

**REVENUE IMPACT OF
PROPOSED LEGISLATION**
82nd Oregon Legislative Assembly
2023 Regular Session
Legislative Revenue Office

Bill Number: HB 2080 - 3
Revenue Area: Property Tax
Economist: Beau Olen
Date: 6.7.2023

*Only Impacts on Original or Engrossed
Versions are Considered Official*

Measure Description:

This bill extends, expands, and modifies property tax expenditures.

Revenue Impact (in \$Millions):

Policy	Biennium		
	2023-25	2025-27	2027-29
Extensions			
Industrial improvements in rural areas exemption or deferral	-\$0.1	-\$0.1	-\$0.1
Federal land used by recreation facility operators under permit exemption	Minimal (negative)		
Food processing machinery and equipment exemption	\$0.0	-\$4.1	-\$8.2
Certain centrally assessed companies exemption	\$0.0	-\$4.2	-\$2.9
Single-unit housing exemption	-\$0.9	-\$0.7	-\$0.7
Surviving spouses of certain public safety officers exemption	\$0.0	-\$0.1	-\$0.1
Expansions			
Community solar projects exemption for non-residential projects	-\$0.7	-\$3.9	-\$10.3
Food processing machinery and equipment exemption for meat or wild game	-\$4.7	-\$11.5	-\$14.6
Multiple-unit housing exemption for the entire multiple-unit housing	-\$6.3	-\$8.0	-\$8.7
Low-income rental housing exemption for limited equity cooperative corporations	\$0.0	\$0.0	\$0.0
Modifications			
Affordable multiunit rental housing alternate exemption schedule	Minimal (negative)		
Surviving spouse of veteran to continue exemption without reapplying	\$0.0	\$0.0	\$0.0
Total Local Governments	-\$12.7	-\$32.6	-\$45.6

Impact Explanation:

Revenue impact estimates were made based on analysis of historic tax expenditures as reported in the Department of Revenue’s Tax Expenditure Report (TER) and Summary of Assessment and Levies (SAL). Additionally, data and information from other sources were used to inform specific policy areas. For example, data and information from local governments, including county assessors, were used for several estimates. In some cases, data from other state agencies and the federal government were used.

Extensions

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Industrial improvements in rural areas exemption or deferral

Extends the property tax exemption or deferral for certain newly constructed or installed industrial property in rural areas by moving the sunset date six years, from January 2, 2024 to January 2, 2030.

Without any other changes to the exemption, the estimated revenue impact for local governments is approximately \$100,000 per biennium, a continuation of the current impact. The impact of the extension is expected to be \$75,000 in the 2023-25 biennium (rounded up to \$100,000) because the exemption currently extends through January 1, 2024.

Federal land used by recreation facility operators under permit exemption

Extends the property tax exemption for federal land used by recreation facility operator under permit by moving the sunset date six years, from July 1, 2024 to July 1, 2030.

Although there are several recreation facilities operating on federal land with a special use permit, this land value is not assessed because federal land is exempt from property taxation. It is difficult to estimate the revenue impact for local governments due to this exemption because there is not a history of assessed value for this federal land. Furthermore, the value of this land may be relatively low given its remote nature, and development of this land may be relatively limited in the absence of the property tax exemption for the value of the land.

Food processing machinery and equipment exemption

Extends property tax exemption for food processing machinery and equipment by moving the sunset date five years, from July 1, 2025, to July 1, 2030.

The estimated revenue impact for local governments is based on recent trends for the number of currently exempt properties, the reduction in taxable assessed value per exemption, and the average non-bond tax rate. There is no impact in the 2023-25 biennium because the exemption currently extends through the 2023-25 biennium.

Certain centrally assessed companies exemption

Extends property tax exemption for certain centrally assessed companies by moving the sunset date five years, from July 1, 2025, to July 1, 2030.

The estimated revenue impact for local governments is based on recent trends for the number of currently exempt properties, the reduction in taxable assessed value per exemption, and the average non-bond tax rate. There is no impact in the 2023-25 biennium because the exemption currently extends through the 2023-25 biennium. The estimated revenue impact is substantially lower than the loss reported in the TER because a revision was made to this tax expenditure following publication of the 2023-25 TER.

Single-unit housing exemption

Extends property tax exemption for qualified single-unit housing by moving the sunset date five years, from January 1, 2025, to January 1, 2030.

The estimated revenue impact for local governments is based on recent trends for the reduction in taxable assessed value per exemption and the average non-bond tax rate. The extension only impacts 25 percent of the

2023-25 biennium because the exemption currently extends through January 1, 2025, covering 75 percent of the biennium. The estimated revenue impact also accounts for the grandfather clause for this ten year exemption, which allows some to continue receiving the exemption after the 2027-29 biennium without an extension. There is a downward trend for the estimated revenue impact because the grandfather clause and because the reduction in taxable assessed value is expected to continue the downward trend it has had since the 2011-13 biennium.

Surviving spouses of certain public safety officers exemption

Extends tax exemption for property of surviving spouses of certain public safety officers killed in line of duty by moving sunset date seven years, from July 1, 2025 to July 1, 2032.

The estimated revenue impact for local governments is based on the recent trend for the number of currently exempt properties, the assessed value exemption of up to \$250,000 per exempt property, and the average non-bond tax rate. There is no impact in the 2023-25 biennium because the exemption currently extends through the 2023-25 biennium.

Expansions

Community solar projects exemption for non-residential projects

Expands property tax exemption for community solar projects to include non-residential proportion, beginning July 1, 2024.

The estimated revenue impact for local governments is based on the assessed value and non-bond tax rate for representative projects, the non-residential proportion of community solar projects, growth in the number of operational community solar projects (subject to average project size and the statutory limit of 161 megawatts of total capacity), and a three percent growth rate in assessed value. There is no impact in fiscal year 2023-24 because the expanded exemption begins July 1, 2024.

Food processing machinery and equipment exemption for meat or wild game

Expands property tax exemption for food processing machinery and equipment to include meat or wild game, beginning July 1, 2024.

The estimated revenue impact for local governments is based on the value of meat production in Oregon, the relative capital intensity of processing meat for food, and slaughterhouse capacity in Oregon. Additionally, the estimate is based on recent trends for the number of currently exempt properties, the reduction in taxable assessed value per exemption, and the average non-bond tax rate. There is no impact in fiscal year 2023-24 because the expanded exemption begins July 1, 2024.

Multiple-unit housing exemption for the entire multiple-unit housing

Expands property tax exemption for multi-unit housing to include the entire multiple-unit housing, rather than additions and conversions only, beginning 91st day after sine die.

The estimated revenue impact for local governments is based on the ratio of assessed value for the entire multi-unit property and the assessed value of additions and conversions for multi-unit property. This ratio was developed for the four counties that currently use this exemption (Lane, Lincoln, Marion, and Multnomah). Additionally, the estimate is based on recent trends for the number of currently exempt properties, the

reduction in taxable assessed value per exemption, and the average non-bond tax rate. The expansion applies to exemptions first granted on or after the effective date (91st day after sine die) and therefore the estimated revenue impact in the 2023-25 biennium is reduced accordingly.

Low-income rental housing exemption for limited equity cooperative corporations

Expands property tax exemption for newly constructed, low-income, rental housing to include low-income persons holding proprietary lease in limited equity cooperative, beginning July 1, 2024.

There is expected to be no revenue impact for local governments. By making the existing property tax exemption for rental housing available to limited equity cooperatives, more nonprofit rental housing developers may choose the limited equity cooperative model, rather than a landlord-tenant model, due to the social and economic implications for residents. This would result in the same number and size of housing projects, but it may make the limited equity cooperative model more common and the landlord-tenant model less common.

Modifications

Affordable multiunit rental housing alternate exemption schedule

Authorizes city or county to adopt ordinance or resolution to establish alternate schedule in which, for 10 years, the percentage of property tax exemption granted to affordable newly rehabilitated or constructed multiunit rental housing increases with the percentage of the property units rented to households with income below a particular level, beginning 91st day after sine die.

Any revenue impact is dependent on whether a city or county adopts an ordinance or resolution to establish the new, alternate schedule. The alternate schedule may not take effect unless at least fifty-one percent of the total tax rate for the eligible property is for districts whose governing bodies pass an ordinance in support of granting the exemption. The person responsible for paying property tax on the exempt property must apply each year. According to the TER, the revenue loss to local governments due to the schedule currently available is less than \$100,000 per biennium. Any impact of the alternate schedule is also limited because the exemption will be repealed on January 2, 2027. However, any property granted the exemption continues receiving the exemption under the same terms in effect at the time the exemption was first granted.

Surviving spouse of veteran to continue exemption without reapplying

Allows surviving spouse of veteran to continue receiving exemption without needing to reapply.

There is expected to be no revenue impact for local governments. This assumes that all surviving spouses of veterans apply for the property tax exemption currently.

Creates, Extends, or Expands Tax Expenditure: Yes No

This measure is a combination of property tax exemptions, each of which may or may not have a policy purpose explicitly stated in statute.

Extensions

Industrial improvements in rural areas exemption or deferral

The policy purpose of this measure is to allow cities and counties the ability to provide temporary property tax relief to industrial owners newly constructing or installing qualified industrial improvements in rural areas, thereby encouraging business investment in such property, and contributing to overall economic development.

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Federal land used by recreation facility operators under permit exemption

The policy purpose of this measure is to acknowledge the fees paid by permit holders to the Forest Service, twenty-five percent of which is returned to counties. It is also to avoid the administrative difficulty of valuing federal land with restrictions on land use.

Food processing machinery and equipment exemption

The policy purpose of this measure is “that a property tax exemption for qualified real property machinery and equipment encourages continued operation and expansion of the food processing industry in this state” (ORS 307.453).

Certain centrally assessed companies exemption

The policy purpose of this measure is to provide tax relief for centrally assessed companies, primarily those with high levels of intangible value and to create a tax environment that incentivizes investment by centrally assessed communication companies in Oregon.

Single-unit housing exemption

The policy purpose of this measure is that it is “in the public interest to encourage homeownership among low- and moderate-income families” and that “the cities of this state should be able to establish and design programs to stimulate the purchase, rehabilitation and construction of single-unit housing for homeownership by low- and moderate-income families by means of a limited property tax exemption, as provided under ORS 307.651 to 307.687” (ORS 307.654).

Surviving spouses of certain public safety officers exemption

The purpose of this measure is to allow counties to extend tax exemption for police, firefighters, and their families and to extend similar support to first responders.

Expansions

Community solar projects exemption for non-residential projects

The policy purpose of this measure is to encourage the development of renewable energy for customers that do not have access to individual rooftop solar.

Food processing machinery and equipment exemption for meat or wild game

The policy purpose of this measure is “that a property tax exemption for qualified real property machinery and equipment encourages continued operation and expansion of the food processing industry in this state” (ORS 307.453).

Multiple-unit housing exemption for the entire multiple-unit housing

The policy purpose of this measure is to “stimulate the construction of rental housing in the core areas of Oregon’s urban centers to improve the balance between the residential and commercial nature of those areas” and the “development of vacant or underused sites in the core areas” with “rental rates accessible to a broad range of the general public” (ORS 307.600).

Low-income rental housing exemption for limited equity cooperative corporations

The policy purpose of this measure is to assist in providing housing equity throughout the state and reduce homelessness.

Modifications

Affordable multiunit rental housing alternate exemption schedule

The policy purpose of this measure is to provide county and city governing bodies the ability to implement a targeted property tax exemption that encourages development of multiunit rental property that is rented to households with annual income at or below one hundred twenty percent of the area median, thereby increasing the development, rehabilitation and, ultimately, the supply of workforce and low-income housing units.

Surviving spouse of veteran to continue exemption without reapplying

The policy purpose of this measure is to recognize the service and sacrifices made by veterans for the country and to compensate veterans and their spouses for reductions in civilian earning capacity due to disabilities.