

Property Tax Metrics and Exemption Policy Sunsets

House Committee On Revenue

State of Oregon

Legislative Revenue Office

December 8th, 2022



Today's Agenda

- Property Tax Background
- Exemption Meta-analysis
- Sunsetting property tax exemptions





PROPERTY TAX BACKGROUND





Property Tax by the numbers 2021-22

Property Value →

Assessed Value
\$479 Billion

Measure 5 Value
\$824 Billion

Exempted Value
RMV: \$204B
AV: \$19B

Taxes →

Total Tax Imposed
\$8 Billion

Statewide Compression
2.2%

Urban Renewal Revenue
\$274 million

Uncollected Tax
1.5%



Property AV and Tax Imposed by Class 2021-22

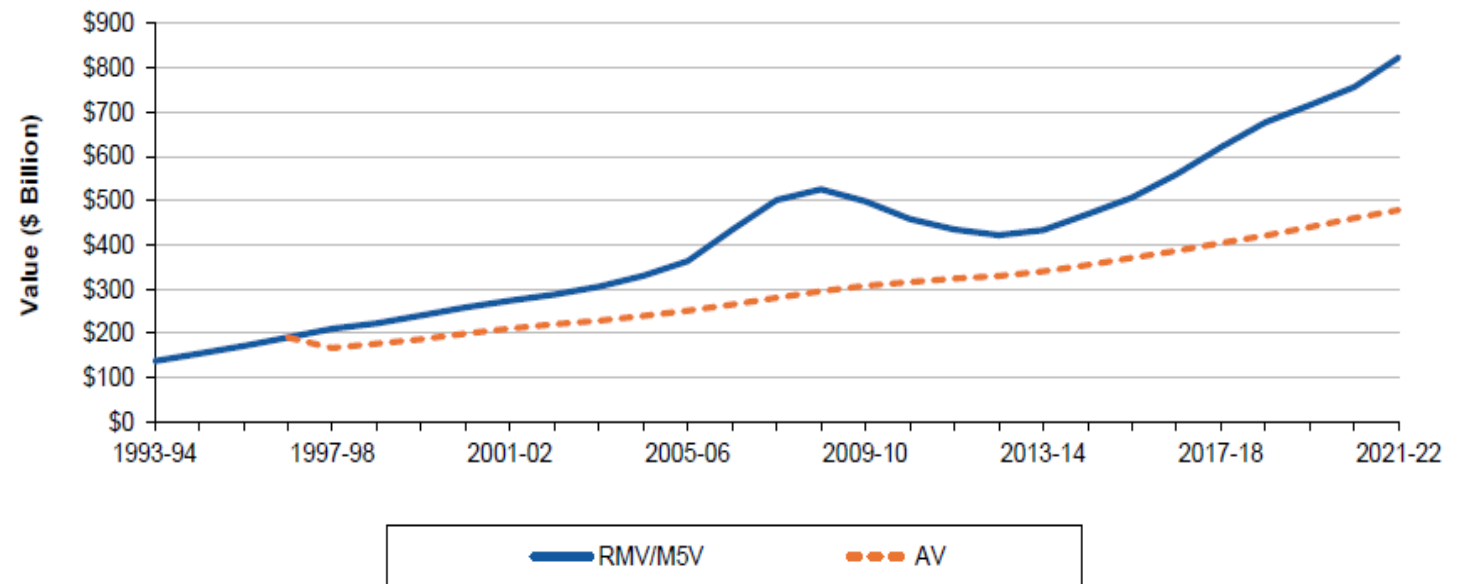




Measure 5 and Measure 50

- Passed in 1990 and 1997, created Oregon's current property tax system
- 1990- M 5
 - \$5 & \$10 cap per \$1,000 RMV
 - Caps levy-based system
- 1997 -M 50
 - Assessed value & growth rate
 - Created a permanent tax rate
 - CPR
 - Eliminates levy-based system

Exhibit 7—Assessed and Real Market Value of Taxable Property in Oregon, FY 1993-94 to FY 2021-22





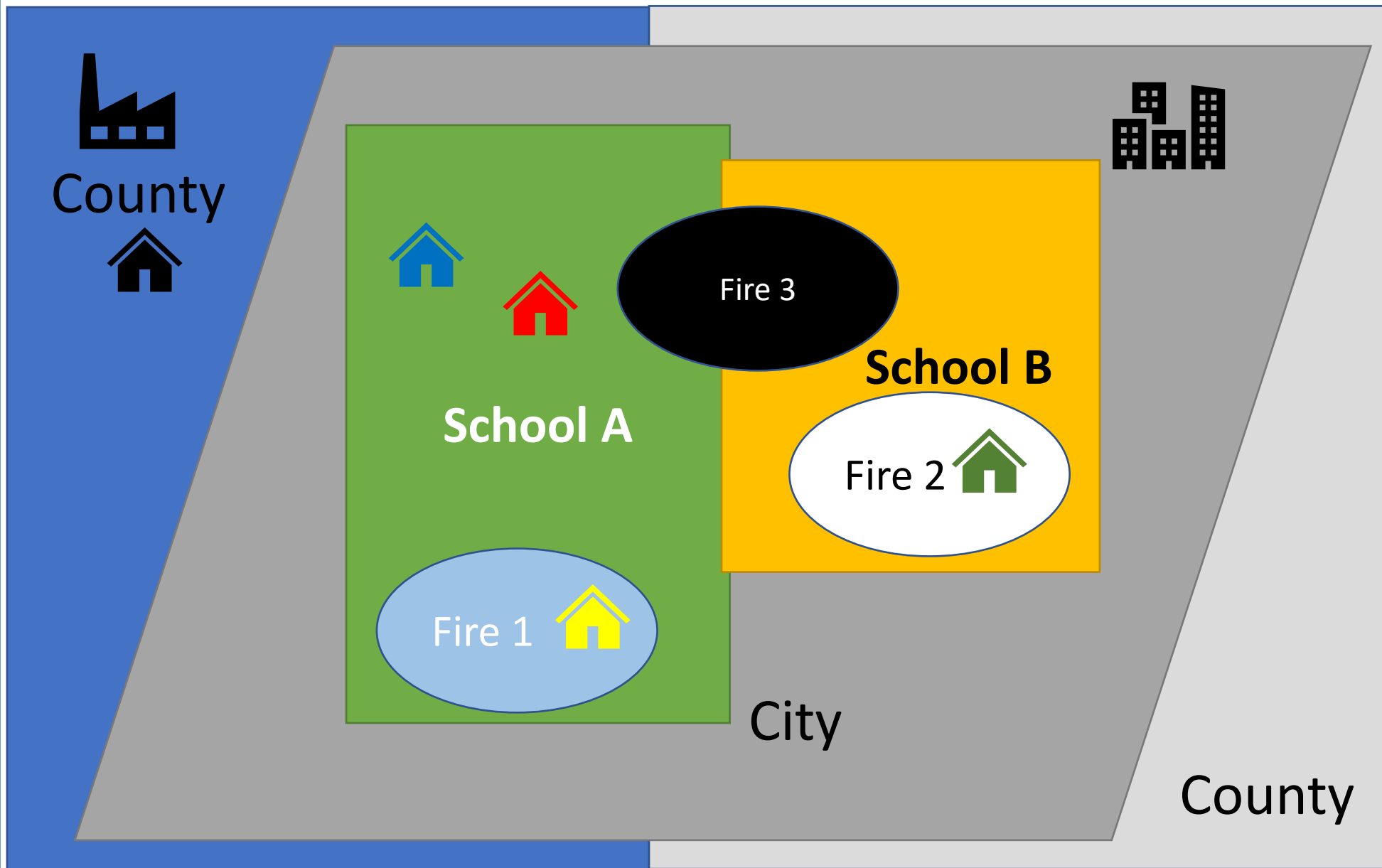
Taxing Districts

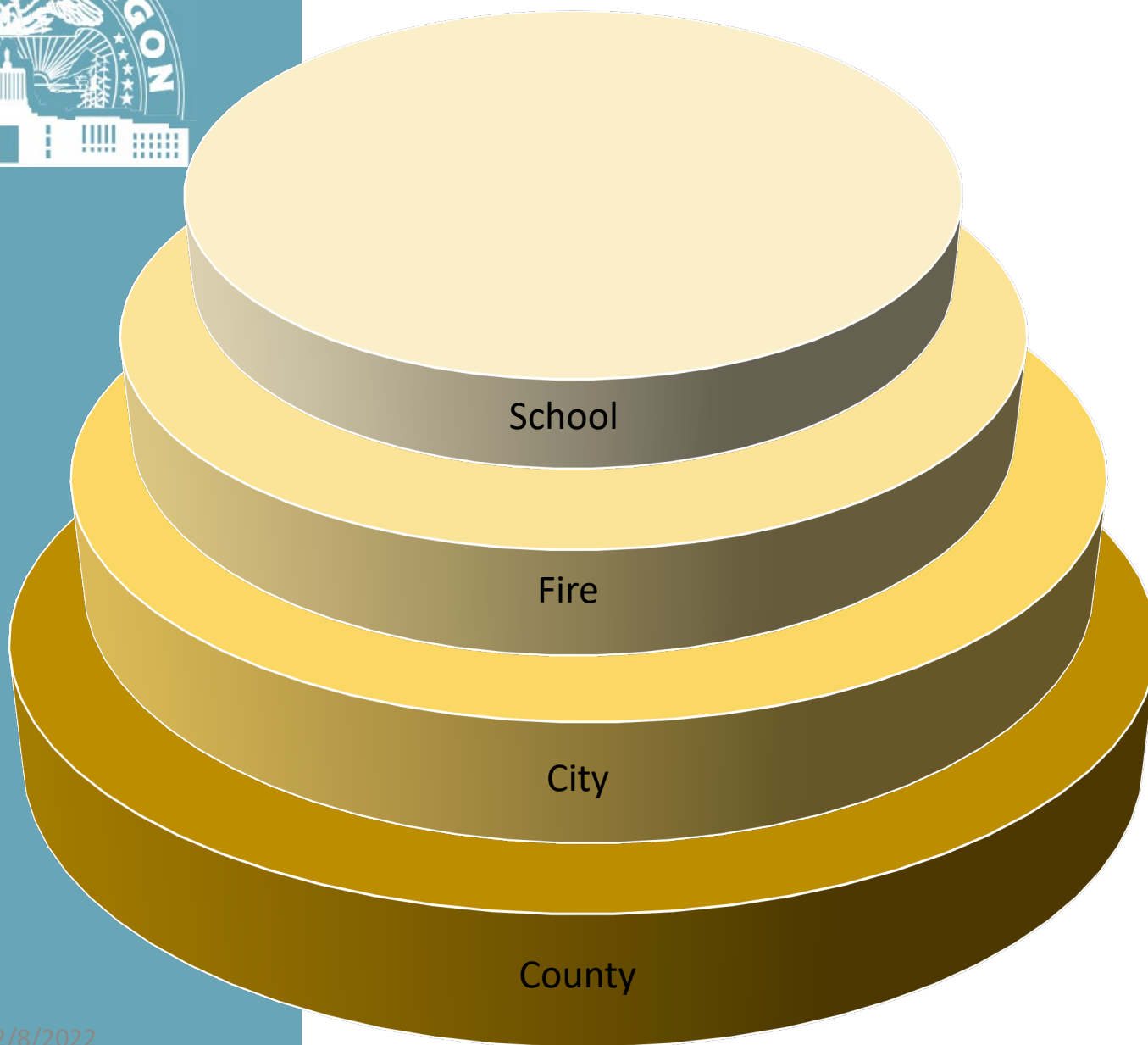
- County
- City
- School
- Education Service (ESD)
- Community College
- Cemetery
- Fire
- Health
- Park
- Port
- Sanitary
- Water Supply
- Water Control
- Vector Control
- Other



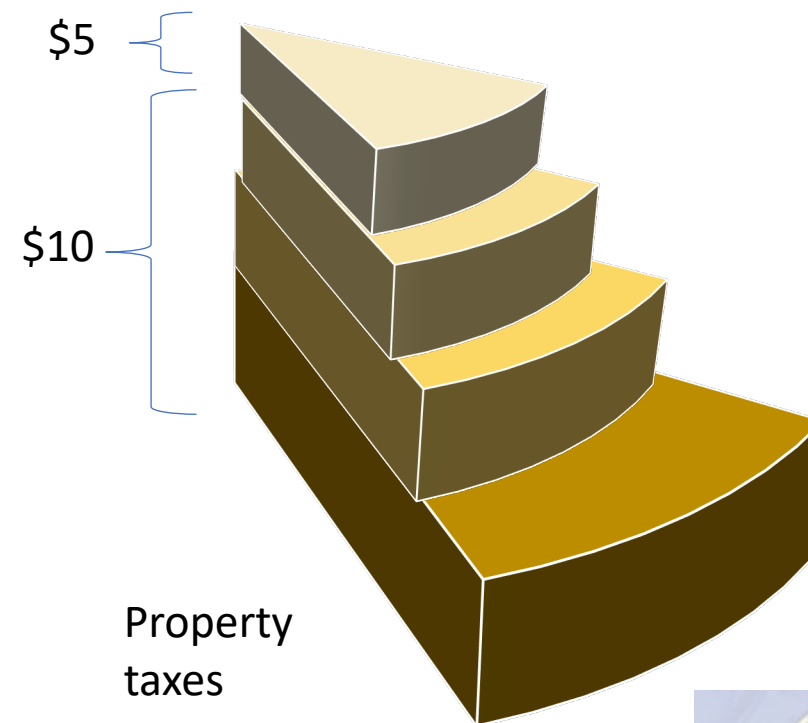


Code Areas and Taxing Districts





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Levy vs. Rate

Levy System

- The size of the pie can change from year to year
- Even if one property owners 'slice' stays the same, the overall tax burden for that individual increase
- Bonds still function this way

Exemption creates a SHIFT

Rate System

- Regardless of the budget needs of the district, if a property owner's value increases then the bill for that property increase if everything else remains the same
- Permanent rate sets a floor

Exemption creates a LOSS





EXEMPTION META ANALYSIS





Meta Analysis

- Various perspectives of looking at the same exemption

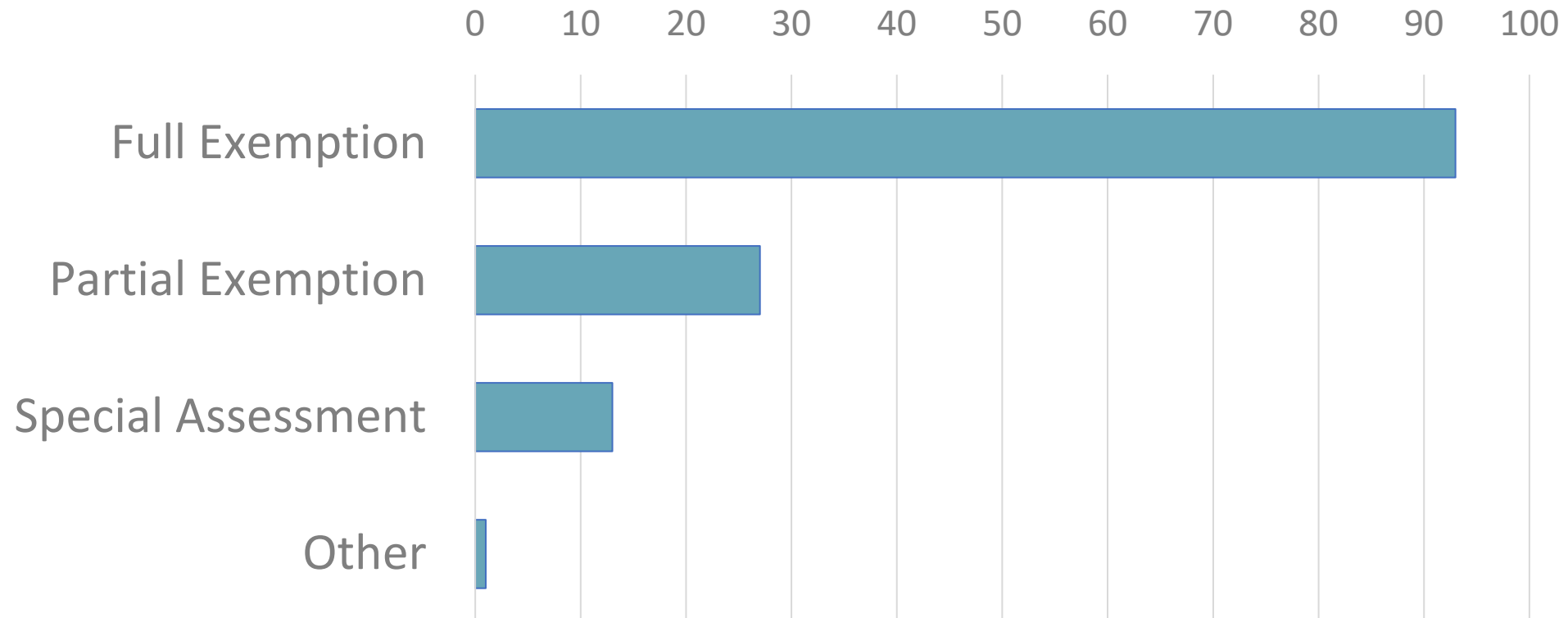
- Various methods of grouping different exemptions





Grouping Property Tax Exemptions

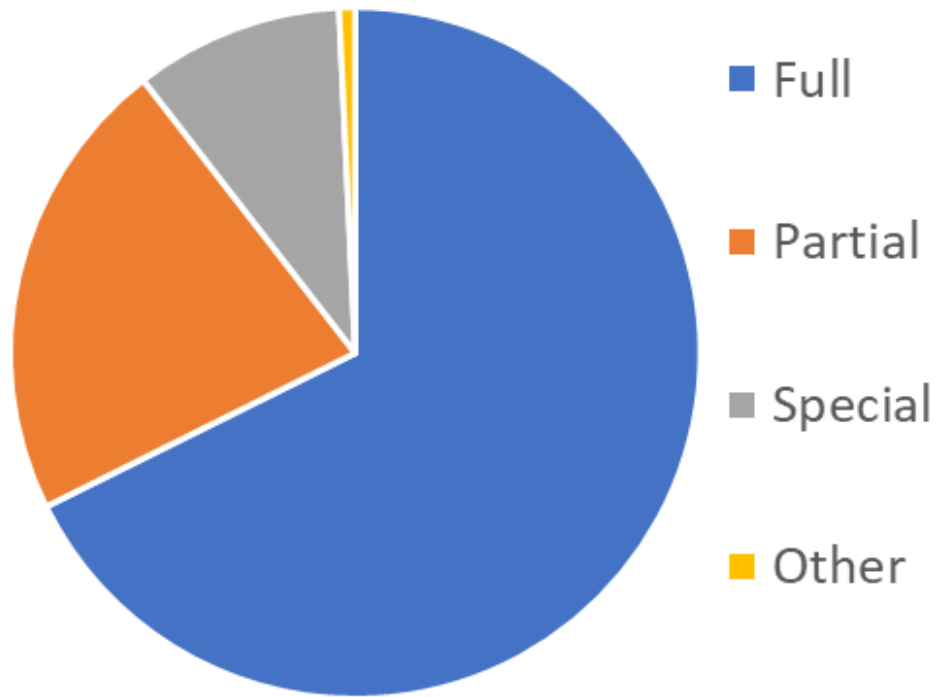
Number of Exemptions by Type



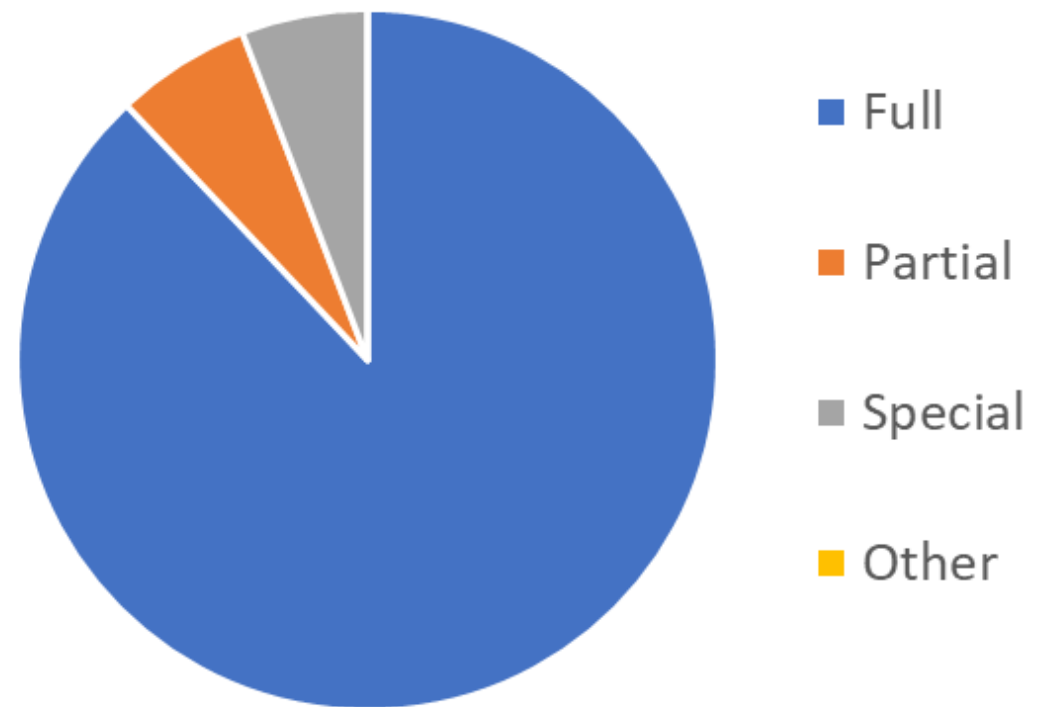


Property Tax Exemptions: bird's eye view

Exemptions by Type



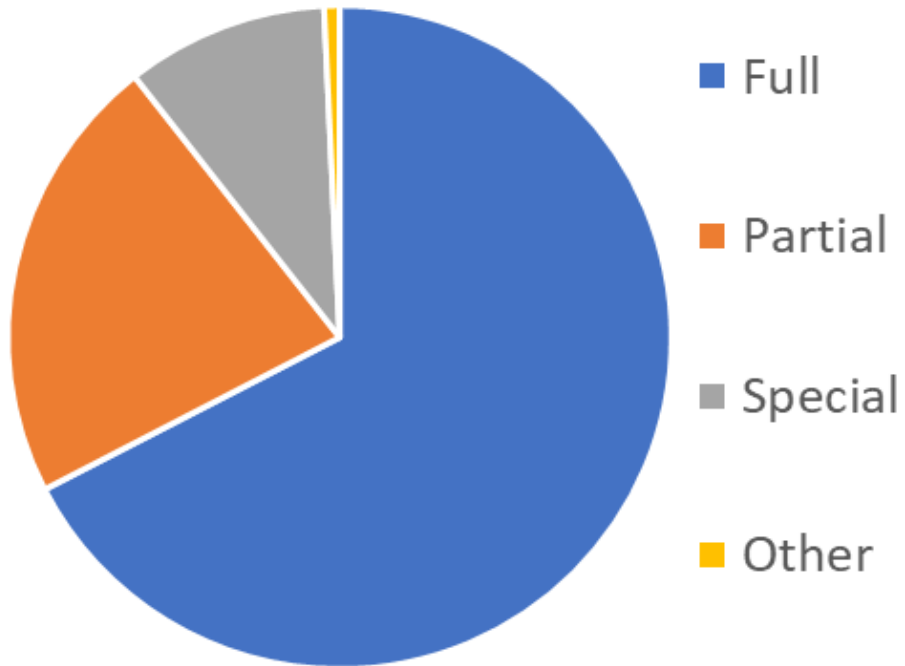
Exemption Value by Type



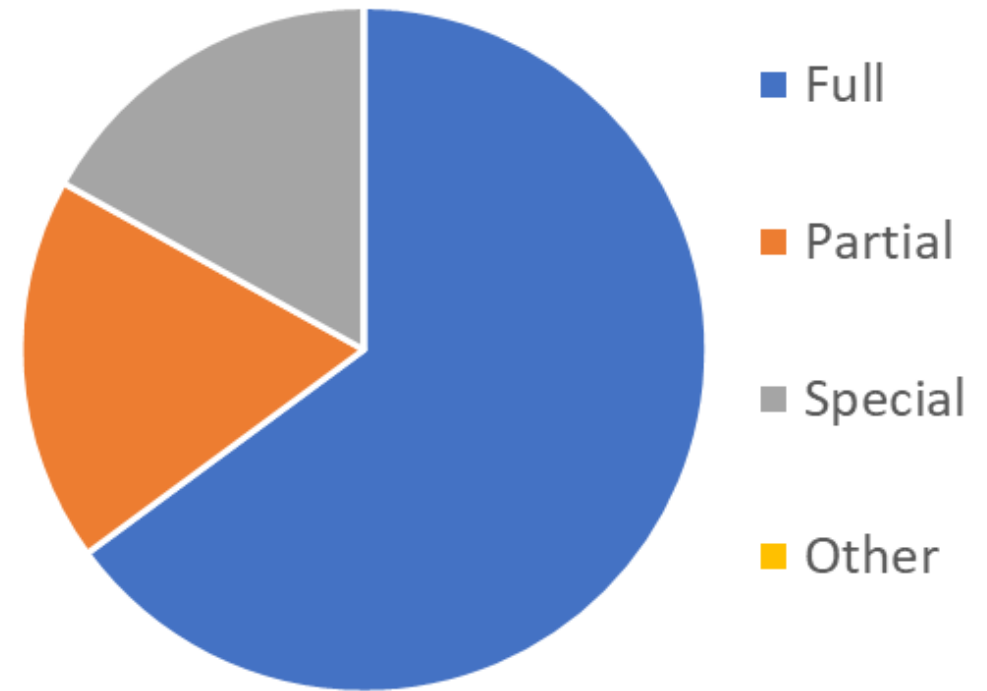


Property Tax Exemptions: another bird's view -excluding public property and vehicles

Exemptions by Type



Exemption Value by Type

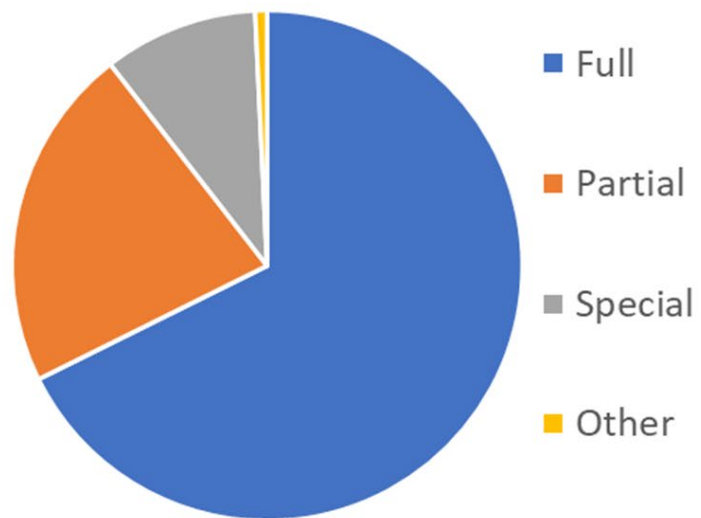




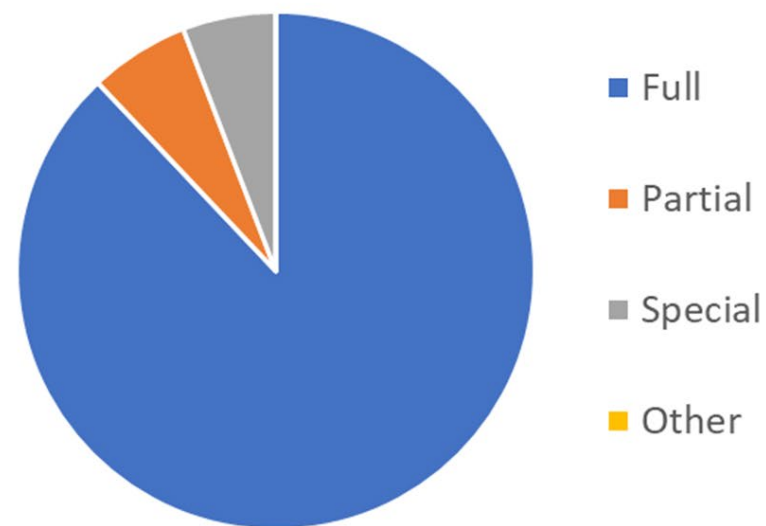
With public property /vehicles and without

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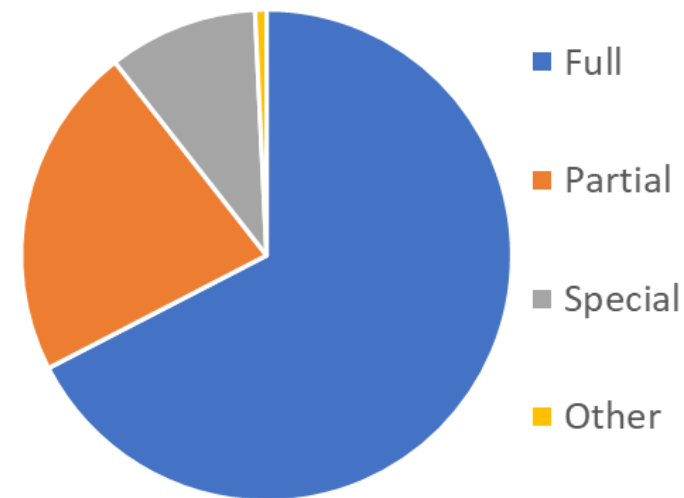
Exemptions by Type



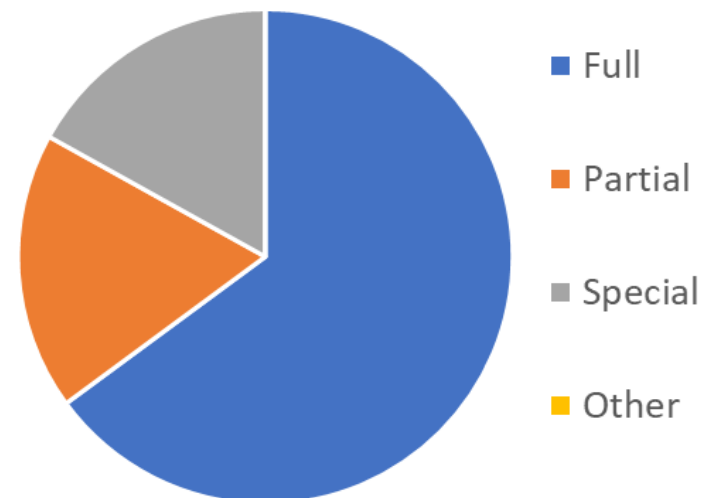
Exemption Value by Type



Exemptions by Type



Exemption Value by Type



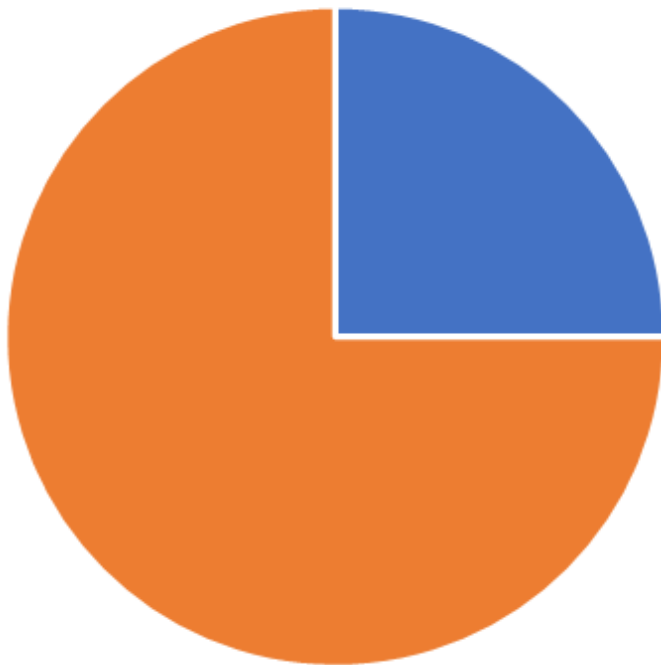
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Government and non-profit property

Exemptions by Owner

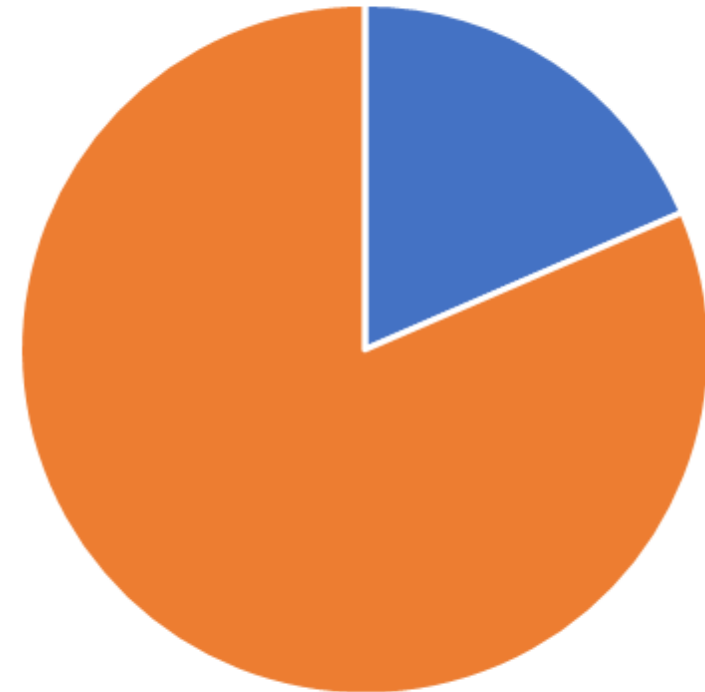


■ gov't or non-profit ■ other

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Exemption Value by Owner



■ gov't or non-profit ■ other

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By use – without public property

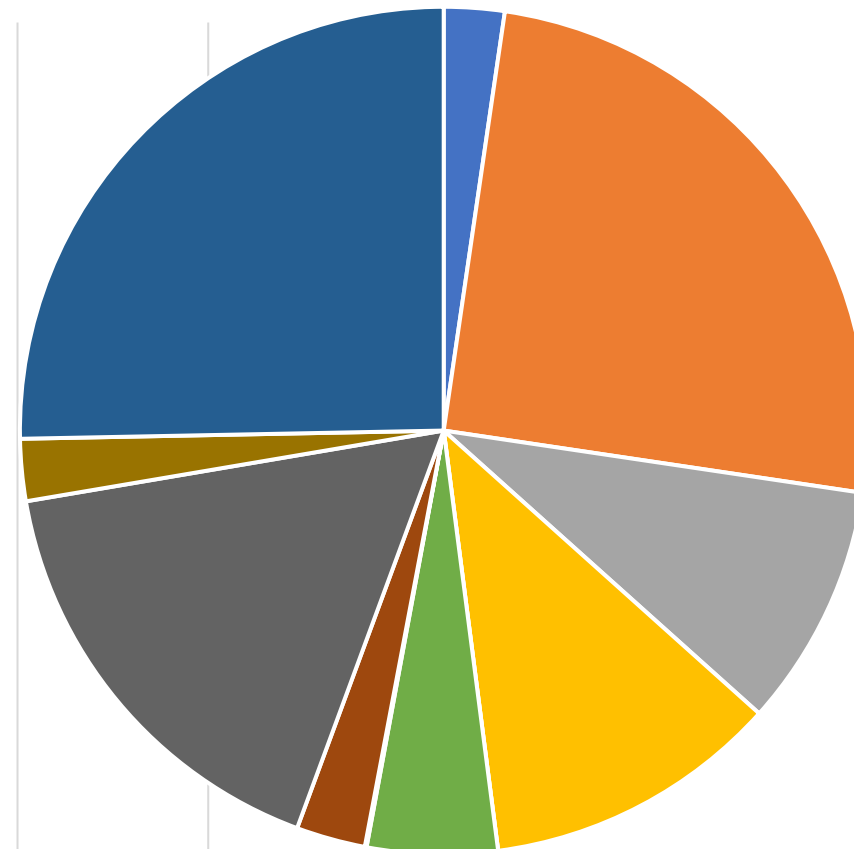
Exemption Count by Use

0 5 10 15 20 25

Resident...
Business
Ag
Forestry
Health
Education
Ecology
Utilities
Transport
Religious
Other

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Exempted value by Use



- Residential
- Business
- Ag
- Forestry
- Health
- Education
- Ecology
- Utilities
- Transport
- Religious
- Other

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Other areas and policy levers

- Length of term
- Automatic sunset
- Application Required
- Local Control/Mandatory/zones
- In-lieu payment required
- Administration agency
- Exempt from taxation and or taxation
- Exempt real and personal property
- Whether there is a clawback
- Are there companion programs and/or grants





SUNSETTING PROPERTY TAX EXEMPTIONS





Exemptions For 2023 Session

TER #	Property Tax Exemption	Statute Ref	2021-23 Revenue Loss	2021-23 Revenue Shift
2.012	Construction in Process in an Enterprise Zone	285C.170	<\$29,200,000	<\$7,500,000
2.013	Enterprise Zone Business	285C.175	\$ 125,500,000	\$ 27,400,000
2.017	New Industrial properties	307.340 Note	\$ 600,000	\$ 100,000
2.019	Rural Renewable Enterprise Development	285c.362	\$ 8,500,000	\$ 1,000,000
2.022	Cemetery Low Income Housing	307.158	\$ -	\$ -
2.024	Federal Recreation Land	307.182	\$ 1,800,000	\$ 300,000
2.032	Food Processing	307.455	\$ 13,000,000	\$ 2,800,000
2.048	Biomass	308.521	<\$100,000	\$ -
2.101	Central Assessment Cap	308.674	\$ 3,600,000	\$ 800,000
2.102	Vertical Housing	307.864	\$ 4,000,000	\$ 1,000,000
2.103	Single Unit Housing	307.664	\$ 4,500,000	\$ 1,400,000
2.118	Surviving Spouse	307.295	<\$100,000	\$ -
2.127	Historical Property	358.505	\$ 10,300,000	\$ 3,300,000



Sample Background: TER 2.022

Transfer of Cemetery Land for Low Income Housing

ORS	307.158		Year Enacted	2018		Payment in Lieu	No
TER	2.022		Length:	Indefinite		Partial/Full	Full
			Taxing Districts	All		Application Required	Yes
			NonProfit Requirement	No		Mandatory/Local/Zone	Mandatory

Policy Purpose¹

To increase supply of low-income housing.

Description

For cemetery property currently exempt from property taxation, allows additional

Exemption Value

\$0 - Currently unutilized

Policy Analysis

The 2018 HB 4028 Established the property tax exemption that relieves property owners of the burden of additional tax imposed upon sale of cemetery property, when the property use converts to low-income housing.





Sample Background: TER 2.032

Food Processing Equipment

ORS	307.455		Year Enacted	2005		Payment in Lieu	No
TER	2.032		Length:	5 years		Partial/Full	Full
			Taxing Districts	All		Application Required	Yes
			NonProfit Requirement	No		Mandatory/Local/Zone	Mandatory

Policy Purpose

To encourage continued operation and expansion of the food processing industry in this state.

Description

The Oregon Department of Agriculture (ODA) is responsible for qualifying and certifying whether the equipment is food processing equipment that is eligible for the exemption. This is a binary process, in that the equipment either qualifies, or it does not. The list of certified equipment is then submitted to the Department of Revenue.¹ The county assessors then quantify the equipment and value to be exempted.

Policy Analysis

The use of this exemption has almost quadrupled in the past three biennia, while the number of counties where it is utilized has shrunk from 17 to 14. From the 2015-16 tax year to the 201-20 tax year, the value exempted grew from \$97 million to \$342 million. In a similar timeframe, 2015-17 saw a revenue loss of \$3.4 million (along with a \$.7 million shift to other taxpayers) while DOR estimates a revenue loss of \$13 million (with a \$2.8 million shift to other taxpayers) for 2021-23. One contributor to this increase in magnitude is the growth of the food and beverage industry in Oregon.



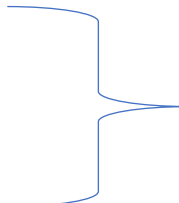


Suppose that a house was bought in 2013.

RMV 2013 = \$166K

AV 2013 = \$142K

County CPR = .97

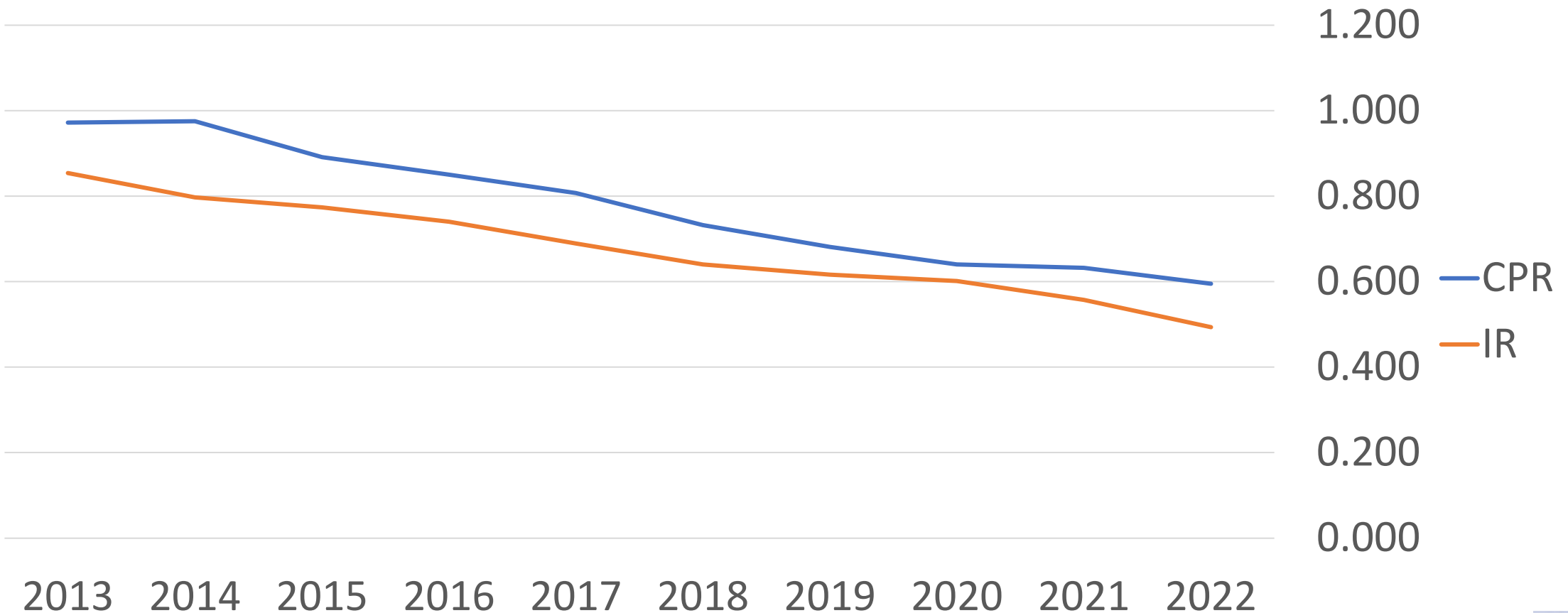

$$142/166 = .85$$

Tale of One House



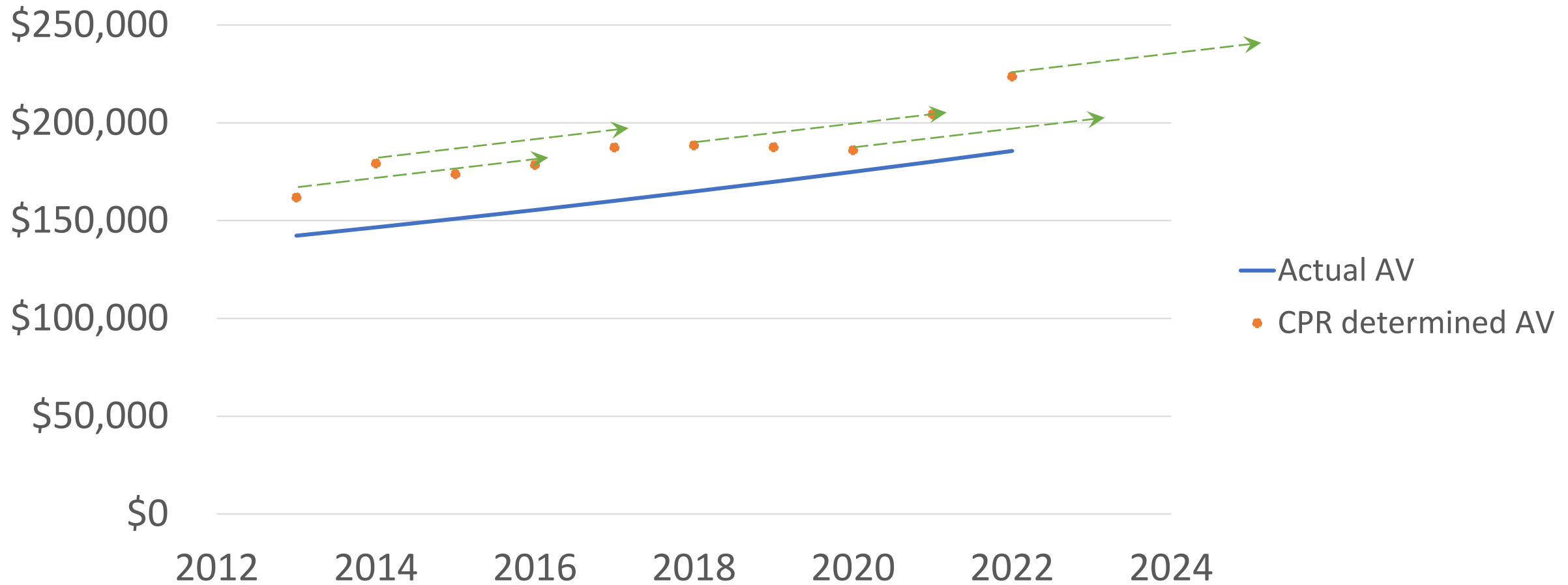


CPR vs. Internal Ratio





Actual vs. Hypothetical AV





CPR

- Each property has it's own percentage of RMV that it is being taxed on
- That can change when a property enters a special assessment or exemption program.
- That can also change when a property exits a special assessment or exemption program.
- The new percentage would be determined by others in the surrounding area.
- These are constrained by the constitution.





Additional Resources (hyperlink)

- [LRO](#)
 - Basic Facts
 - Background on major tax areas
 - Measures Passed
 - Others
 - ballot measures
 - school finance
 - research reports
- DOR
 - [Property Tax Statistics](#)
 - [Tax expenditure report \(2.xx\)](#)
- County Assessors
 - [Web Pages](#)



For More Information

- LEGISLATIVE REVENUE OFFICE
- 900 Court St. NE, Room 160
- Salem, OR 97301
- 503-986-1266
- <https://www.oregonlegislature.gov/lro>