

**REVENUE IMPACT OF
PROPOSED LEGISLATION**
81st Oregon Legislative Assembly
2021 Regular Session
Legislative Revenue Office

Bill Number:	SB 141 - 1
Revenue Area:	Property Tax
Economist:	Jaime McGovern
Date:	03/04/2021

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

Measure Description:

Addresses calculation of partial property tax exemption in vertical housing. Eliminates possibility of rounding in calculation and adjusts partially exempt value schedule.

Revenue Impact: The revenue impact of this measure is negative, but the amount is uncertain.

Impact Explanation: In this existing property tax exemption program, calculation of the portion of the building to be exempt involves the calculation of residential equalized floors, weighted for average size of floor in the mixed-use building. Historically, if this calculation has resulted in a mixed numeral, for example 2.4, then the whole number (2 in this case) has been determined to be the calculated number of residential floors. This bill would require the use of the full mixed numeral without the ability to adjust up or down to the nearest whole number. Given that the historical adjustments have been downwards to the whole number, this bill would result in additional exemption value, related to the proportional floors calculated.

In addition, the proportional schedule for exemption has been altered from a more graduated scale between 20 and 80 percent to either, 20 or 80 percent exempt.

This exemption is currently used in five counties exercised over 18 accounts, resulting in a total revenue loss of \$4 million in the 2021-23 biennium, and a \$1 million shift to other taxpayers from the program. The five counties that currently provide this exemption are Clackamas, Mario, Multnomah, Umatilla and Washington.

Using the best available data, the maximum loss in the current biennium is \$4 million. However, the loss is unlikely to be that large, as that would represent an almost doubling of the number of calculated exempt residential floors. Revenue loss is more likely close to \$1 million. Further losses in future biennium would result from increases in assessed value and additional utilization of the program.

Creates, Extends, or Expands Tax Expenditure: Yes No

The intent of this measure is to recognize the full calculated value of residential floors in mixed use buildings for purposes of exemption.