

# Preview of 2025 Property Tax Exemption Report

House Interim Committee on Revenue – 5/29/2024

State of Oregon

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LEGISLATIVE REVENUE OFFICE





# Presentation Outline

- Goal of Report
- Policy Purpose
- Exemptions Currently Under Review
- Exemption Review Cycle
- Report Contents
- Limitations of Exemptions





# Goal of Report

- Goal of report is to inform policy process by improving understanding of each exemption scheduled to sunset in next biennium.
- Intended audience is anyone interested in participating in legislative process for sunseting property tax exemptions, including legislators, their staff and lobbyists.
- Final report expected before December Legislative Days (Dec. 10-12). Available on LRO website, under Publications.





# Policy Purpose

- Stating a clear and specific policy purpose in statute may be most essential element to achieve that goal.
- Clear policy purpose in statute is necessary to truly gauge success, improve or determine whether resources should be allocated to other purposes.
- Some exemptions intend to achieve an outcome (incentive), others intend to support individuals with certain characteristics (relief).
- Analytical frameworks for evaluating success are fundamentally different for incentives and relief.





# Exemptions Currently Under Review

<b>Tax Expenditure Report Number and Exemption Name</b>	<b>ORS</b>	<b>Sunset Date</b>
<i>Scheduled to Sunset in the 2025-27 Biennium</i>		
<b>2.016 Brownfield Development</b>	<b>Note under 307.430</b>	<b>1/1/2027</b>
<b>2.028 Cargo Containers</b>	<b>307.835</b>	<b>6/30/2026</b>
<b>2.102 Vertical Housing Development Zone</b>	<b>307.841-867</b>	<b>12/31/2025</b>
<b>2.108 Nonprofit Low-Income Rental Housing</b>	<b>307.540-548</b>	<b>6/30/2027</b>
<b>2.109 New or Rehabilitated Multi-Unit Rental Housing</b>	<b>Note under 307.867</b>	<b>1/1/2027</b>





# Exemption Review Cycle (23 total)

5

2025-27

Brownfield Development  
Cargo Containers  
Vertical Housing Development Zone  
Nonprofit Low-Income Rental Housing  
New/Rehab. Multi-Unit Rental Housing

5

2027-29

Nonprofit Land for Low-Income Housing  
Solar Projects  
Low-Income Housing of Charitable Orgs.  
Home Share Low-Income Housing  
Seismic Upgrades

7

2029-31

Indust. Improve. in Rural Areas  
Fed. Land Under Rec. Facility  
Food Processing Equipment  
Cap on Central Assessment  
Single-Unit Housing  
Low-Income Rental  
Alternative Energy Systems

6

2031-33

Standard Enterprise Zones  
Long Term Rural Enterprise Zones  
Multi-Unit Rental Housing in Des. Areas  
Low-Income Multi-Unit Rental Housing  
Workforce Housing  
Surviving Spouse of Public Safety Officer





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These are being reviewed for the first time.





# Report Contents

- Report not required by statute. Report contents guided by ORS 315.051 (biennial review of sunseting tax credits). Will seek input from DOR, LFO and administering entities.
- Analysis of property tax exemptions scheduled to sunset in the 2025-27 biennium. May cover special assessments, deferrals full exemptions and partial exemptions.
- Estimated cost to local governments (taxing district revenues) of extending exemptions for next three biennia, by moving sunset to a later date.
- For each exemption, report will provide table of key features and subsections guided by ORS 315.051:

Report Subsections	Guided by ORS 315.051
Policy purpose	(2)(a)-(b)
Description	
Analysis	(2)(c)-(f), (h) and (j)
Administrative costs	(2)(i)
Similar programs available in Oregon	(2)(k)
Exemptions available in other states	(2)(g)
Legislative history (appendix)	(2)(f)







# Report Contents (cont.)

**315.051 Report by Legislative Revenue Officer.** (1) Prior to the beginning of each odd-numbered year regular session, the Legislative Revenue Officer shall submit a report addressing each income or excise tax credit that is scheduled to expire during the next even-numbered year. The Legislative Revenue Officer shall submit the report to a committee of the Legislative Assembly related to revenue, and may include information related to other tax credits in the report at the direction of an interim committee related to revenue. In preparing the report, the Legislative Revenue Officer shall seek input from the Department of Revenue, the Legislative Fiscal Officer and state agencies involved in administering any given credit.

(2) The report required in subsection (1) of this section shall set forth:

- (a) The stated public policy purpose, if any, of the credit.
- (b) The expected timeline for achieving the public policy purpose, if a timeline exists.
- (c) The best means of measuring achievement of the public policy purpose.
- (d) The taxpayers or other entities or individuals that directly benefit from allowance of the credit and whether the credit is intended to benefit particular targets.
- (e) The effectiveness of the credit in benefiting its targets and any evidence that demonstrates its impact on its targets.
- (f) The expected results if the credit is allowed to expire under current law and any potential results of making incremental changes in the value of the credit rather than allowing it to expire.
- (g) Background information on the effect of similar credits allowed in other states.
- (h) Information regarding whether use of a tax credit is an effective and efficient way to achieve the stated policy goal.
- (i) The administrative and compliance costs associated with the credit.
- (j) Analysis of whether a direct appropriation might achieve the stated public policy purpose of the credit more efficiently.
- (k) What other incentives, including state or local subsidies or federal tax expenditures or subsidies, are available in this state that have a similar policy purpose. [2013 c.676 §2]





## Report Contents (cont.)

- For example, below is current key features table for Vertical Housing Development Zone exemption.

ORS	307.841-867	Term	10 years	Special Assess./Exempt	Exemption
TER	2.102	Property	Real	Full/Partial Exemption	Partial
Year Enacted	2001	Payment in Lieu of Tax	No	AV/RMV Exemption	Unspecified
Sunset	12/31/2025	Some/All Districts	*Some	Owner/Property Eligible	Property
Recent Changes	2013, 2015, 2017, 2021	Mandatory/Local/Zone	Zone	Nonprofit Requirement	No
		Potential Add. Tax	Yes	Application Required	Yes

\*Does not apply to taxing districts that elect not to participate.





# Limitations of Exemptions

- Limited ability to target populations based on demographics/income.
- May be less timely than direct spending, which may occur at any time, depending on intent of program.
- Administrative costs can be high. Exemptions may impact tax rate compression, recalculation of maximum assessed value, administration at local governments and DOR.
- Impacts local government revenue and services (non-bond taxes).
- Shifts tax burden to non-exempt properties (bond taxes).



# Legislative Revenue Office

<https://www.oregonlegislature.gov/lro>

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State of Oregon

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