

Senior or Disabled Homestead Property Tax Deferral

House Interim Committee on Revenue

LRO | August 28, 2024

State of Oregon

LEGISLATIVE REVENUE OFFICE





Presentation Outline

- Description & Policy Purpose
- Program Basics
- Eligibility & Participation
- Senior Population Growth in Oregon
- Repayment & Account Balance
- Outreach & Engagement
- Administrative Costs
- Related Programs in Oregon





Description & Policy Purpose

- In short, the state pays property taxes on behalf of participating homeowners; all deferred taxes, interest and fees are due when the owner moves, changes the ownership or dies
- Purpose is not explicitly stated in statute
- 2013 OSU survey of program participants commissioned by DOR per HB 4039 (2012) found:

“The results suggest that the Property Tax Deferral Program is helping a large number of long-time, low-income homeowners remain in their homes. Given the low overall incomes of the respondents, it is likely that property taxes constitute a significant expense that respondents might struggle to meet without the Tax Deferral Program.”

Steel, B. S., Wall, C., & Weber, B. (2013). *Oregon Property Tax Deferral Program for Senior and Disabled Citizens: 2012 Survey Results*. Report prepared by Oregon State University Rural Studies Program, for the Oregon Department of Revenue.





Program Basics

- DOR administers revolving fund and pays property taxes to counties on behalf of qualifying property owners
- Lien is placed on property that is like a reverse mortgage. Homeowner relinquishes homestead equity in exchange for property tax payments
 - Lien has same priority as other real property tax liens except when mortgage, trust deed or security interest liens recorded by DCBS came first
- Recertify every 2 years
 - DOR sends forms in Feb. Participant has 65 days to respond
 - If no response 35 days after notification, DOR notifies DHS or other senior service provider





Program Basics (cont.)

- Simple 6% interest accrues annually on deferred property taxes
- Deferred taxes, interest and fees are due when any of the following disqualifying events occur:
 - Participant or surviving spouse dies
 - Homestead sold or transferred to person other than deferral participant (part of property can be sold without disqualification)
 - Property no longer homestead (owner occupied principal dwelling) of deferral participant, with exception for health reasons
 - Homestead is manufactured structure or floating home moved out of state. Total balance due five days prior to move





Program Basics (cont.)

- If deferred property taxes not paid when due, amounts are delinquent and property is subject to foreclosure and sale
 - County pays DOR for uncollected deferred taxes and interest when property is deeded to county at conclusion of foreclosure proceedings
- Owners may apply to delay foreclosure during two-year redemption period
- Sunset: deferral may not be granted after 2032-33 tax year





Eligibility & Participation

- Applications can be filed by individuals, or two or more individuals filing jointly
- At least 62 years or be eligible for Social Security disability benefits ($\approx 12\%$ of accounts classified as disabled)
- Household income limit of \$58,000 (2024, indexed)
- Household net worth less than \$500,000, not including homestead
- Homeowners insurance (fire and other casualty)
- Owned and lived in homestead past 5 years
 - Exceptions for health reasons, or if new homestead was purchased for purposes of downsizing and other requirements are met





Eligibility & Participation (cont.)

Homestead RMV capped at greater of \$284,500 (2024, indexed) or value determined by county median RMV and number of years owner lived in homestead

		2023 COUNTY MEDIAN RMV	Used for 2024 Deferral Applications				
			Baker	Benton	Clackamas	Clatsop	Columbia
	RMV		\$ 211,860	\$ 470,440	\$ 577,710	\$ 535,681	\$ 427,000
	HOUSEHOLD INCOME LIMIT (2023)		\$ 58,000	\$ 58,000	\$ 58,000	\$ 58,000	\$ 58,000
	NETWORTH		\$ 500,000	\$ 500,000	\$ 500,000	\$ 500,000	\$ 500,000
	RMV MINIMUM CAP* 2024		\$ 284,500	\$ 284,500	\$ 284,500	\$ 284,500	\$ 284,500
RESIDENCY	PERCENTAGE	ALLOWABLE RMV	ALLOWABLE RMV	ALLOWABLE RMV	ALLOWABLE RMV	ALLOWABLE RMV	ALLOWABLE RMV
5 yrs <7 yrs	100%	\$ 211,860	\$ 470,440	\$ 577,710	\$ 535,681	\$ 427,000	\$ 427,000
7 - <9 yrs	110%	\$ 233,046	\$ 517,484	\$ 635,481	\$ 589,249	\$ 470,000	\$ 470,000
9 - <11 yrs	120%	\$ 254,232	\$ 564,528	\$ 693,252	\$ 642,817	\$ 510,000	\$ 510,000
11 - <13 yrs	130%	\$ 275,418	\$ 611,572	\$ 751,023	\$ 696,385	\$ 550,000	\$ 550,000
13 - <15 yrs	140%	\$ 296,604	\$ 658,616	\$ 808,794	\$ 749,953	\$ 590,000	\$ 590,000
15 - <17 yrs	150%	\$ 317,790	\$ 705,660	\$ 866,565	\$ 803,522	\$ 640,000	\$ 640,000
17 - <19 yrs	160%	\$ 338,976	\$ 752,704	\$ 924,336	\$ 857,090	\$ 680,000	\$ 680,000
19 - <21 yrs	170%	\$ 360,162	\$ 799,748	\$ 982,107	\$ 910,658	\$ 720,000	\$ 720,000
21 - <23 yrs	200%	\$ 423,720	\$ 940,880	\$ 1,155,420	\$ 1,071,362	\$ 850,000	\$ 850,000
23 - <25 yrs	225%	\$ 476,685	\$ 1,058,490	\$ 1,299,848	\$ 1,205,282	\$ 960,000	\$ 960,000
25 yrs +	250%	\$ 529,650	\$ 1,176,100	\$ 1,444,275	\$ 1,339,203	\$ 1,060,000	\$ 1,060,000

* If your Homestead RMV exceeds the allowable limit in your county and for your number of years of residence, but is under the RMV Minimum CAP* you may still qualify.





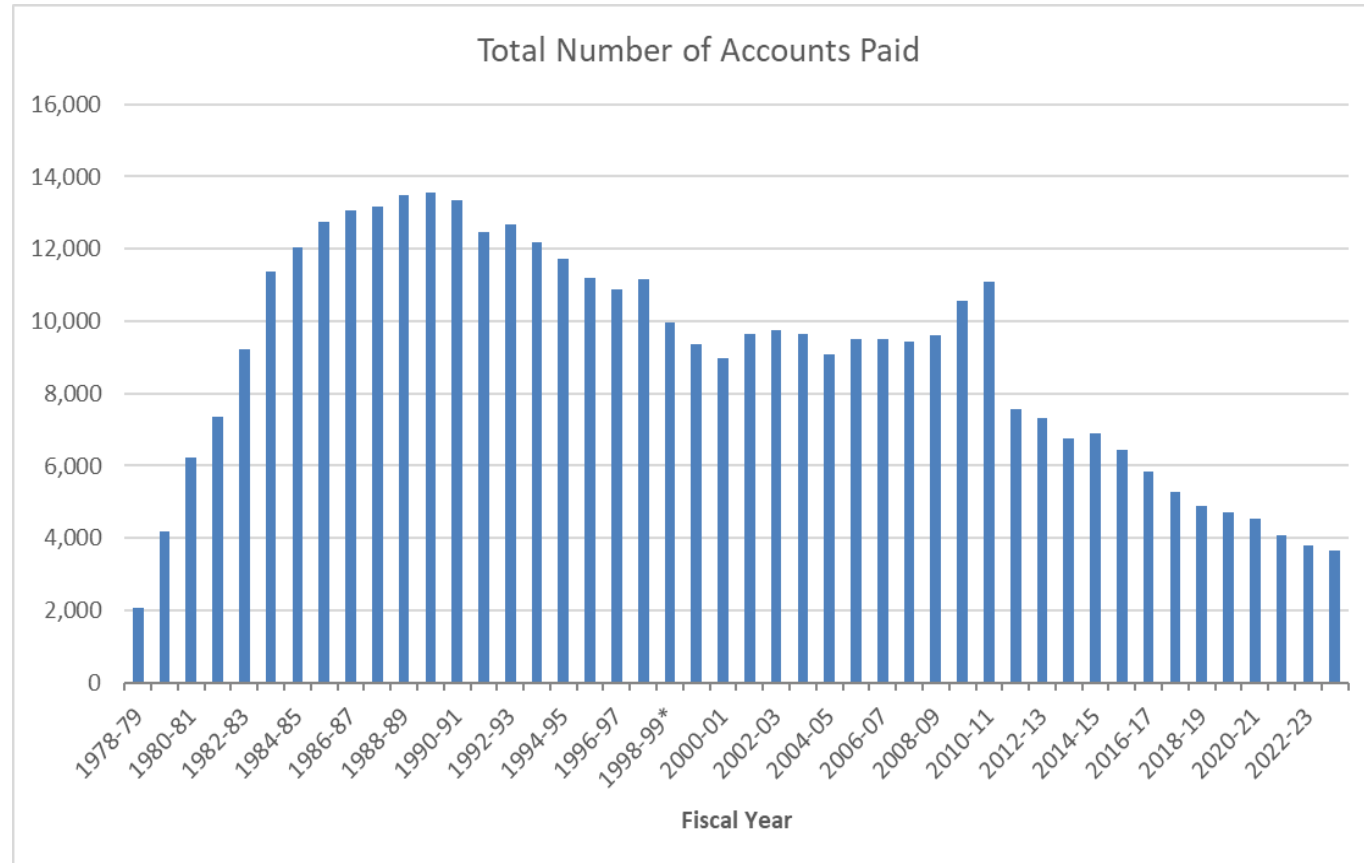
Eligibility & Participation (cont.)

- Homestead with reverse mortgage may be eligible if it was executed prior to 2011, or on or after July 1, 2011 and before Jan. 1, 2017 and have at least 40% equity in homestead
 - Currently, about 400 accounts have a reverse mortgage ($\approx 11\%$ of all accounts)
- Homesteads that have delinquent taxes may be eligible (20%-25% of both submitted and approved applications, since 2020). May apply for a Delay of foreclosure
- Retroactive deferral can be requested by owners that had property taxes deferred and failed to recertify timely
- Surviving spouse or disabled heir may continue deferral under certain conditions
- Owners can continue deferral in new homestead following DOT condemnation of old homestead under certain conditions





Eligibility & Participation (cont.)



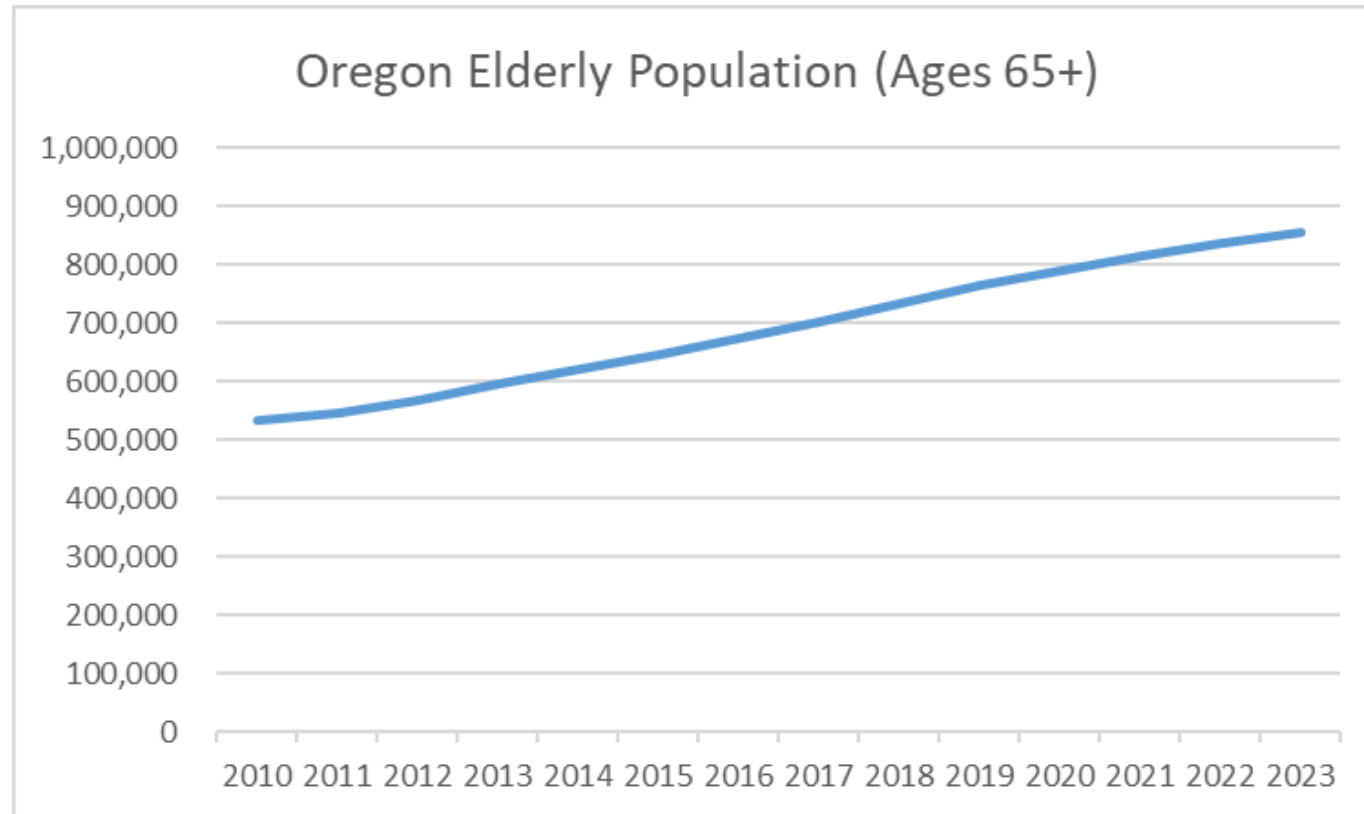
Data source: DOR, Research Section





Senior Population Growth in Oregon

From 2010 to 2023, Oregon's elderly population increased 61%



Data source: DAS, Office of Economic Analysis





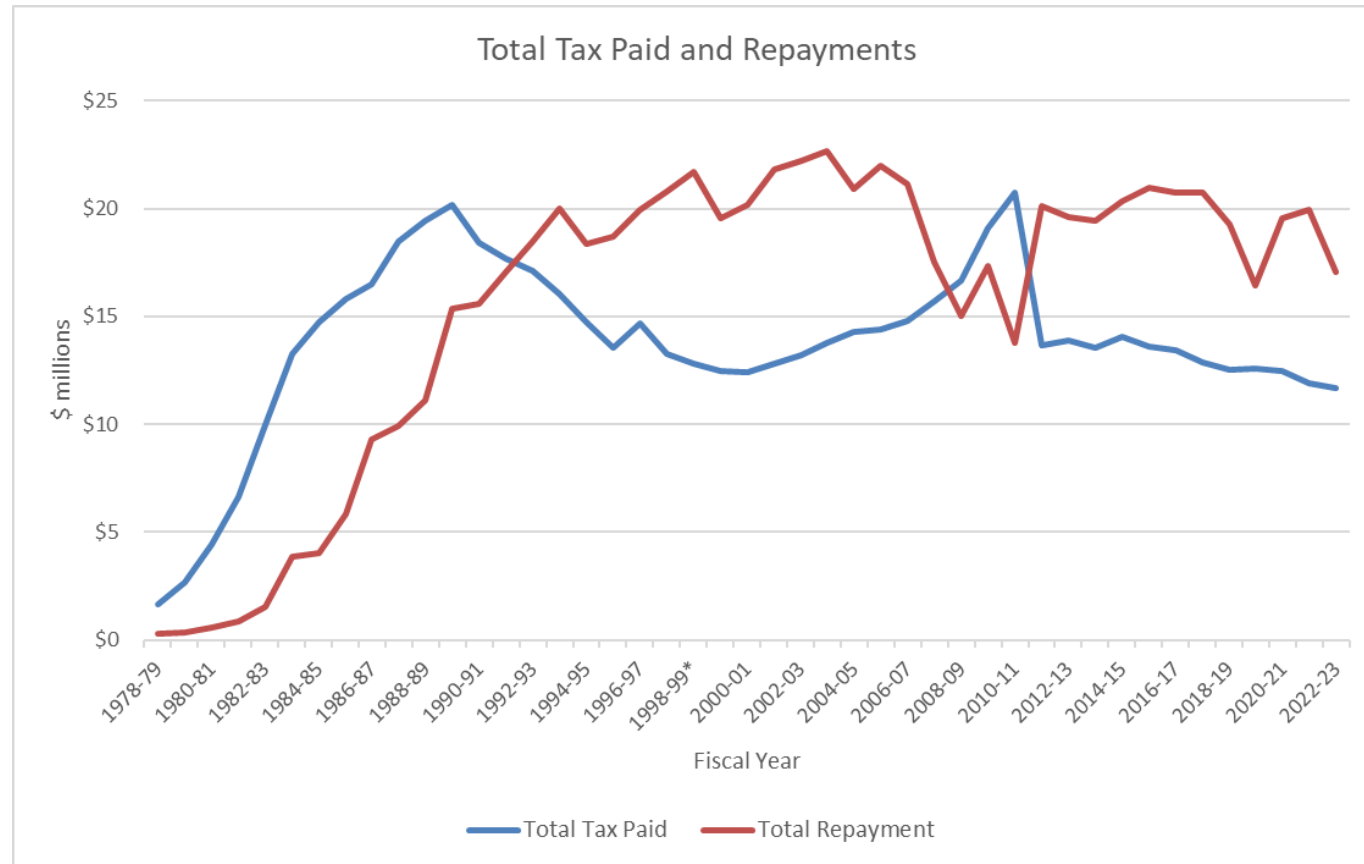
Repayment & Account Balance

- Deferred taxes and interest can be paid at any time by the:
 - Owner
 - Spouse
 - Next of kin, heir, child or any person having or claiming a legal or equitable interest in the property (unless the owner objects timely)
- Any payments are applied first against accrued interest, then to deferred taxes and then to fees
- Upon disqualification or cancellation, all deferred property taxes, interest and fees must be paid in full to release property lien





Repayment & Account Balance (cont.)

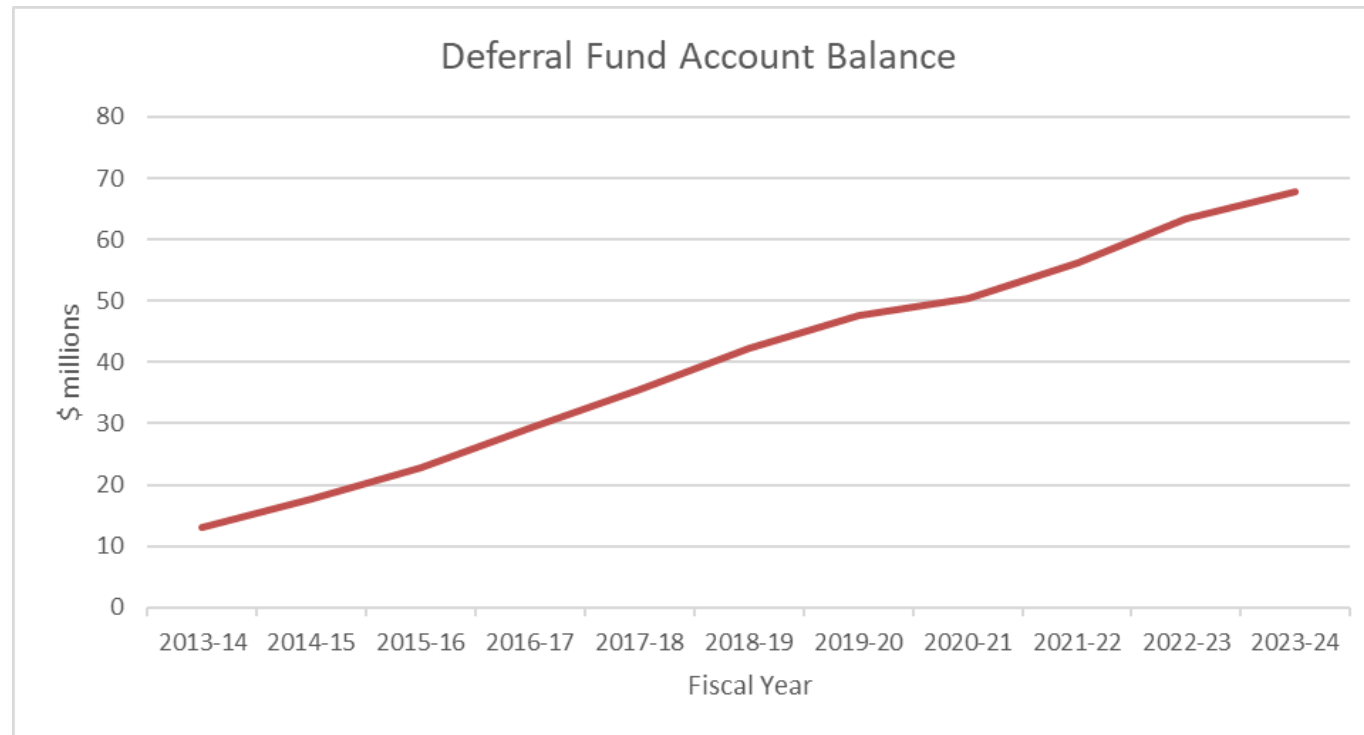


Data source: DOR, Research Section





Repayment & Account Balance (cont.)



Data source: DOR, Research Section





Outreach & Engagement

To Increase Public Awareness

- DOR provides website and annual application booklets. Also available on county websites and in county offices
- DOR works with community organizations and non-profits
- DOR has presented at Department of Veterans' Affairs and recently distributed flyers to 40+ DHS offices around the state
- Counties routinely make taxpayers aware of the program if they indicate they are having trouble paying their taxes and might qualify.





Outreach & Engagement (cont.)

To Inform Program Participants

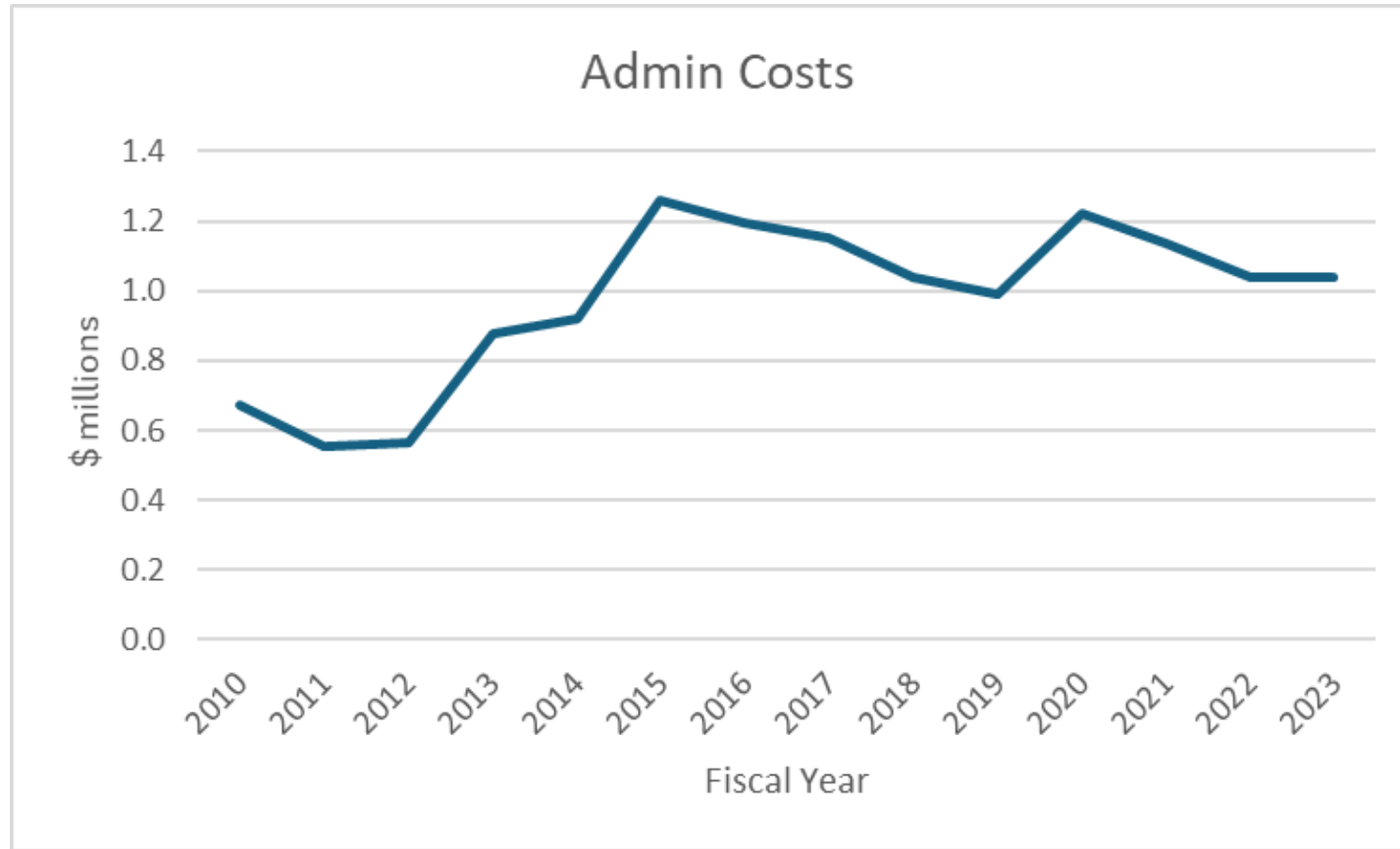
- Notice mailed on Dec 15th which provides:
 - A 'Do Not Pay' notice with current property tax amount
 - Accrued interest
 - Total balance owed
- Property tax statement in October also notifies participants that DOR is paying taxes on their behalf





Administrative Costs

Admin costs are paid from the Deferral Fund Account



Data source: DOR, Research Section





Related Programs in Oregon

Targeting Individuals

Potential Complements for Deferral

- **Disabled Veterans or Surviving Spouses of Veterans**, partial exemption
- **Property Tax Work-off Programs**, nonprofit volunteerism for property tax payments
- **Oregon Project Independence – Medicaid (OPI-M)**, limited in-home services

Potential Substitute for Deferral

- **Oregon Emergency Rental Assistance Program**, including in-home services for individuals 65+ years of age

Targeting Service Providers

- **Senior Services Centers**, full exemption
- **Veterans in Nonprofit Elderly Housing**, partial exemption
- **Nonprofit Elderly Housing State Funded**, full exemption
- **Long Term Care Facilities**, partial exemption
- **Nonprofit Housing for the Elderly**, special assessment



For More Information

- Legislative Revenue Office
- ~~900 Court St. NE, Room 160~~
- 255 Capitol St NE, 5th Floor
 - Public Services Building
- Salem, OR 97301
- 503-986-1266
- <https://www.oregonlegislature.gov/lro>

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