Creating a New Taxing District

House Interim Committee on Revenue

6/16/2026

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Role of Special Districts

- Almost all new property tax districts are special districts, not schools, counties, or cities
- Special districts are designed for new, specific needs
- New districts can generate additional revenue, but may reduce revenue for existing districts due to Measure 5 (M5) and Measure 50 (M50)

Definition of Special Districts

In ORS 198—Special Districts Generally—"district" means any one of the following:

- People's utility district
- Domestic water supply district
- Cemetery maintenance district
- Park and recreation district
- Mass transit district
- Metropolitan service district
- Special road district
- Road assessment district
- Highway lighting district
- Health district
- Sanitary district
- Sanitary authority, water authority or joint water and sanitary authority
- Vector control district
- Rural fire protection district
- Irrigation district
- Drainage district
- Water improvement district
- Water control district
- Weather modification district
- Port
- Geothermal heating district
- Transportation district
- Library district
- 9-1-1 communications district
- Heritage district
- Radio and data district
- Sand control district
- Urban flood safety and water quality district

Definition of Special Districts (cont.)

Other “districts” are defined for certain sections of ORS 198:

- County service district
- Diking district
- Corporation for irrigation, drainage, water supply or flood control
- Soil and water conservation district
- Weed control district
- Port district
- County road district
- Translator district

(special districts do not include school, county, or city districts)

District 'Type' and Forming Local Districts

- A district type can be created at the state level through legislation or initiative petition
- Forming an actual district in a particular place is usually a local process that involves:
  - Defining the proposed district
  - Preparing an economic feasibility statement
  - Petitions/resolutions
  - County review
  - Public hearings
  - Sometimes an election
- Some of the main powers for local districts are property taxation, fees and service charges, borrowing and issuing bonds

Measure 5 and Measure 50

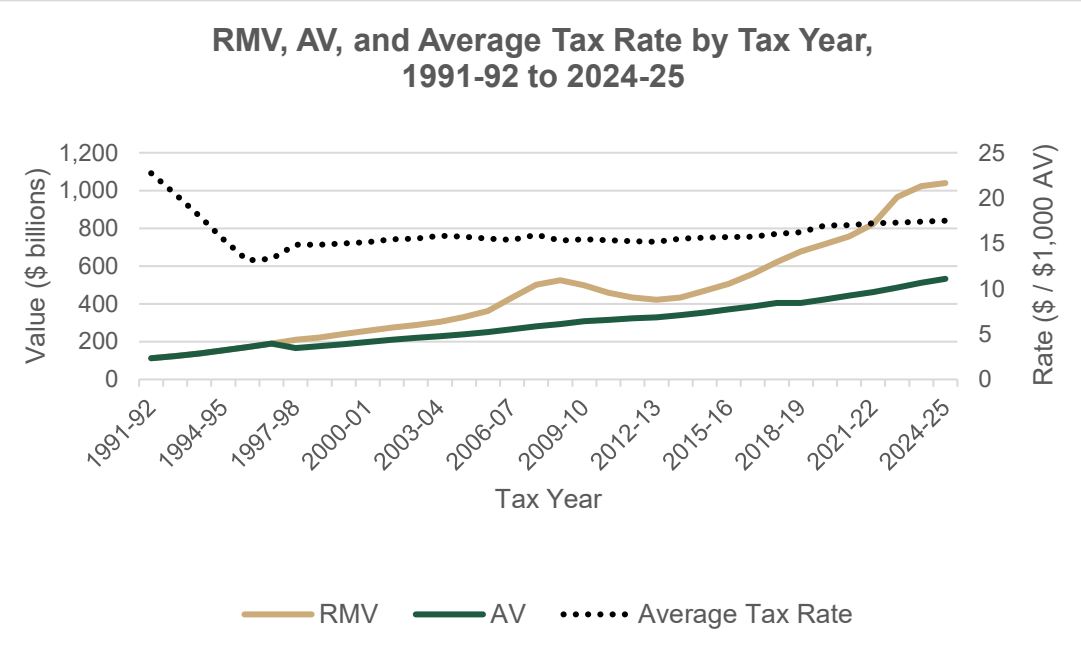
In the 1990s, M5 and M50 changed Oregon's property tax system from a levy system to a permanent rate system

1990 — M5

- Created $5 limit on school rates and $10 limit on other govt rates per $1,000 RMV
- Capped levy-based system

1997 — M50

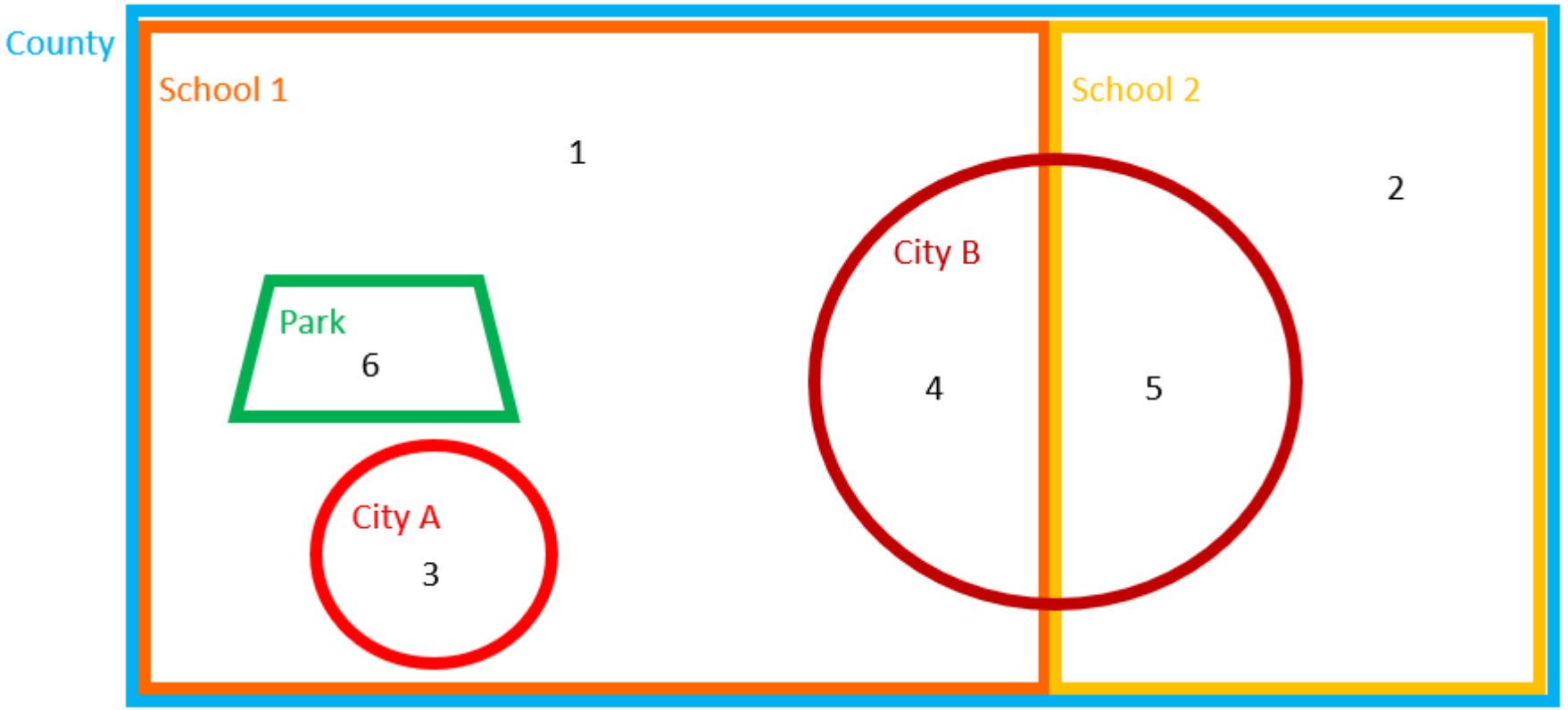
- Eliminated levy-based system and required a permanent tax rate
- Created AV with limited growth rate
- Created CPR



Measure 5 and Measure 50 (cont.)

- Property that exceeds its respective M5 limits is subject to ‘compression’
  - Local option tax rates are reduced proportionally until limits are met
  - If limits have not been met, permanent tax rates are then reduced proportionally
  - Bonds rates are not subject to compression
- Since M5 limits are based on RMV and tax rates are applied to AV, compression is more likely when property values are relatively low (RMV:AV ratio is closer to one)
- Compression is determined on a property-by-property basis

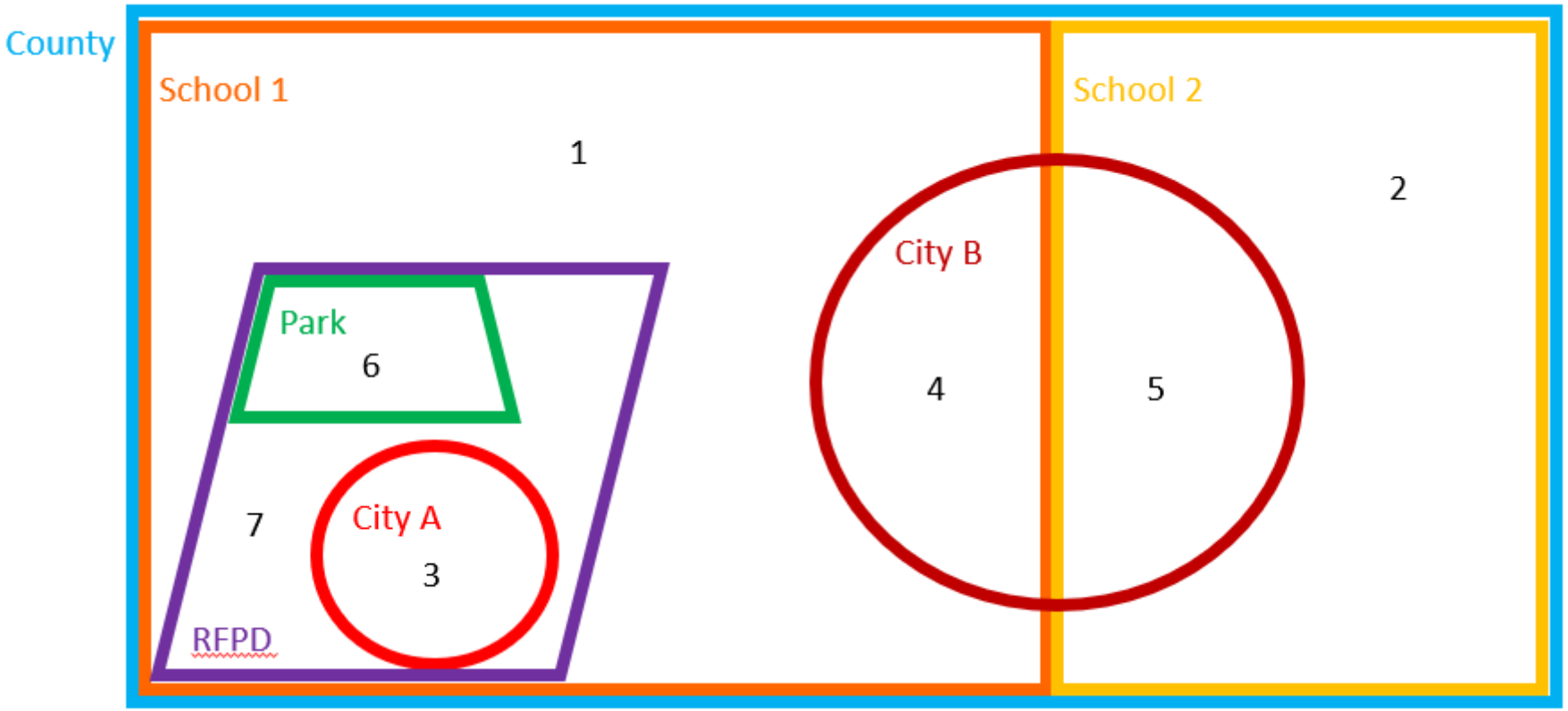
Compression for Simplified Code Areas



District	Tax Rates ($ / $1,000 AV)
School 1	$3
School 2	$6
County	$4
City A	$7
City B	$5
Park	$3

Code Area	School Tax Rate	Other Govt Tax Rate	Total Tax Rate
1	$3	$4	$7
2	$6	$4	$10
3	$3	$11	$14
4	$3	$9	$12
5	$6	$9	$15
6	$3	$7	$10

Compression for Simplified Code Areas (cont.)



District	Tax Rates ($ / $1,000 AV)
School 1	$3
School 2	$6
County	$4
City A	$7
City B	$5
Park	$3
RFPD	$4

Code Area	School Tax Rate	Other Govt Tax Rate	Total Tax Rate
1	$3	$4	$7
2	$6	$4	$10
3	$3	$15	$18
4	$3	$9	$12
5	$6	$9	$15
6	$3	$11	$14
7	$3	$8	$11

Compression for Simplified Code Areas (cont.)

Before New Other Govt Taxing District

- Potential compression of school tax rate in code area 2 and code area 5, if bond rate is less than $1
- Potential compression of other govt tax rates in code area 3, if bond rate is less than $1

After New Other Govt Taxing District

- Potential compression of other govt tax rates in code area 3, if bond rate is less than $5 (potentially increase compression in code area)
- Potential compression of other govt tax rates in code area 6, if bond rate is less than $1 (potentially create compression in another code area)
- Any increase in compression for existing districts is essentially a shift of revenue to new district. New district can also generate additional revenue

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