD)

Summary of Fiscal Impact:

Costs related to the measure will require budgetary action - See analysis.

Analysis:

The measure establishes a program for qualifying homeowners that are either 68 years of age or older or disabled to apply to have their homestead assessed for purposes of ad valorem property taxation at a frozen value for as long as they own and live in the home. The frozen value is the assessed value of the homestead from the assessment year preceding the year of the application. The eligibility criteria are the same as the property tax deferral program for seniors or the disabled, except that the qualifying age is 68 or above, as opposed to 62 years of age or above, if not disabled; and the homestead is eligible for the property tax deferral provided it is not subject to a reverse mortgage. The application must be filed with assessor of the county in which the homestead is located after January 1 and on or before April 15 immediately preceding the property tax year for which the frozen assessed value is claimed. The county assessor shall forward each claim filed to the Department of Revenue, and the department shall determine whether the homestead is eligible for and the individual is eligible to claim, the frozen assessed value. The department shall notify the county assessor of the department's determination. If the individual and the homestead are determined to be eligible, a timely claim for the frozen assessed value has the effect of requiring the county assessor to determine the total amount of taxes due on the individual's homestead. The frozen assessed value is in addition to and not in lieu of any other property tax limit, exemption or partial exemption, special assessment or deferral. A homestead is disqualified from the frozen assessed value program if the applicant/owner dies, the property is sold or transferred, the applicant/owner stops using the property as a homestead (except for health reasons), the property is moved out of state (if a manufactured home), or if additions or improvements are made to the property. The first applications for frozen assessed value will be submitted in 2021, applying to property tax years beginning on or after July 1, 2020. The final applications will be submitted in 2025, as the program sunsets for property tax years that begin on or after July 1, 2026. A homestead granted a frozen assessed value for any property tax year that begins on or after July 1, 2025 shall continue to have the frozen assessed value if the homestead remains eligible for, and the individual granted the claims for the frozen assessed value remains eligible to claim, the frozen assessed value. The measure takes effect 91 days after adjournment *sine die*.

Department of Revenue

The first year of applications will be forwarded to the Department of Revenue (DOR) between January 1 and April 15, 2021. DOR estimates that it will receive up to 3,000 applications in 2021. To process, review and make eligibility determinations of these applications, DOR estimates that it will need 10 limited duration and two permanent seasonal Administrative Specialist 1 (AS1) positions (3.00 FTE) in the 2019-21 biennium.

DOR also anticipates utilizing existing Administrative Specialist 2 (AS2) and Operations and Policy Analyst 2 (OPA2) positions to administer the program in 2021. The AS2 will assign and review work of the additional AS1 seasonal staff, train them and finalize approvals or denials as needed. The OPA2 will review and answer eligibility questions, consider and propose rulemaking recommendations, and assist the AS2 with review and finalization. The OPA2 will also be the lead for making changes to forms and requesting and testing Gentax changes to conform with the measure.

In 2021-23, DOR expects the number of applications to decrease to approximately 800 per year. Due to the decrease, DOR estimates that it will only need two permanent seasonal AS1 positions (1.00 FTE) to process, review, and make eligibility determinations.

To implement and administer the program, DOR estimates its total costs at \$446,309 General Fund for 2019-21 and \$221,557 General Fund for 2021-23. Furthermore, DOR estimates that its Other Funds expenditures may decrease by \$20,802 in 2019-21 and \$109,261 in 2021-23, as more General Fund is used in lieu of Other Funds.

Counties

The application process for frozen assessed value begins when the property owner submits a claim to the assessor of the county in which the property is located. If a county is notified that an application is valid, the county assessor will determine the total amount of property tax and set that amount for the property. Each year the property will be reevaluated according to the list of circumstances that could trigger disqualification from the frozen assessed value program. Since counties will forward the applications to the Department of Revenue to process, review and make eligibility determinations, the fiscal impact to counties is anticipated to be minimal. However, the program may impact county assessors' offices whose software systems need to be updated to implement the measure.

The measure is also anticipated to decrease the amount of property tax revenues that counties receive in tax years 2020 to 2025.

Oregon Judicial Department

The measure permits an individual aggrieved by the denial of a claim for frozen assessed value to appeal the denial to the Oregon Tax Court. The Oregon Judicial Department (OJD) anticipates that the measure will slightly increase the number of case filings and the complexity of litigation, but it will be able to absorb the increased workload with existing resources. The fiscal impact to OJD is minimal.

The measure warrants a subsequent referral to the Joint Committee on Ways and Means for consideration of its impact to DOR's budget.