

Fire/Act of God Property Tax Changes

Oregon State Association of County Assessors and Oregon Association of County Tax Collectors

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Problem Statement

Recent wildfires in Oregon have caused unprecedented property damage, and as administrators of Oregon's property tax system, we recommend legislative consideration. Current law allows property owners victim to damaged property by Fire or Act of God potential relief from property tax liability. However, this relief is not automatic and creates inconsistencies across affected properties.

Issues with the current Fire/Act of God property tax proration – ORS 308.425:

- 1.) Loss in property value may not result in tax relief for some properties due to Measure 50 Assessed Value and Real Market Value separation.
- 2.) Different procedures and timelines exist depending on whether property is partially damaged or completely destroyed, causing delays in tax refunds and confusion for victims seeking relief.
- 3.) Property taxes can only be prorated and refunded if the affected property owner signs and submits a form authorizing the Tax Collector to do so.

Recommended Considerations

In an effort to provide uniformity in property tax relief for victims of damaged and destroyed properties, particularly in disaster areas, and to streamline the necessary processes for property tax administrators, we recommend the following statutory changes be considered:

- 1.) Calculate proration of tax based on percentage of RMV loss for the number of months affected in the tax year. (Current law allows for proration of tax only if property damage causes a reduction in AV, therefore, if damage does not reduce the property RMV below MAV, no tax relief is provided). (See Examples on pages 2 -5)
- 2.) Process damaged and destroyed property proration based on the same timeline – including the month of damage/destruction and each subsequent month through the remainder of the tax year. Currently, for damaged property, proration applies to the month of damage and continues until repairs are made, while destroyed property proration applies to the month following destruction and each subsequent month through the remainder of the tax year.
- 3.) Add provision to ORS 308.425 providing that Tax Collector may calculate and process the appropriate tax proration/refund if aware of damage or destruction due to Fire or Act of God without the need of a signed Fire/Act of God tax proration form from the property owner. The legal obligation would remain with the property owner to notify the Tax Collector of damaged or destroyed property.

Examples of inequities in tax relief for two fire-destroyed site-built homes

PROPERTY 1:

Total Real Market Value (RMV) of property = \$150,000 (\$50,000 for house and \$100,000 for land)

Maximum Assessed Value (MAV) of property = \$75,000

Assessed Value (AV) of property = Lower of RMV and MAV = \$75,000

Under current law, if this house is completely destroyed by fire in September, for purposes of calculating tax proration, the RMV would be reduced to the land value of \$100,000. However, since the RMV does not fall below the Maximum Assessed Value of \$75,000, the Assessed Value would remain at \$75,000. Therefore, there would be no adjustment to the property tax liability for this fire victim for the current tax year.

Current year property taxes before fire = \$1,500

Current year property taxes after fire (current law) = \$1,500

Under the proposed concept, a \$50,000 (33%) loss in RMV would result in a 33% reduction in taxes for the month of damage and each month remaining in the current tax year (September – June), reducing current year tax liability by 28% for this fire victim.

Current year adjusted property taxes after fire (proposed concept) = \$1,083

PROPERTY 2:

Total Real Market Value (RMV) of property = \$500,000 (\$400,000 for house and \$100,000 for land)

Maximum Assessed Value (MAV) of property = \$400,000

Assessed Value (AV) of property = Lower of RMV and MAV = \$400,000

Under current law, if this house is completely destroyed by fire in September, for purposes of calculating tax proration, the RMV would be reduced to land value of \$100,000. Since the AV is the lower of RMV and MAV, the AV would be reduced to \$100,000. This would result in a 75% reduction of taxes for each month after damage in the current tax year (October – June), reducing current year tax liability by 56% for this fire victim.

Current year property taxes before fire = \$8,000

Current year adjusted property taxes after fire (current law) = \$3,500

Under the proposed concept, a \$400,000 (80%) loss in RMV would result in a 80% reduction in taxes for the month of damage and each month remaining in the current tax year (September – June), reducing current year tax liability by 67% for this fire victim.

Current year adjusted property taxes after fire (new concept) = \$2,667

Property 1 - Site-built Home	Tax Year 2020-2021 (July 1, 2020 – June 30, 2021)		Tax Year 2021-2022 (July 1, 2021 – June 30, 2022)
	Current Law	Proposed Changes	Current Law (no proposed changes)
Market Value			
Land	100,000	100,000	100,000
Stick Built house	50,000	50,000	-
Total RMV	150,000	150,000	100,000
<i>% of RMV destroyed</i>		33%	
M50 Maximum Assessed Value	75,000	75,000	51,500
Assessed Value	75,000	75,000	51,500
Taxes before Fire	1,500.00	1,500.00	NA
Taxes after Fire	1,500.00	1,083.00	1,030.00
Property 2 - Site-built Home			
Property 2 - Site-built Home	Fiscal Year 2020-2021		Fiscal Year 2021-2022
	Current Law	Proposed Changes	Current Law (no proposed changes)
Market Value			
Land	100,000	100,000	100,000
Stick Built house	400,000	400,000	-
Total RMV	500,000	500,000	100,000
<i>% of RMV destroyed</i>		80%	
M50 Maximum Assessed Value	400,000	400,000	82,400
Assessed Value	400,000	400,000	82,400
Taxes before Fire	8,000.00	8,000.00	NA
Taxes after Fire	3,500.00	2,666.67	1,648.00

Examples of inequities in tax relief for fire-destroyed personal property manufactured home and real property manufactured home

Personal Property Manufactured Home (does not include land – for example in a manufactured home park):

Total RMV of property = \$40,000 (\$40,000 for MH and \$0 for land)

MAV of property = \$30,000

AV of property = Lower of RMV and MAV = \$30,000

Under current law, if this manufactured home is completely destroyed by fire in September, for purposes of calculating tax proration, the RMV and AV would be reduced to \$0. This would result in no taxes for each month after damage in the current tax year (October – June), reducing current year tax liability by 75% for this fire victim.

Current year property taxes before fire = \$600

Current year property taxes after fire (current law) = \$150

Under the proposed concept, a total loss in RMV would also result in a full reduction in taxes for the month of damage and each month remaining in the current tax year (September – June), reducing current year tax liability by 83% for this fire victim.

Current year adjusted property taxes after fire (new concept) = \$100

Real Property Manufactured Home (includes land):

Total RMV of property = \$190,000 (\$40,000 for MH and \$150,000 for land)

MAV of property = \$142,500

AV of property = Lower of RMV and MAV = \$142,500

Under current law, if this manufactured home is completely destroyed by fire in September, for purposes of calculating tax proration, the RMV would be reduced to land value of \$150,000. However, since the RMV does not fall below the Maximum Assessed Value of \$142,500, the Assessed Value would remain at \$142,500. Therefore, no adjustment to the property tax liability for this fire victim for the current tax year.

Current year property taxes before fire = \$2,850

Current year property taxes after fire (current law) = \$2,850

Under the proposed concept, a \$40,000 (21%) loss in RMV would result in a 21% reduction in taxes for the month of damage and each month remaining in the current tax year (September – June), reducing current year tax liability by 18% for this fire victim.

Current year adjusted property taxes after fire (new concept) = \$2,350

Personal Property Manufactured Home	Tax Year 2020-2021 (July 1, 2020 – June 30, 2021)		Tax Year 2021-2022 (July 1, 2021 – June 30, 2022)
	Current Law	Proposed Changes	Current Law (no proposed changes)
Market Value			
Land	-	-	-
Personal Manufactured Home	40,000	40,000	-
Total RMV	40,000	40,000	-
<i>% of RMV destroyed</i>		<i>100%</i>	
M50 Maximum Assessed Value	30,000	30,000	-
Assessed Value	30,000	30,000	-
Taxes before Fire	600.00	600.00	NA
Taxes after Fire	150.00	100.00	-

Real Property Manufactured Home	Tax Year 2020-2021 (July 1, 2020 – June 30, 2021)		Tax Year 2021-2022 (July 1, 2021 – June 30, 2022)
	Current Law	Proposed Changes	Current Law (no proposed changes)
Market Value			
Land	150,000	150,000	150,000
Manufactured Home	40,000	40,000	-
Total RMV	190,000	190,000	150,000
<i>% of RMV destroyed</i>		<i>21%</i>	
M50 Maximum Assessed Value	142,500	142,500	115,875
Assessed Value	142,500	142,500	115,875
Taxes before Fire	2,850.00	2,850.00	NA
Taxes after Fire	2,850.00	2,350.00	2,317.50

