

Info. Meeting – Wildfire Related Tax Legislation

House Committee on Revenue | 5/25/2023

Legislative Revenue Office



Overview of discussion

- Review of current tax bills & recent legislation
- Characteristics of current property tax bills
- Context for discussion





Review of current tax bills & recent 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

- Homestead following rebuild (2023)
 - 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 fire or other emergency event or situation (HB 2607, 2021)



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Characteristics of current bills

Bill #	Eligible Property	Same Owner (Eligible Property)	Type of Relief	Duration	Retroactive	County Option	Grandfather Clause	Addition/In Lieu of Other Property Tax Relief	Appealable
HB 3446*	Square footage of homestead rebuilt on same lot to replace homestead destroyed by September 2020 wildfires	Yes	Frozen AV equal to AV for 2020-21 PTY, "frozen AV" increases 3% per year in subsequent years	Until owner no longer occupies/owns homestead	Back to 2021-22 PTY	Yes. Method of freezing	No	Addition	To Oregon Tax Court
HB 3461**		No	Defer taxes higher than 103% of 2020-21 taxes (zero net relief)	5 years, 2022-23 through 2026-27 PTYs	Back to 2022-23 PTY	No. Eligible taxpayer may apply	N/A	Addition, presumably	To Oregon Tax Court
SB 1012 A***		Yes	Specially AV equal to RMV in 2020-21 PTY, specially AV increases 3% per year in subsequent years	Until no longer principal dwelling of owner, rented, or sold	Back to 2021-22 PTY	Yes. To allow, methods, how claims are made, impose a fee, amend, end	Yes	Addition	To Oregon Tax Court

*As currently written, frozen assessed value in sec. 1 may conflict with Oregon Constitution, Article XI, Section 11 (calculation of MAV).

**As currently written, may violate full text provision of Oregon Constitution, Article IV, section 22. Sec. 1 (4)(a) lists 14 sections of ORS 311 that may be relevant for the administration of the deferral program, but it doesn't show how they may need to be amended.

***As currently written, may conflict with Oregon Constitution Article XI, Section 11 (2) (MAV for special assessment).





Homeowner risk management

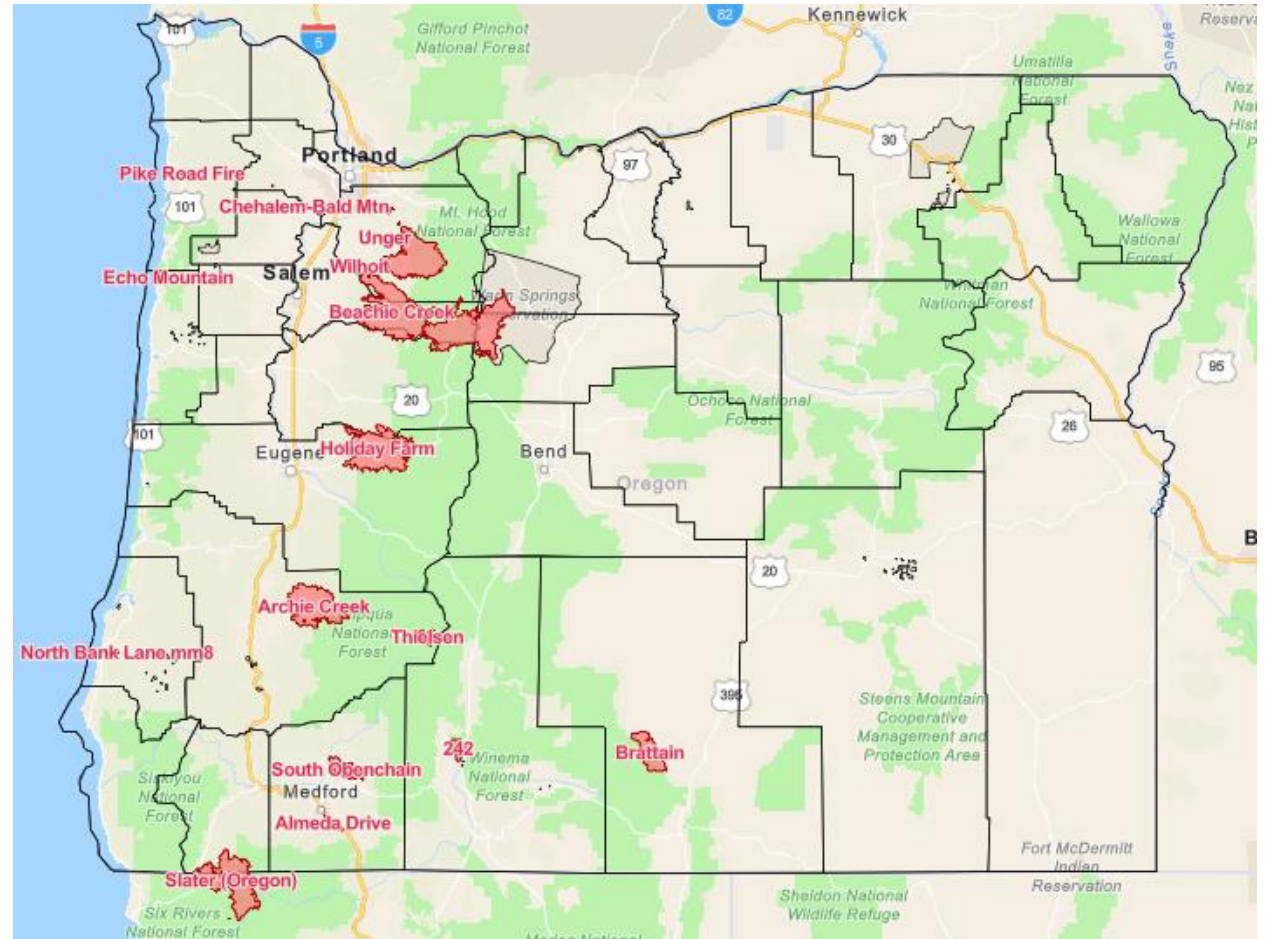
- **Replacement value home insurance** is coverage that pays for cost of rebuilding home and replacing possessions with similar materials and quality if damaged or destroyed. Does not cover land value
- Some **home insurance** policies cover structure of home at replacement value, but not possessions
- **Actual cash value insurance** is coverage that pays for replacement value of home, minus depreciated value of home.





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

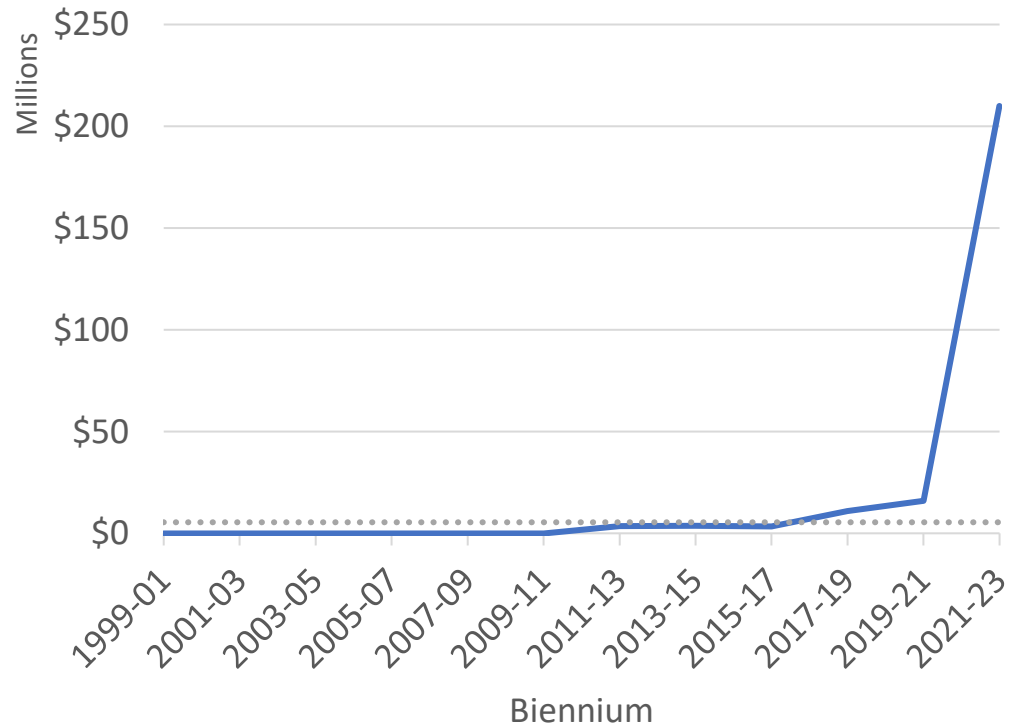
County	Homes Destroyed by 2020 Wildfires	Homes Damaged by 2020 Wildfires
Clackamas	62	0
Douglas	133	0
Jackson	2,348	8
Klamath	11	0
Lane	574	41
Lincoln	288	0
Linn	71	0
Marion	629	4
Total	4,116	53

Data source: Oregon Department of Emergency Management

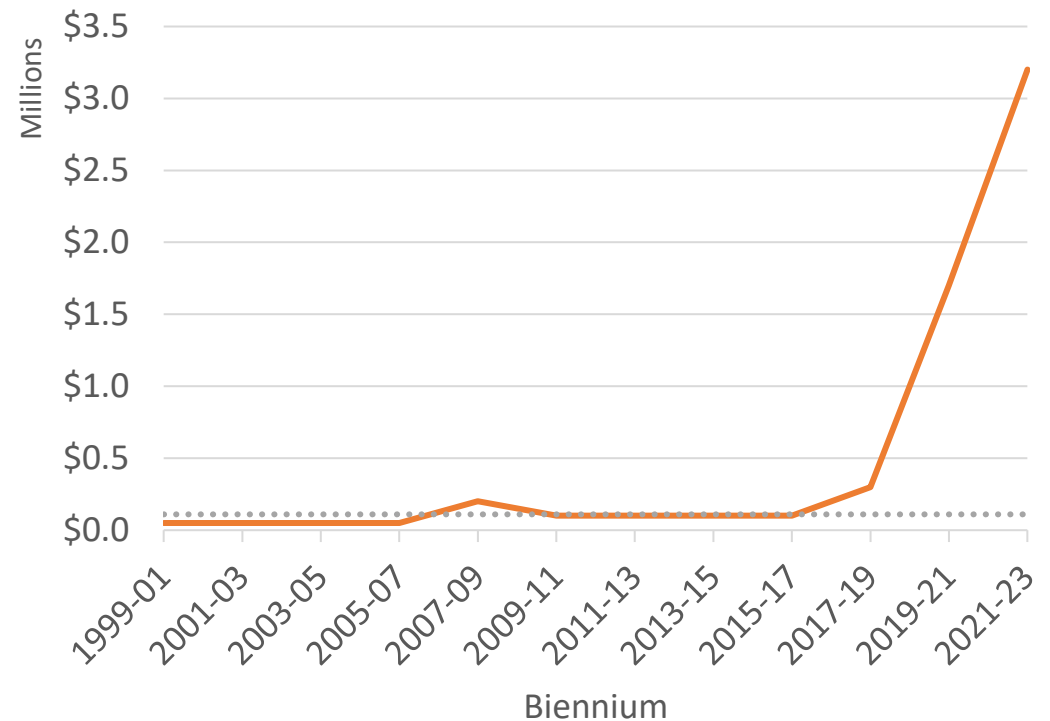




Context – Destroyed or Damaged Property (TER 2.138)



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

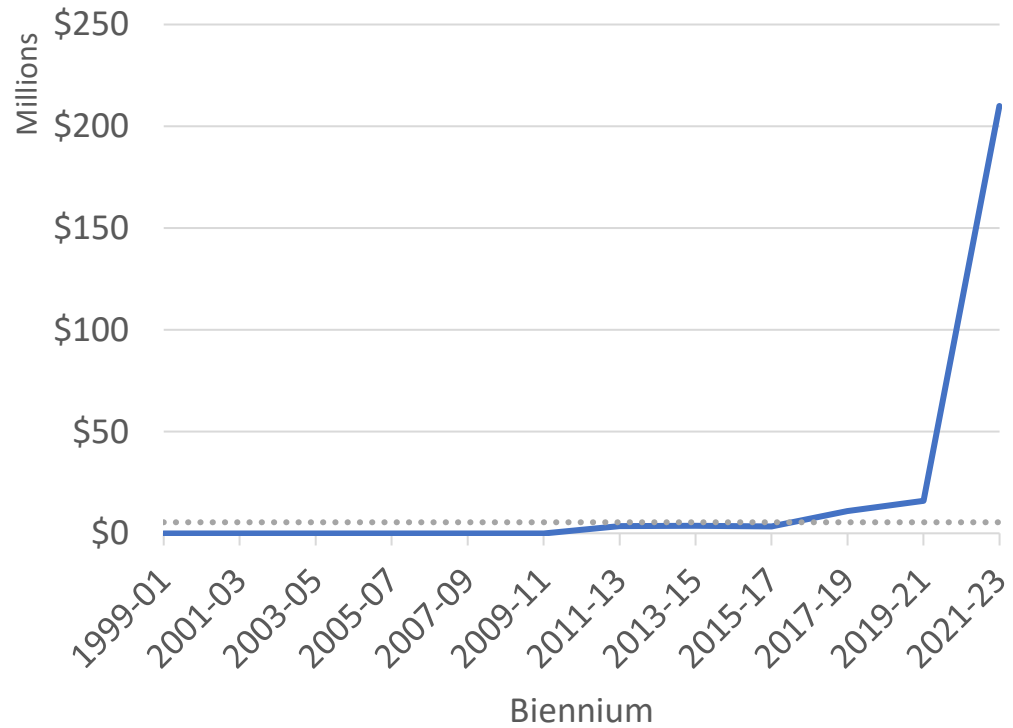


— Revenue Loss to Local Governments
..... Average Loss, 1999-01 through 2017-19

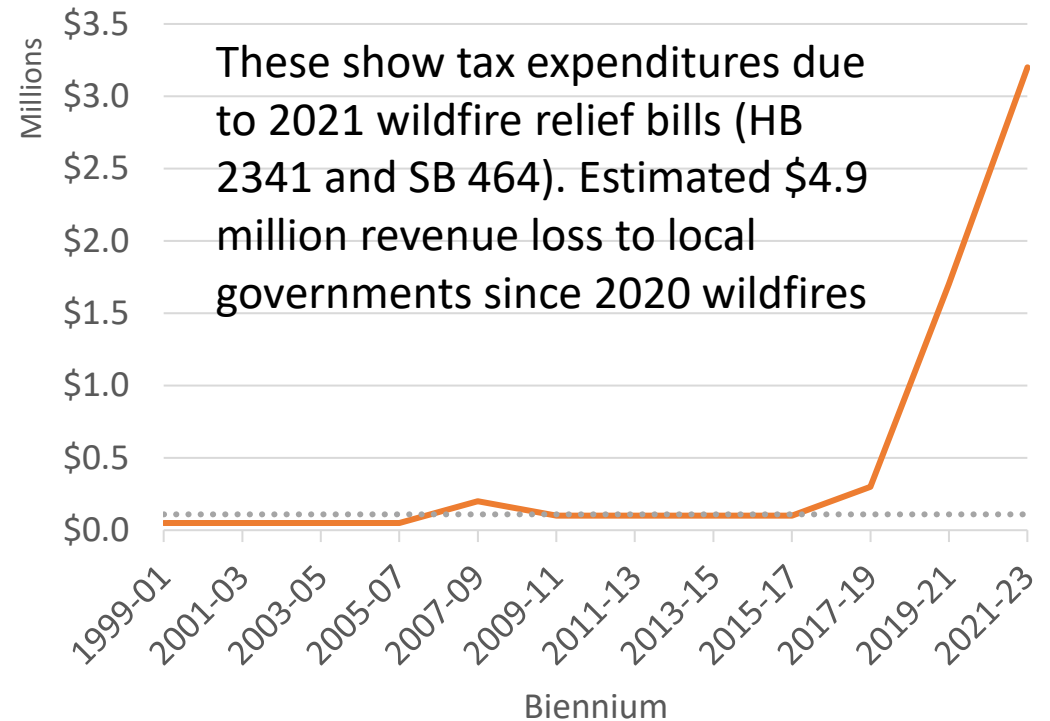




Context – Destroyed or Damaged Property (TER 2.138)



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



These show tax expenditures due to 2021 wildfire relief bills (HB 2341 and SB 464). Estimated \$4.9 million revenue loss to local governments since 2020 wildfires

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





Context – residential building permits, preliminary data

As of May 2023:

- Rebuild permit for 61% of 4,116 destroyed homes
- Manufactured homes are 51% of rebuild permits
- For 3 counties with available data, 51% of permits have resulted in a finished rebuild

County	Replacement Dwelling Permits - Total	Replacement Dwelling Permits - Manufactured	Rebuilt Dwellings
Clackamas	83	23	
Douglas	24	1	
Jackson	1,498	936	739
Klamath	1	0	
Lane	245	67	136
Lincoln	201	153	
Linn	29	5	22
Marion	425	104	
Total	2,506	1,289	897

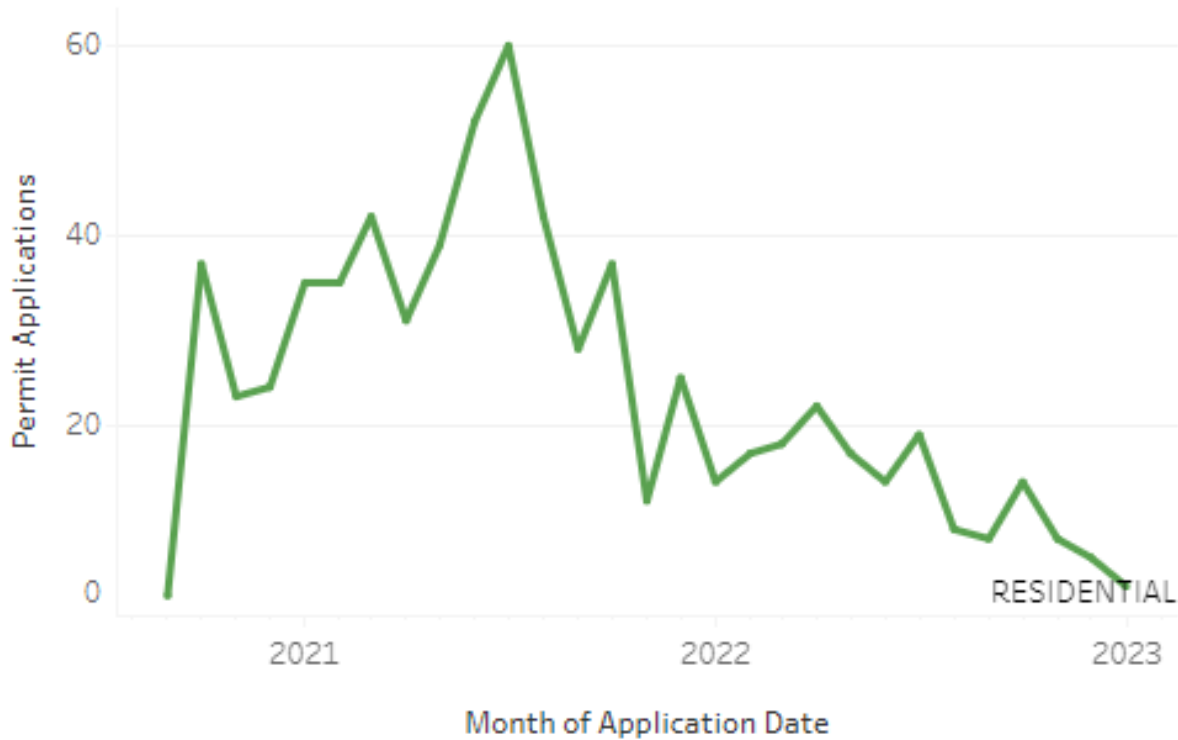




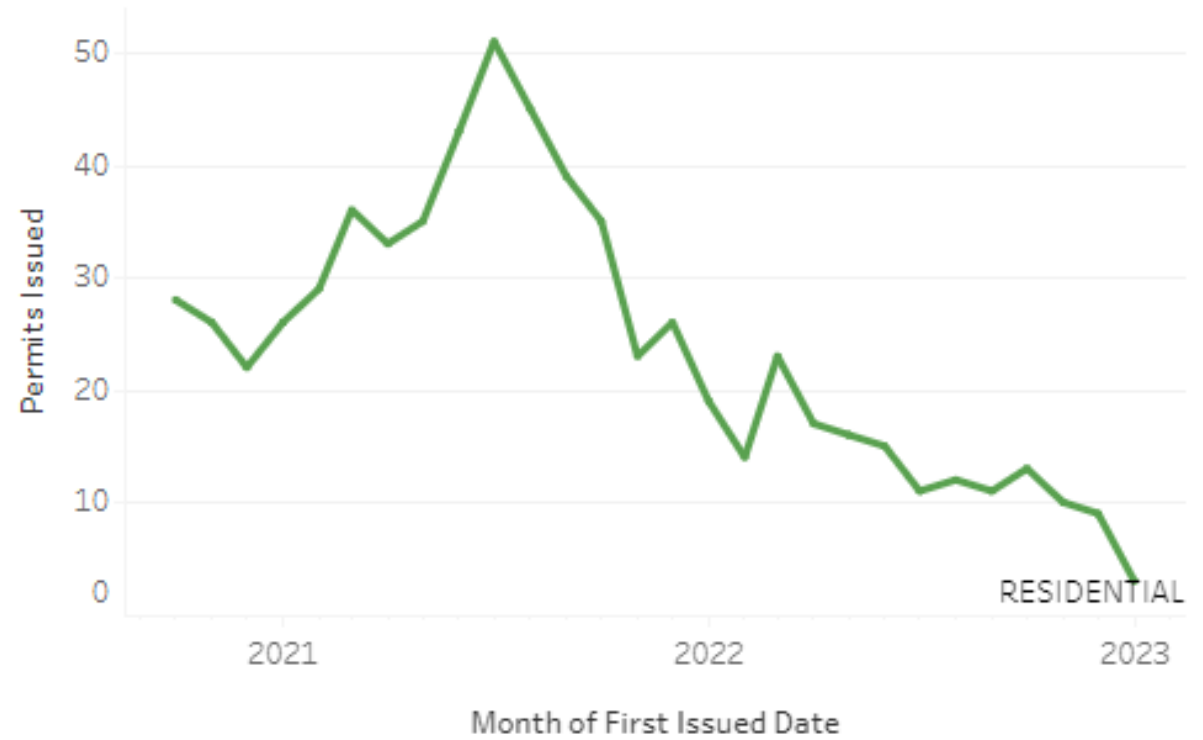
Context – residential building permits over time

Lane County - all residential permits (building, plumbing, electrical, mechanical, etc.)

Permit Applications By Month



Permits Issued By Month



Legislative Revenue Office

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

503-986-1266

State of Oregon

LEGISLATIVE REVENUE OFFICE





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

