

Info. Meeting – Wildfire Related Tax Legislation

House Committee on Revenue | 5/11/2023

Legislative Revenue Office



Overview of Discussion

- Wildfire tax bills this session
- Context for discussion
- Overview of individual wildfire tax bills this session
 - Property tax
 - Personal income tax
- Tying it all together
 - Review of proposed and recent tax legislation





Current Wildfire Tax Bills

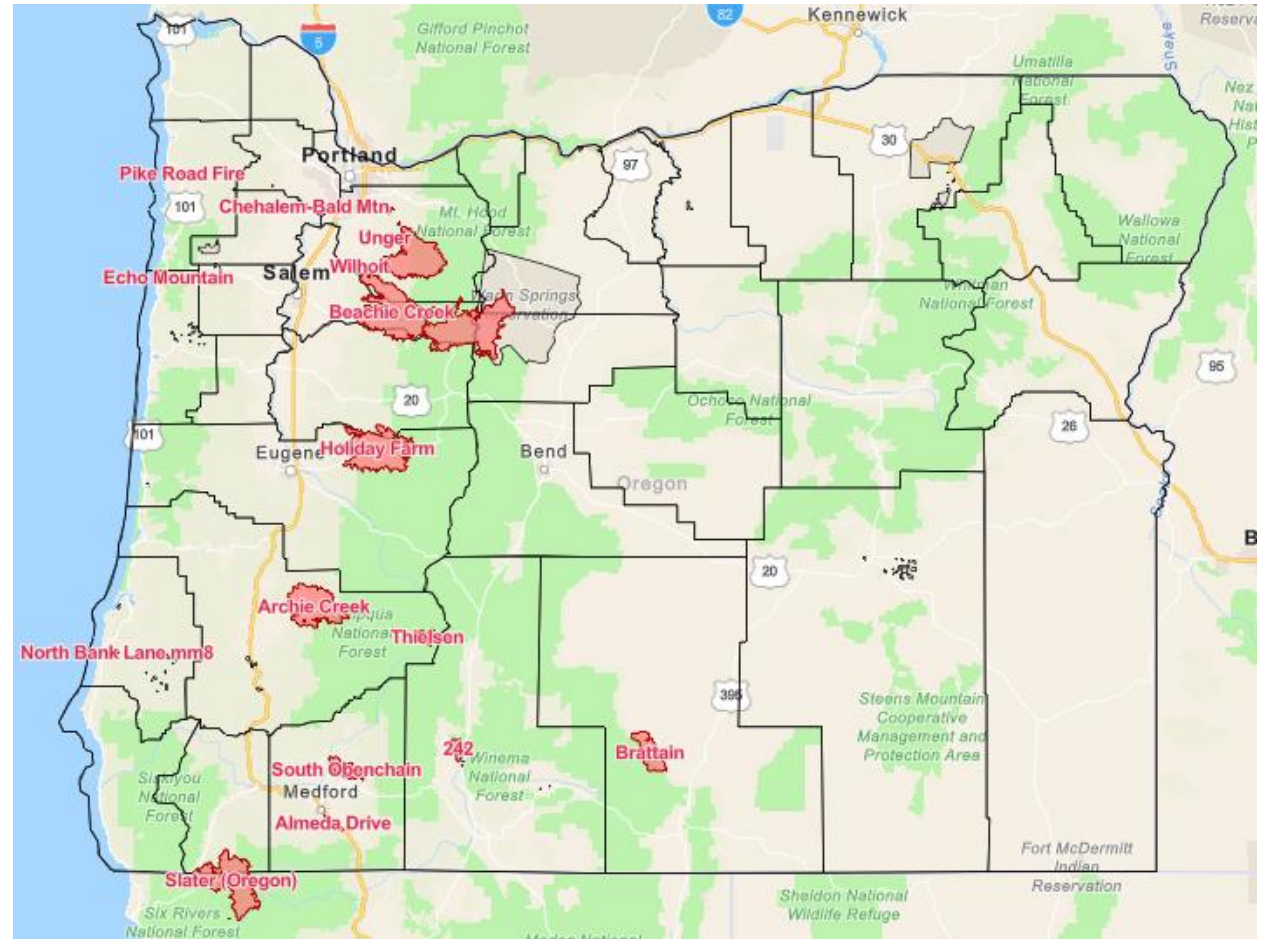
Location	Bill #	Tax Area	Description
HREV	HB 3446	Prop Tax	Provides for homestead rebuilt by same owner on same lot to replace homestead destroyed by September 2020 wildfires to have frozen assessed value equal to assessed value for 2020-2021 property tax year to extent of destroyed homestead's square footage.
HREV	HB 3461	Prop Tax	Authorizes temporary deferral of property taxes on homesteads rebuilt after 2020 wildfires in amount by which taxes exceed 103 percent of property taxes on destroyed homestead for 2020-2021 property tax year.
HREV	SB 1012 A	Prop Tax	Authorizes county to allow homestead rebuilt by same owner on same lot to replace homestead destroyed by September 2020 wildfires to have specially assessed value equal to destroyed homestead's real market value for 2020-2021 property tax year, to extent of square footage of destroyed homestead.
JCTE	HB 3523	PIT	Creates OR PIT subtraction for amounts received in settlement of civil action arising from wildfire
Floor	HB 2812	PIT	OR PIT tax subtraction for amounts of unreimbursed personal casualty loss in areas of Governor declared emergency declaration or conflagration act designation





Context – Footprint of 2020 Wildfires

- 21 fires
- 1,004,562 acres burned
- 4 largest fires:
 - Lionshead (204,586 acres)
 - Beachie Creek (193,566 acres)
 - Holiday Farm (173,395 acres)
 - Archie Creek (131,596 acres)



Oregon Department of Emergency Management





Context – Destroyed & Damaged Homes

Based on FEMA's definition of "destroyed home", 2020 wildfires destroyed 4,116 homes and damaged 53 homes, in 8 counties

County	Homes Destroyed by 2020 Wildfires	Homes Damaged by 2020 Wildfires
Clackamas	62	0
Douglas	133	0
Jackson	2,348	8
Klamath	11	0
Lane	574	41
Lincoln	288	0
Linn	71	0
Marion	629	4
Total	4,116	53

Data source: Oregon Department of Emergency Management





Context – Assessor Damage Assessment

County	Estimated AV Loss from September 2020 wildfires	[*] 2020-21 Estimated Tax Revenue Loss	^{**} 2021-22 Projected Tax Revenue Loss	^{**} 2022-23 Projected Tax Revenue Loss	^{**} 2023-24 Projected Tax Revenue Loss	
Lincoln	\$19,504,550	\$208,178	\$257,318	\$265,037	\$272,988	
Marion	\$49,476,513	\$715,634	\$884,559	\$911,096	\$938,428	
Clackamas	\$11,206,415	\$116,831	\$144,409	\$148,741	\$153,204	
Lane	\$67,553,028	\$579,208	\$715,929	\$737,407	\$759,529	
Linn	\$5,861,627	\$72,226	\$89,275	\$91,954	\$94,712	
Douglas	\$7,523,084	\$65,060	\$80,417	\$82,830	\$85,315	
Jackson	\$229,273,483	\$2,829,073	\$3,496,875	\$3,601,781	\$3,709,834	
Klamath	\$14,948,814	\$228,162	\$282,019	\$290,480	\$299,194	Total Tax Revenue Loss
Total	\$405,347,514	\$4,814,372	\$5,950,801	\$6,129,325	\$6,313,205	\$23,207,703

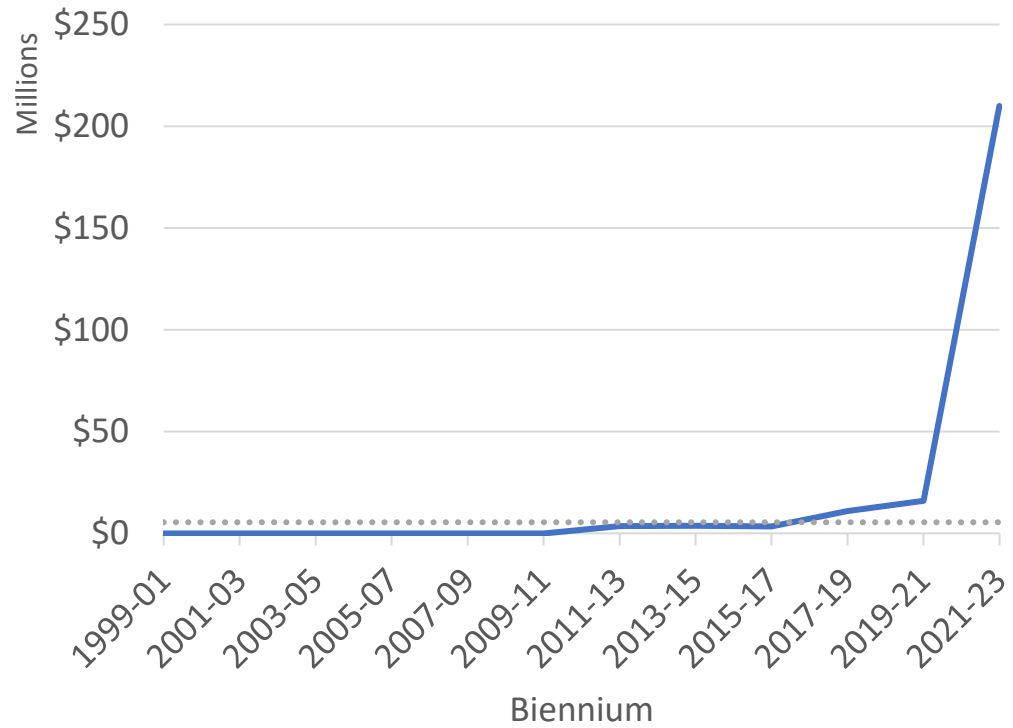
^{*}2020-21 tax revenue loss based on estimated AV loss and assumes 10 months proration.

^{**}2021-2024 projected tax revenue loss assumes 3% annual growth. Does not reflect Measure 5 compression.

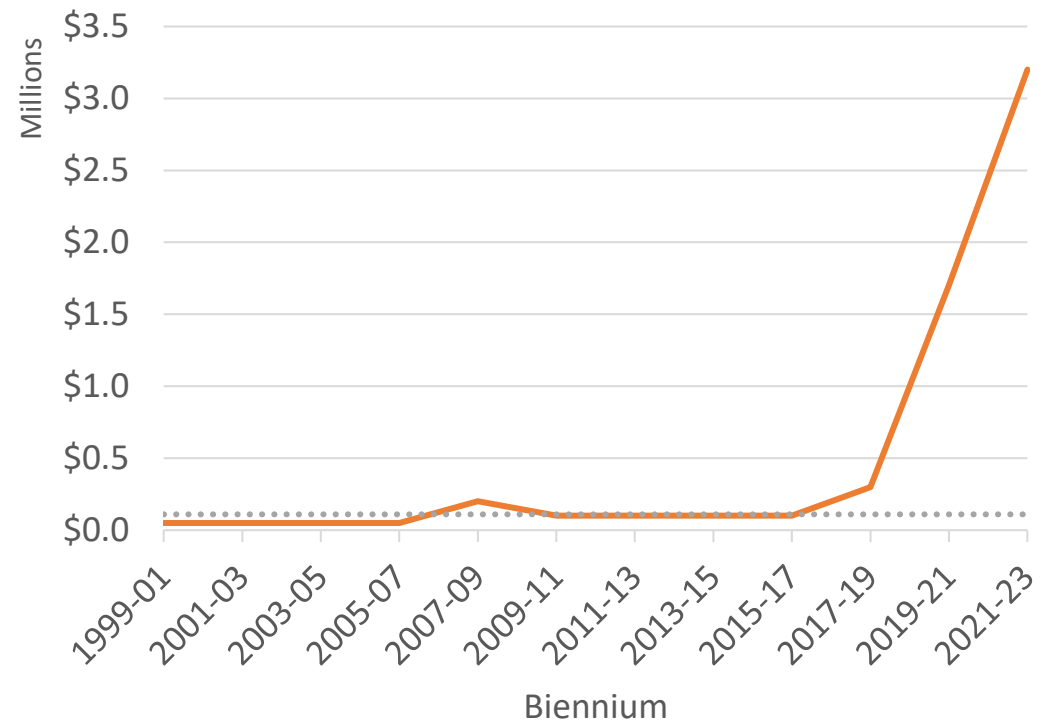




Context – Destroyed or Damaged Property (TER 2.138)



— Reduction in Taxable AV (first FY of prior biennium)
..... Average, 1999-01 through 2017-19



— Revenue Loss to Local Governments
..... Average Loss, 1999-01 through 2017-19





Prop Tax – HB 3446, HB 3461, SB 1012 A

- Similarities:
 - Eligible property is square footage of rebuilt homestead by same owner on same lot to replace a destroyed homestead due to September 2020 wildfires
- Differences:
 - HB 3446 - Frozen assessed value equal to assessed value for 2020-21 property tax year. County may adopt method of freezing, at least one year
 - HB 3461 - Deferral in amount taxes exceed 103 percent for 2020-21 property tax year, for 2022-23 to 2026-27 tax years, payable no later than July 1, 2027
 - SB 1012 A - Specially assessed value equal to real market value of destroyed homestead for 2020-21 property tax year. County may adopt method of special assessment, at least one year





HB 3523 – PIT: Subtraction for Wildfire Settlements

- Creates OR personal income tax subtraction for amounts received in settlement of civil action arising from wildfire
- Requires wildfire to be subject to Governor's declared state of emergency or in area subject to OR Governor's invocation of Emergency Conflagration Act
- Applies to settlement amounts received in tax years 2020 through 2025
- Topics discussed: Current law, legal fees, federal law changes
- [Link](#) to bill page, [link](#) to informational meeting slides held in JCTE on April 28th





HB 2812 – PIT: Casualty Loss Subtraction

- Creates OR personal income tax subtraction for amount of personal casualty loss that would otherwise be deductible but for federal law requiring such casualty loss to occur in a federally declared disaster area
- Federal Tax Cuts and Jobs Act (2017) limited itemized deduction, HB 2812 effectively reinstates deduction for:
 - Event subject to OR Governor declared state of emergency, or
 - Disaster loss that occurs in area subject to OR Governor's invocation of Emergency Conflagration Act
 - Effective tax years 2020 through 2025
- Unreimbursed casualty loss
- Passed out of JCTE & House Floor, in Senate Chamber
- OLIS [link](#) to bill page





Review of Proposed & Recent Tax Legislation

**Property Owner
Impacted by
Wildfire**

Property Destroyed / Damaged

Property Tax

- *Tax collector may prorate property tax liability following destruction/damage (HB 2341, 2021)*
- *County opt-in: Cancel 5/6ths of property tax for eligible property (SB 464, 2021)*

Personal Income Tax

- *Casualty loss subtraction (HB 2812, 2023)*
- *Wildfire civil settlement subtraction (HB 3523, 2023)*

Rebuilding

Property Tax

- *Value of homestead following rebuild*
 - *HB 3446: Frozen assessed value*
 - *HB 3461: Temporary deferral*
 - *SB 1012: Specially assessed value*

School Construction Tax

- *Exempt from school construction tax, residential housing constructed to replace housing destroyed/damaged by wildfire (HB 2607, 2021)*

Legislative Revenue Office

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

503-986-1266

State of Oregon

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