REVENUE IMPACT OF PROPOSED LEGISLATION

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

Bill Number: HB 2543 - B
Revenue Area: Property Tax
Economist: Christine Broniak
Date: 6/16/11

Measure Description: Requires participants in the program to have a recertification of income every two years rather than only upon entry into the program. Requires the real market values of homes of participants to be below a threshold ranging from 100 to 200 percent of the county median adjusted for how long the resident has been in and owned their home. Requires that participants in the program own and live in their home for 5 years before participating in the program. Changes the interest that participants pay from 6% simple interest to 6% compound interest on all new balances and participants. Removes allocation to Oregon Project Independence from the account of the program. Adds a 10-year sunset date on the program. Eliminates partial property tax payments for individuals whose income rises above the limit for participation. Eliminates opportunity for delayed collection for heirs. Qualifies the language so that the counties will receive payment only subject to available funds. Requires participants to have fire and casualty insurance on property receiving deferral. Allows delinquent balances to be collected from federal tax refunds. Removes the 90% lien cap on disabled accounts. Disqualifies anyone with outstanding or cancelled liability from the program. Adds collection measures against heirs and transferees. Caps the growth of initial applications to 5% per year starting at 2011. Extends garnishment authority to the Department of Revenue so that a warrant may be issued for these outstanding taxes.

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 changes the sorting criteria for new program applicants to determine whether they will be accepted into the program if the applicants exceed the 5% per year growth in applications. Previously, the applicants were sorted from lowest to highest real market value (RMV.) Applicants with the lowest RMV were accepted into the program first, while those with higher RMV's were only allowed to participate if there were still open slots under the 5% limit. The amendment sorts the applications on the ratio of their RMV to the percentage of county median RMV allowed based on the number of years in the home. This percentage can be found in Section 3(2) of the measure. It is possible this will result in applicants with a slightly higher tax burden than the previous version of the measure. The revenue impact is negative in the short term, and neutral in the long term. Without specific information on applicants RMV's and tax amounts, it is impossible to determine the extent of this impact. The measure also resolves conflicts with other measures passed in the 2011 Legislative Session.

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 ☒

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