REVENUE IMPACT OF PROPOSED LEGISLATION

Seventy-Sixth Oregon Legislative Assembly, 2011 Regular Session
Legislative Revenue Office

Bill Number:	**HB 2543 - A**
Revenue Area:	**Senior Deferral**
Economist:	**Christine Broniak**
Date:	**5/6/2011**

Measure Description:

Increases interest rate on amounts of property taxes advanced to counties for tax-deferred property to eight percent per annum.

Revenue Impact (in $Millions):

	2011-13	2013-15
Department of Revenue Senior and Disabled Deferral Account affecting County and Local Tax Revenues	$11.2	$19.6

Impact Explanation: The measure includes a number of substantive and technical changes to limit participation in the senior and disabled property tax deferral program. The measure includes changes to participation requirements, limits on real market value, periodic recertification of income, a change from 6% simple interest to 6% compound interest, and a limit to the growth of new program participants of 5 percent a year. Other changes in the measure include the removal of allocation for Oregon Project Independence (OPI) if the amount in the account exceeds $5 million or 35 percent of the amount needed to make payments to counties for that year.

The revenue impact of the removal of OPI allocation will depend on the amount in the account. For periods of time when no money is available in the account, this change makes no difference. This change will allow cash reserves to be built up to meet future demand for payments.

The amendment includes a limit for participation in the program based on real market value of the home. A range will be allowed from 100% of the county median RMV to 200%, depending on how long the resident has been in their home. Changes to exclude some program participants based on real market value are expected to reduce property tax payments by the following amounts:

2011 - $3,614,155
2012 - $3,974,983
2013 - $4,298,857
2014 - $4,562,668
2015 - $4,712,158

These have been adjusted for reductions in taxpayer repayments due to excluding those individuals with real market values that exceed the limit.

The measure requires a recertification of participant income every two years to ensure that it remains below the limit. It is anticipated that this will result in a participant reduction of 2.5% in the first two years, with a 1% reduction thereafter. Revenue impacts of this change are:

2011 - $604,888
2012 - $669,323
2013 - $267,036
2014 - $255,318
2015 - $215,229

These values have been adjusted for reductions in repayments that would result from excluding these individuals who exceed the income requirements.

The measure has a requirement that individuals be in their home for 5 years before applying for the program. It is estimated that 6% of new applicants would be restricted due to this requirement. Revenue impacts of this change, less decline in repayments from fewer applicants/participants are:

2011 - $ 150,190
2012 - $ 466,400
2013 - $ 726,357
2014 - $ 955,998
2015 - $1,138,106

The measure also changes interest rates from 6% simple interest to 6% compound interest. Revenue impacts from this change are anticipated to be small in the near term, but larger as time progresses.

2011 - $0
2012 - $ 6,185
2013 - $15,222
2014 - $41,361
2015 - $89,669

The measure limits the growth of new applicants to 5% per year based on the new applicant pool in 2011. This limit is expected to decrease payment obligations by the following amounts.

2011 - $ 0
2012 - $1,755,979
2013 - $3,470,722
2014 - $5,026,485
2015 - $6,248,097

There are technical changes in the measure that enable the Department of Revenue to use more means for collection of accounts that become delinquent. Insofar as these would increase the collection of unpaid deferred debt, these changes increase revenues. The revenue impact of the technical changes is expected to be minimal.

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