REVENUE IMPACT OF PROPOSED LEGISLATION

83rd Oregon Legislative Assembly
2025 Regular Session
Legislative Revenue Office

Bill Number:	**HB 3589 - A**
Revenue Area:	**Property Tax Deferral**
Economist:	**Beau Olen**
Date:	**5/5/2025**

Only Impacts on Original or Engrossed Versions are Considered Official

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Measure Description:

Transfers, in January 2026, $24 million of estimated excess funds in the Senior Property Tax Deferral Revolving Account to the senior housing development initiative. Requires Department of Revenue to review the solvency of the account each calendar year, beginning in 2027, and estimate the amount of any excess funds to transfer to the initiative in January of the following calendar year. Sunsets the annual solvency review and transfer of any estimated excess funds on July 1, 2031. Takes effect January 1, 2026.

Revenue Impact:

The Legislative Revenue Office has reviewed the proposed legislation and determined that it has No Impact on state or local revenues analyzed by this office.

Impact Explanation:

Under current law, the Senior Property Tax Deferral Revolving Account is a source of existing funds for the Department of Revenue (DOR) to pay property taxes on behalf of qualifying homeowners participating in the Homestead Property Tax Deferral program. Deferred taxes, interest, and fees (i.e., repayments) are due when a disqualifying event occurs—homestead is sold or transferred, homestead is no longer the homeowner's principal dwelling, homestead is a manufactured structure or floating home that is moved out of state, or the homeowner dies. The revolving account balance has grown over the last 10 years and is expected to reach $78 million by October 31, 2025. Growth occurred because repayments to the account have exceeded the tax payments and administrative costs paid from the account. Under the measure, local property tax revenue will not be impacted by the transfer of any estimated excess funds in the account, but this will impact the account balance. An annual DOR solvency review will protect the solvency of the account and its ability to make deferred tax payments and cover administrative costs.

In January 2026, $24 million of estimated excess funds will be transferred to the senior housing development initiative. The amount of any subsequent annual transfers, beginning in January 2028 and ending in January 2031, depends on the account balance, the annual change in the account balance, and the required reserve. For example, if the annual change in the account balance is -$1 million to +$5 million, the transfer would be $17-$29 million in 2028, $1-$7 million in 2029, $0-$5 million in 2030, and $0-$5 million in 2031. Total transfers in 2026-2031 would be $42-$70 million. This range of examples is intended to show the flexibility of the solvency and estimated excess fund calculation. For comparison, the average annual change in the account balance was +$5 million over the last 10 years and is forecast to be +$4 million over the next three years. (See HB 3506, as amended, for details on the additional $3 million transfer in 2026 for senior and disabled housing, including the

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900 Court St NE
Salem, Oregon 97301-1347

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Fax (503) 986-1770
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installation of accessibility modifications.)

With these transfers in 2026 and 2028-2031, the account balance on October 31 would be $50-$56 million in 2026, $49-$61 million in 2027, $32-$38 million in 2028, $30-$36 million in 2029, $29-$35 million in 2030, and $28-$35 million in 2031. The account balance converges at about $30 million after the annual solvency review begins in 2028, which reflects that any transfers of estimated excess funds will continue to protect the required reserve and solvency of the account. As an additional solvency cushion, the required reserve does not count repayments made between the solvency review in the current year and the next. For context, repayments were $14 million in 2023-24 and are forecast to be $17 million per year over the next three years. This means that on October 31, 2031, the required reserve and additional solvency cushion are expected to cover about 4 years of deferred tax payments, since tax payments are expected to stabilize at $12 million per year (see HB 3712, as amended, for details on modifications to deferral program qualifications).

Creates, Extends, or Expands Tax Expenditure: Yes ☐ No ☒

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