

Property Tax Exemption Review: 2025 Oregon Legislative Session

Senate Interim Committee On Finance and Revenue

12/11/2024

State of Oregon

LEGISLATIVE REVENUE OFFICE





Outline

- Goal of Report
- Report Contents
- Local Government Tax Revenues
- Exemption Review Cycle
- Exemptions Currently Under Review





Goal of Report

- Not required by statute
- Goal of report is to:
 - Build on DOR's [Tax Expenditure Report](#) (TER)
 - Enhance understanding of exemptions scheduled to sunset in next biennium
- Intended audience includes revenue committee members, other interested members and their staff, lobbyists, and other stakeholders
- Final report (#8-24) currently available under LRO [Publications](#)





Report Contents

- “Exemptions” include full/partial exemptions, special assessments, and some delayed payments
- Input from many sources, including literature, DOR, LFO, LC, and admin state/local governments
- For each exemption, a table of key characteristics and subsections guided by ORS 315.051 (biennial review of sunseting tax credits):

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)

- Estimated cost to local governments of extending exemptions for next three biennia, by moving sunset to a later date

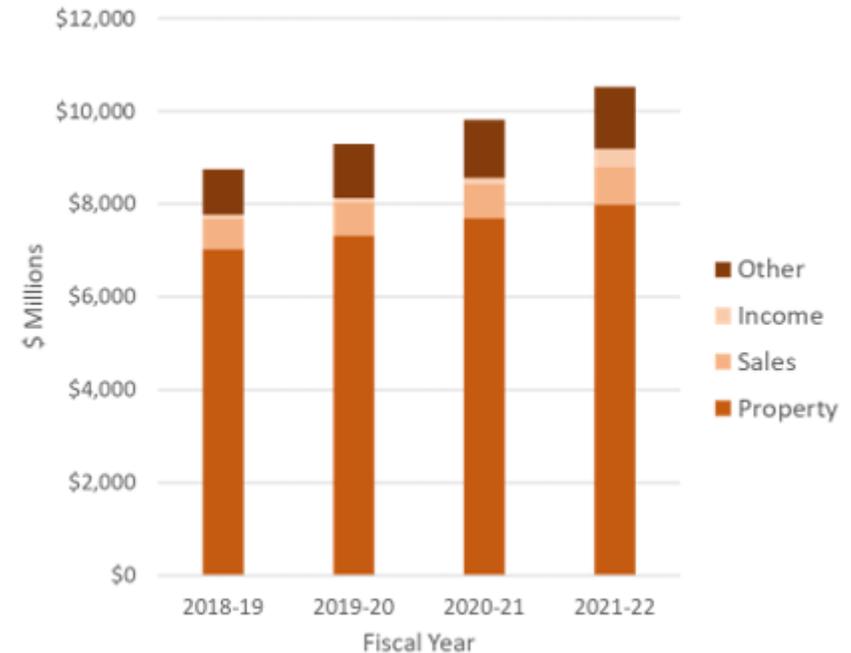




Local Government Tax Revenues

- Exemptions can impact local government taxing district revenue
- Property tax is main funding source for local governments
- About 76 percent of revenue

Figure 1. Oregon Local Government Tax Revenues



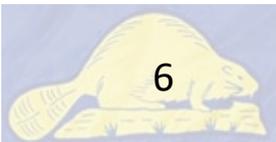
Data source: U.S. Census Bureau (2024)





Local Government Tax Revenues (cont.)

- Ways to mitigate exemption impact on local property tax revenue:
 - Ask voters to pass local option taxes or bonds
 - Payment in lieu of taxes (PILT). Exempt property subject to fees/charges to compensate, at least partially, for local government services
 - Property Tax Expenditure Funding Account. Created in 1999. Intent for state to partially compensate local governments for new/expanded AV exemptions
 - Reduce/repeal existing exemptions when exemptions are enacted/expanded





Exemption Review Cycle (25 total)

5

2025-27

5

2027-29

8

2029-31

7

2031-33

Brownfield Development

Cargo Containers

Vertical Housing Development Zone

Nonprofit Low-Income Rental Housing

New/Rehab. Multi-Unit Rental Housing

Nonprofit Land for Low-Income Housing

Solar Projects

Low-Income Housing of Charitable Orgs.

Home Share Low-Income Housing

Seismic Upgrades

New Indust. Property in Rural Areas

Fed. Land Under Rec. Facility

Food Processing Equipment

Central Assessment Cap

Single-Unit Housing

Low-Income Rental Housing

Affordable Housing Receiving Grant

Alternative Energy Systems

Construction in an Enterprise Zone

Enterprise Zone Businesses

Long Term Rural Enterprise Zone

Multi-unit Rental Housing in Desig. Areas

Low-Income Multi-Unit Rental Housing

Workforce Housing

Surviving Spouse of Public Safety Officer





Exemption Review Cycle (25 total)

5

2025-27

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



First time under review

5

2027-29

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

8

2029-31

- New Indust. Property in Rural Areas
- Fed. Land Under Rec. Facility
- Food Processing Equipment
- Central Assessment Cap
- Single-Unit Housing
- Low-Income Rental Housing
- Affordable Housing Receiving Grant
- Alternative Energy Systems

7

2031-33

- Construction in an Enterprise Zone
- Enterprise Zone Businesses
- Long Term Rural Enterprise Zone
- Multi-unit Rental Housing in Desig. Areas
- Low-Income Multi-Unit Rental Housing
- Workforce Housing
- Surviving Spouse of Public Safety Officer





Exemptions Currently Under Review

Table 1. Estimated Costs to Extend Exemptions

Tax Expenditure Report Number and Exemption Name	ORS	Sunset Date	-----Biennium-----		
			2025-27	2027-29	2029-31
<i>Scheduled for Review by the 2025 Legislature</i>			<i>\$ Millions</i>		
2.015 Brownfield Development	Note after 307.430	1/1/2027	\$0	<\$0.1	<\$0.1
2.026 Cargo Containers	307.835	6/30/2026	\$0	\$0	\$0
2.102 Vertical Housing Development Zone	307.841-867	12/31/2025 (new certs.)	\$1.3	\$3.1	\$4.8
2.108 Nonprofit Low-Income Rental Housing	307.540-548	6/30/2027	\$0	\$45.4	\$47.4
2.109 New or Rehabilitated Multi-Unit Rental Housing	Note after 307.867	1/1/2027	\$0	\$1.1	\$1.2
TOTAL			\$1.3	\$49.6	\$53.4





Brownfield Development

Policy Purpose

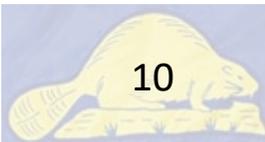
- Not stated specifically in statute
- Revenue committee documentation suggests consistent with purpose of Land Bank Authorities (LBA)—**“acquiring, rehabilitating, redeveloping, reutilizing or restoring brownfield properties” in Oregon**

Exemption Mechanism

- Full/partial exemption and/or special assessment. Land special assessment capped by eligible costs for remediation, reduced by grants, tax credits, insurance proceeds, or legal settlements for eligible costs

ORS	Note: 307.430	Term	Up to 15 years
TER Number	2.015	Property	Land, improve. & pers.
Year Enacted	2016	Payment in Lieu of Tax	No
Sunset	1/1/2027	Some/All Districts	All*
Recent Change	2019	Mandatory/Option	Option
Full/Part./Spec. Assess.	Any/both	Clawback	Yes

*If 75 percent tax rate threshold is met.





Brownfield Development (cont.)

- Effectiveness of incentive has been constrained by its limited usage
- May be inherently challenging to incentive brownfield development, due to additional uncertainty and risk
- City of Portland pursued exemption but has not adopted it
- Changing exemption mechanism (e.g., allowing more eligible costs or allowing other incentives) may have little impact given 75% threshold





Cargo Containers

Policy Purpose

- Not stated specifically in statute
- Documentation and deliberation in revenue committees suggests policy purpose is to **maintain and improve Oregon's regional competitiveness in maritime trade at minimum cost**

Exemption Mechanism

- Full exemption. Effectively, only exempts domestic owned containers. Foreign owned containers exempt under federal law

ORS	307.835	Term	Indefinite
TER Number	2.026	Property	Personal
Year Enacted	1979	Payment in Lieu of Tax	No
Sunset	6/30/2026	Some/All Districts	All
Recent Change	2019	Mandatory/Option	Mandatory
Full/Part./Spec. Assess.	Full	Clawback	No





Cargo Containers (cont.)

- Exemption inadvertently expired in 2002. Extended in 2003
- Letting exemption expire:
 - May conflict with Dormant Commerce Clause of U.S. Constitution
 - Means “cost of administration becomes significant”
 - Creates incentive for taxpayer strategic behavior
- Recent developments for potential shutdown of cargo container operation at Port of Portland, Terminal 6, and potential state support





Vertical Housing Development Zone

Policy Purpose

- Not stated specifically in statute
- Documentation from revenue committees suggests policy purpose is to **increase the supply and density of mixed-use housing, including affordable housing, in Oregon's city centers**

Exemption Mechanism

- Partial exemption, up to 80%, depends on residential housing share and number of floors. Land granted same partial exemption if multi-story and occupants up to 80% of AMI for at least one floor

ORS	307.841-867	Term	10 years
TER Number	2.102	Property	Land & improve.
Year Enacted	2001	Payment in Lieu of Tax	No
Sunset	12/31/2025 (new certs.)	Some/All Districts	All*
Recent Change	2021	Mandatory/Option	Option
Full/Part./Spec. Assess.	Partial	Clawback	Yes

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





Nonprofit Low-Income Rental Housing

Policy Purpose

- Not stated specifically in statute
- Documentation and deliberation in revenue committees suggests policy purpose is to **increase the supply of low-income rental housing in Oregon**

Exemption Mechanism

- Full exemption. For first exemption year, all tenants up to 60% of AMI. For property awarded LIHTC, some units up to 80% of AMI if average for all units does not exceed 60% of AMI. After first exemption year, all tenants up to 80% of AMI

ORS	307.540-548	Term	Indefinite
TER Number	2.108	Property	Real
Year Enacted	1985	Payment in Lieu of Tax	No
Sunset	6/30/2027	Some/All Districts	Some*
Recent Change	2021	Mandatory/Option	Option
Full/Part./Spec. Assess.	Full	Clawback	Yes

*Applies to city or county. Applies to all taxing districts if 51 percent tax rate threshold is met.





New/Rehab. Multi-Unit Rental Housing

Policy Purpose

- Not stated specifically in statute
- Documentation and deliberation in revenue committees suggests policy purpose is to **increase the supply of workforce rental housing in Oregon**

Exemption Mechanism

- Full/partial exemption. Cities/counties adopt one of two schedules:
 - #1—Exemption amount fixed. Term, up to 10 years, depends on share of units up to 120% of AMI
 - #2—Term fixed at 10 years. Exemption amount depends on share of units up to 120% of AMI

ORS	Note: 307.867	Term	Up to 10 years
TER Number	2.109	Property	Real
Year Enacted	2017	Payment in Lieu of Tax	No
Sunset	1/1/2027	Some/All Districts	All*
Recent Change	2023	Mandatory/Option	Option
Full/Part./Spec. Assess.	Full/Partial	Clawback	Yes

*If 51 percent tax rate threshold is met.



Legislative Revenue Office

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

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