March 4, 2013
Senate Committee on Finance and Revenue
Senate Bill 312

Chair Burdick, members of the committee, thank you for allowing me to testify before you today. My name is Douglas Schmidt and I am the Polk County Assessor.

Senate Bill 312, for purposes of calculating the Changed Property Ratio, proposes to change the definition of "area" from the whole county to tax code areas.

For background, the Changed Property Ratio, or CPR, is the ratio, **by property class**, of the average maximum assessed value in the area to the average real market value in the area where the property is located.

The CPR is used to determine the Maximum Assessed Value when there is an "exception" event. An exception event is typically new construction, land partitions, omitted property, disqualification from Special Assessment or Exemption, etc. The Maximum Assessed Value is calculated based on the Real Market Value multiplied by the Changed Property Ratio **for that property class**.

Within an "area", each classification of property has its own CPR. Residential, Commercial/County Industrial, State Industrial, Rural, Farm, Timber, Apartment, Manufactured Structures and Machinery and Equipment all have their own CPR. Polk County currently has 106 tax code areas with accounts in them. Under SB 312, there would be 9 CPR's in each Tax Code Area, or 954 separate and distinct CPR's.

Further, in these 106 tax code areas, 40 of the areas, or 38%, have 20 accounts or less. 60% of the areas have 100 accounts or less and 75% have less than 250 accounts. This means Polk County would have 954 CPR's, some of them calculated against 1 or 2 properties or no properties.

Calculating the Changed Property Ratio by Tax Code Area raises some concerns or Assessors:
- The small number of accounts in Tax Code Areas will not provide a realistic "average" CPR for all the property class groups. Why is an "average" important? The concept was to establish an average taxable value for new property, not the high and not the low but the average taxable value for similarly classed property. This bill would make any existing inequity even worse.
- CPR by Tax Code Areas in Polk County will create 954 distinct CPR's compared to the 9 we currently have. Tracking and administration cost and time will increase.
- Some Tax Code Areas will not have all the property classifications. Under this bill we will not have a CPR to apply in these cases.
- This bill will make even more severe the inequity of Maximum Assessed Values and subsequently, taxes, for the same property class property's right across the street (new construction).

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> - Tax Code Areas are created for tax levy purposes, not for valuation purposes. Tying the Changed Property Ratio to Tax Code Areas will distort equity even further.

Section 11(1)(e), Article XI of the Oregon Constitution states "The Legislative Assembly shall enact laws that establish property classes and areas sufficient to make a determination under paragraph (c) of this subsection.". The Paragraph (c) mentioned is the paragraph that sets the Changed Property Ratio.

From the wording in the Constitution, it appears the intent of the "areas" being county wide was to have a large enough population of properties to arrive at a valid Changed Property Ratio.

I believe the lack of data in a majority of the Tax Code Areas is insufficient to meet the Constitutional requirements for making a CPR determination. Insufficient data will severely impact the quality of the CPR which could negatively impact taxpayers.

Thank you.