

HB 2069 STAFF MEASURE SUMMARY

Joint Committee On Tax Expenditures

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Meeting Dates: 3/10

WHAT THE MEASURE DOES:

Moves the sunset date of the partial exemption for qualified single-unit housing by 7 years, from January 12, 2025 to January 1, 2032. It takes effect on January 1, 2024.

ISSUES DISCUSSED:

EFFECT OF AMENDMENT:

No amendment.

BACKGROUND:

According to the Department of Revenue 2023-25 Tax Expenditure Report, the reduction in taxable assessed value due to this policy was \$120 million in fiscal year (FY) 2021-22, resulting in a revenue loss of \$4.2 million in the 2021-23 biennium. Most of these exempt homes are in the Portland area.

This is a permissive program, which became law in 1989, that allows a city to grant a property tax exemption for rehabilitated or newly constructed single-unit housing, including condominiums, single family homes, and manufactured structures if certain conditions are met. Only the value of the dwelling is exempt, while the land remains taxable. Approved housing can be exempt from property tax for up to 10 successive tax years. A grandfather clause allows any property approved for the exemption to continue to receive the exemption through the period for which the exemption was granted. A change of use will disqualify the property from the program, triggering a tax amount due equal to amount of the exemption in the last year exempt, multiplied by the number of years exempt.

Property approved for this exemption is only exempt from property taxes imposed by the approving city unless other taxing districts elect to participate in the exemption. The exemption applies to the taxes levied by all districts if the total combined tax rates of the city and agreeing taxing districts equals at least 51 percent of the total tax rate affecting the property. If a city has more than 40 percent of the total rate of taxation of all taxing districts with jurisdiction over the property, a county resolution or ordinance is required for the exemption to apply to all districts with jurisdiction over the property. If a city has more than 40 percent of the total rate of taxation of all taxing districts with jurisdiction over the property, the exemption applies to the taxes levied by all districts.