

# Property Tax Exemptions & Recalculating MAV

Senate Committee on Finance & Revenue

April 26, 2023

State of Oregon

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LEGISLATIVE REVENUE OFFICE







# Value Terminology

- Real Market Value (RMV)
  - Amount...paid by an informed buyer to an informed seller in a voluntary transaction
- Maximum Assessed Value
  - For 1997-98, set at 90% of 1995-96 property value
  - Grows 3% per year
- Assessed Value: the smaller of MAV and RMV
- CPR (Changed Property Ratio) is  $MAV/RMV$  (% taxable)





# Recalculating MAV

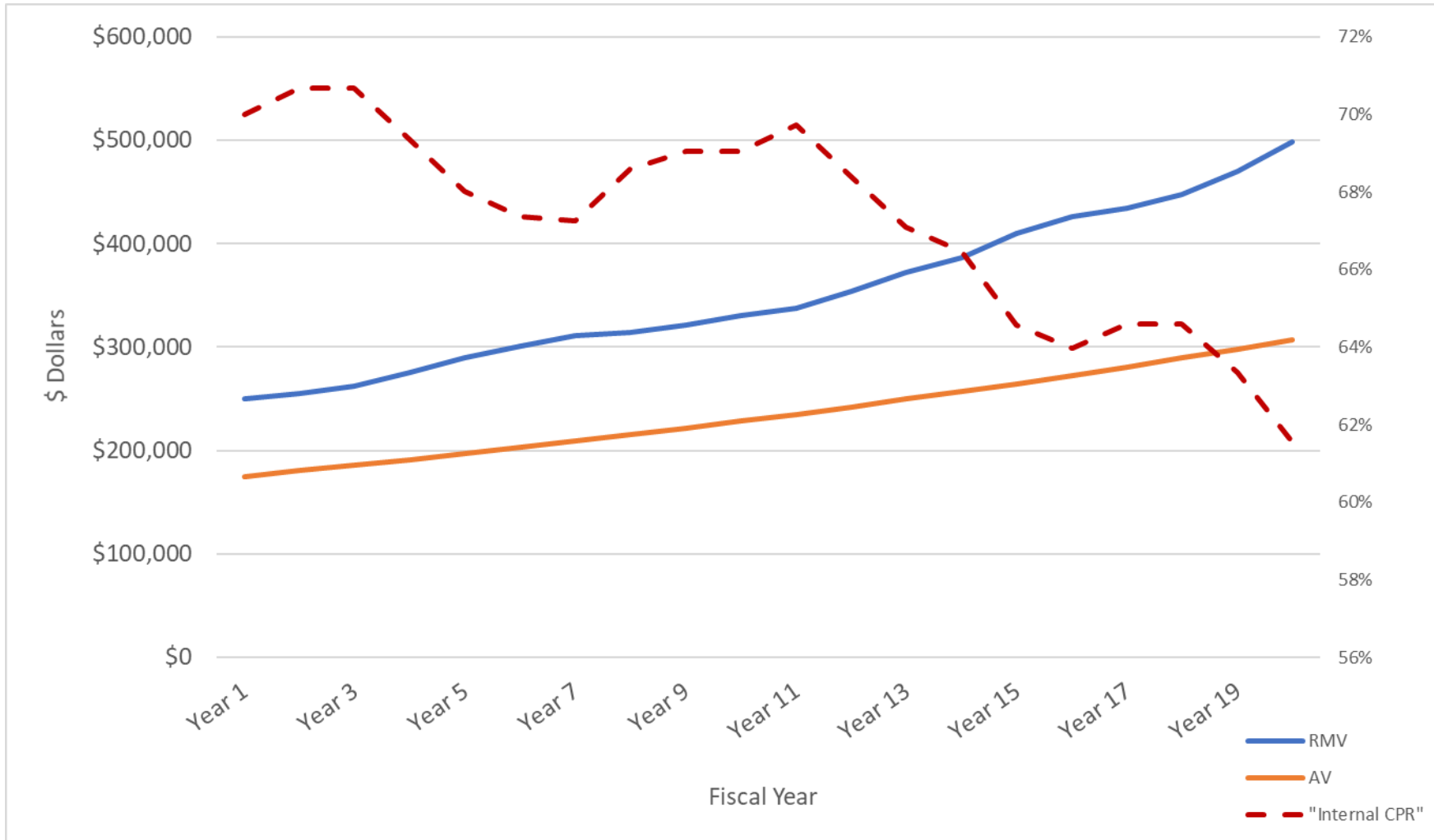
## **Oregon Constitution, Article 11, Section 11(1)(c)**

- (A) The property is new property or new improvements to property;
- (B) The property is partitioned or subdivided;
- (C) The property is rezoned and used consistently with the rezoning;
- (D) The property is first taken into account as omitted property;
- (E) The property becomes disqualified from exemption, partial exemption or special assessment; or
- (F) A lot line adjustment is made with respect to the property, except that the total assessed value of all property affected by a lot line adjustment shall not exceed the total maximum assessed value of the affected property under paragraph (a) or (b) of this subsection.



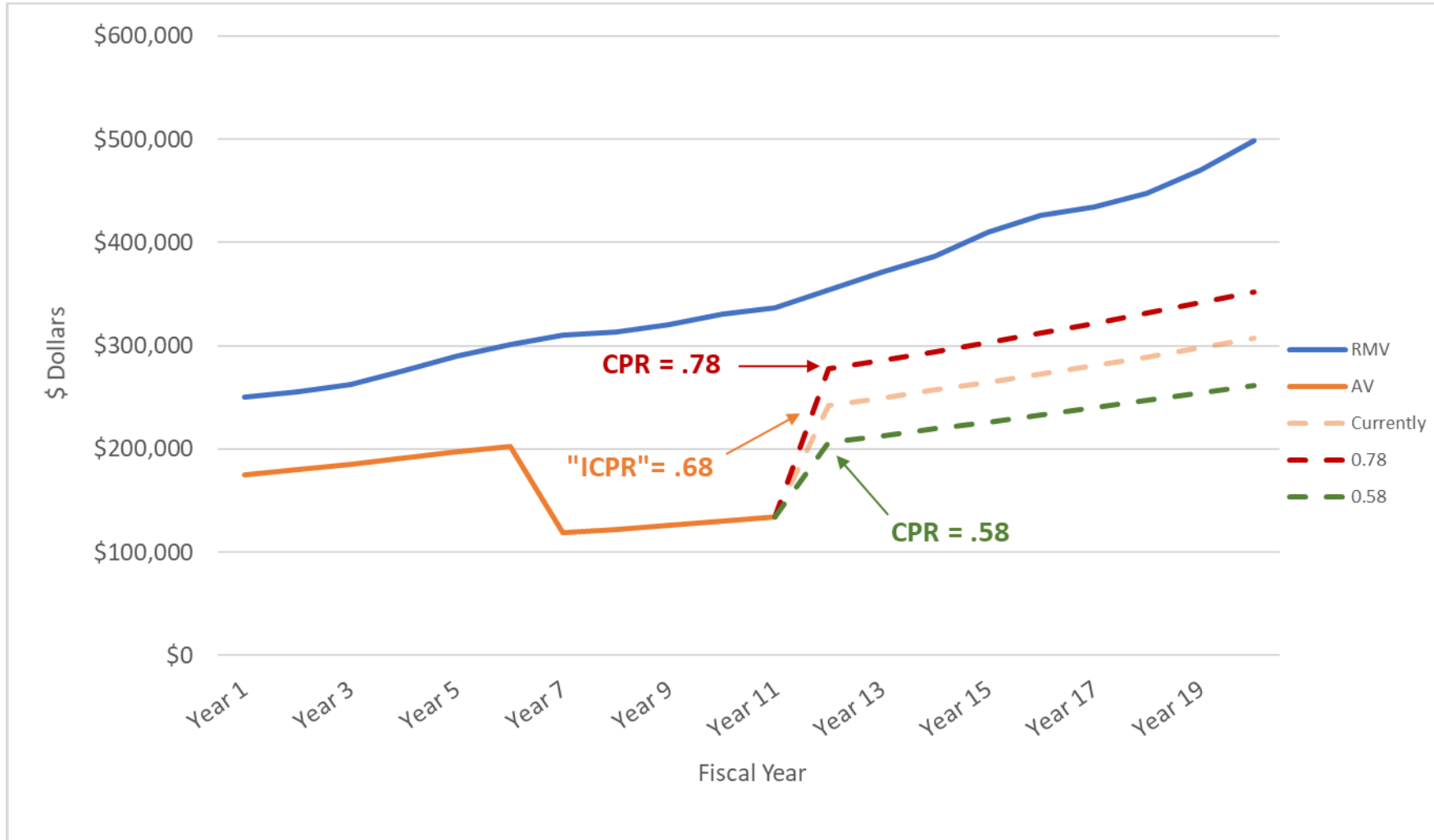


# Example Home: RMV and MAV





# AV Exemption and ReMAV







# Six Current AV Exemptions

	Policy	ORS / 23-25 TER	Number of Claimants	2019-21 Cost (\$M)
1	Disabled Veterans or Surviving Spouses of Veterans	ORS 307.250, TER 2.111	40,000	\$27.1
2	Active-duty military	ORS 307.286, TER 2.119	70	\$0.1
3	Surviving Spouse of Public Safety Officer	ORS 307.295, TER 2.120	10	< \$0.1
4	Low-Value Manufactured Structure in High-Population County	ORS 308.250(3)(b), TER 2.072	15,000	\$4.8
5	Home Share Program Low-Income Housing	note after ORS 307.548, TER 2.110	New, max of 500	New
6	Shared-equity housing	ORS 307.555, TER 2.114	New	New







# Policy Options for AV Exemptions

- Two categories of decision:
  - Existing Programs
    - Current participants
    - Future participants
  - Proposed or future policies
- Rely on the DOR rule-making process
- Modify the exemption structure (e.g. the -1 amendment)
- Create a new exemption to offset negative ReMAV effects
- Create a tax credit/tax to offset impact of ReMAV
- Refer a Constitutional change to a public vote







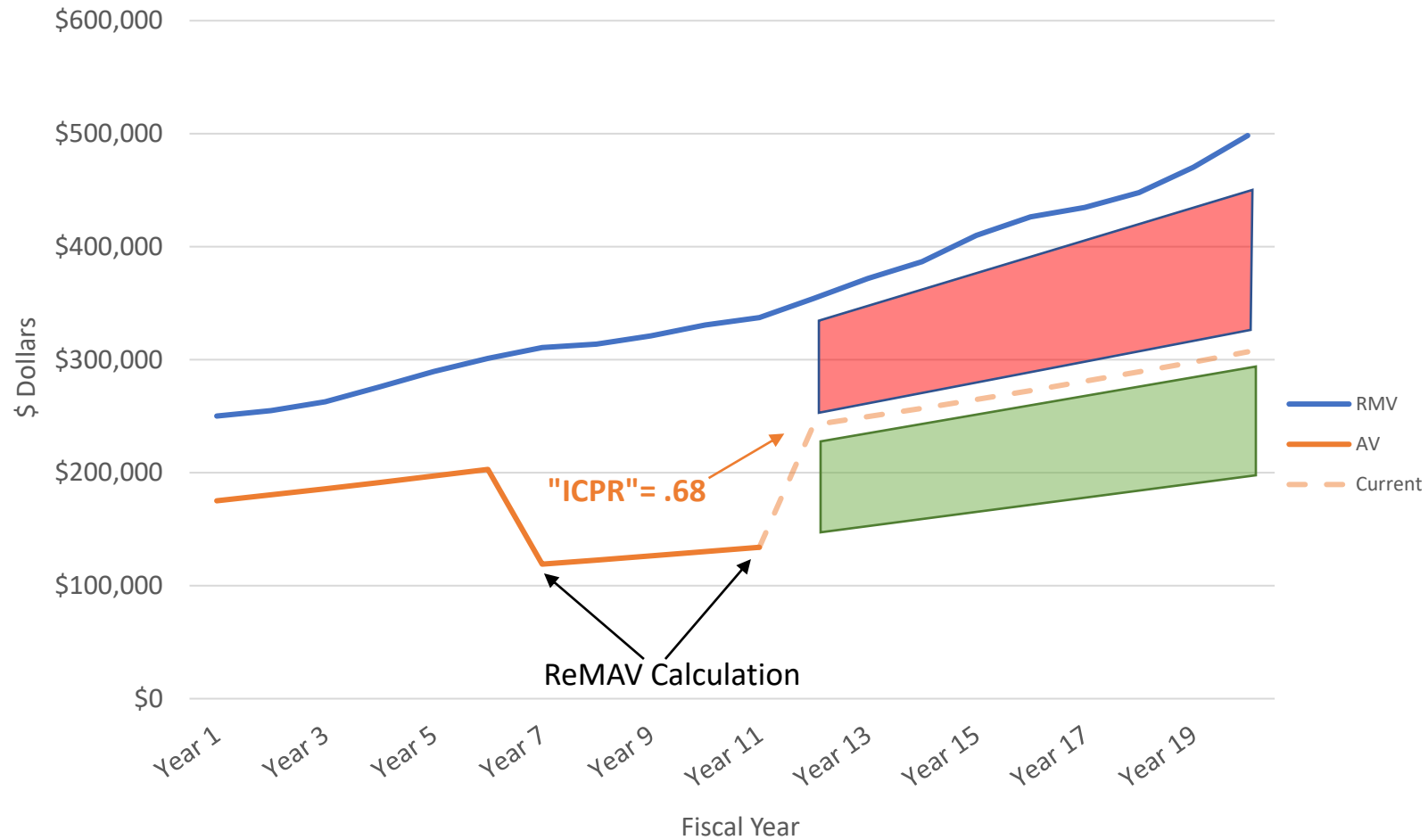
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# AV Exemption and ReMAV





# Primary Questions/Issues

- Legal interpretation
  - How do the two options compare regarding the legal context?
- Implementation
  - What are the differences and implications for county administration?
- Policy Impacts
  - What are the differences for taxpayer impacts?





# Active-Duty Military: Option 1

**“[(b)] (2) [Performing service:] The amount of the exemption shall be:**

**“(a) Up to \$60,000 of the assessed value of the homestead for any property tax year in which the resident performs service:**

**“(A) Under Title 10 of the United States Code or pursuant to a deployment made under the authority of the Emergency Management Assistance Compact; and**

**“(B) For more than 178 consecutive days, if at least one of the days falls within the tax year for which the exemption is claimed.**

**“(b) For a resident whose homestead was exempt under paragraph (a) of this subsection for the property tax year immediately preceding the first tax year for which a claim is made under this paragraph, \$1,000 of the assessed value of the homestead for any property tax years in which the resident:**

**“(A) Does not perform service as described in paragraph (a) of this subsection; or**

**“(B) Is no longer serving in the Oregon National Guard, military reserve forces or organized militia of any other state or territory of the United States.**





# Active-Duty Military: Option 2

## First year

- $SAV_y = RMV_y$
- $MSAV_y = SAV_y * \min(1, MAV_y/RMV_y)$
- $AV_y = \min(MSAV_y, SAV_y)$

## Remaining years under Special Assessment

- $MSAV_y = \max(1.03 * AV_{y-1}, MSAV_{y-1})$
- $AV_y = \min(MSAV_y, SAV_y)$

## RMV= \$350k; MAV=\$240k (Without Exemption)

- $SAV_y = \$350k$
- $MSAV_y = \$350,000 * \min(1, \$240k/\$350k) = \$240k$
- $AV_y = \min(\$240k, \$350k) = \$240k$

## Year 2

- $MSAV_y = \max(1.03 * \$240k, \$240k) \approx \$247k$
- $AV_y = \min(\$247k, \$350k) = \$247k$

