

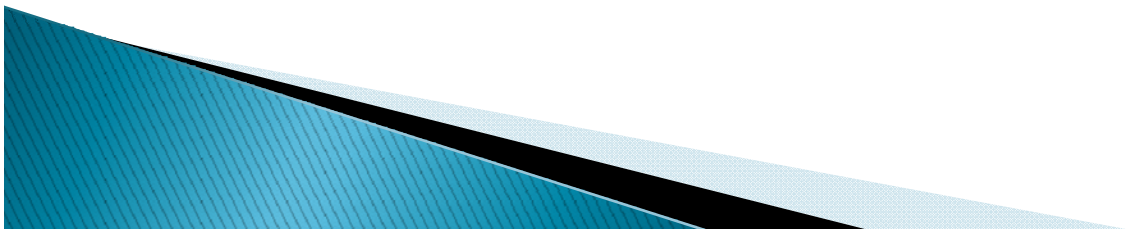
# Property Tax Deferral for Senior and Disabled Citizens

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## Program History and Recent Law Changes

# What are Oregon's Deferral Programs?

- ▶ Programs that allow qualifying Senior and Disabled citizens to delay paying property taxes on their residence.
- ▶ The state will pay the property taxes on their behalf in exchange for a lien against the property.



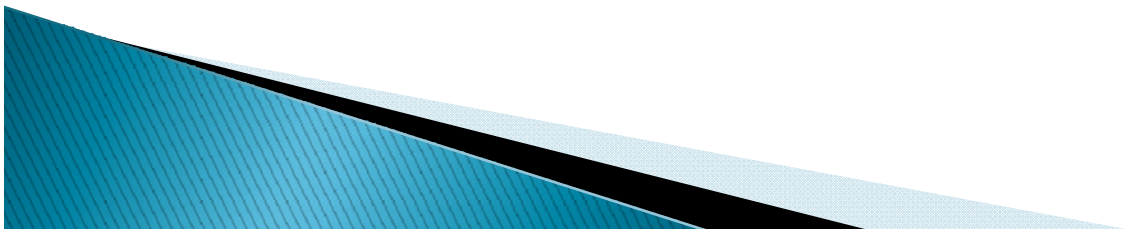
# Other Program Information:

- ▶ Taxpayers are required to re-certify that they meet the program requirements every two years.
- ▶ The taxpayers disqualify from the program if:
  - The taxpayer dies
  - The property is sold (or changes ownership)
  - The taxpayer moves from the property for other than health related reasons.
  - The home is moved out of state (manufactured structures or floating home)



# History of Deferral – Pre 2009

- ▶ Inception date of 1963
- ▶ Self-Sustaining Program
- ▶ Legislation transferred \$250,000 (2006) and \$14.3 million (2008) to Oregon Project Independence (OPI)



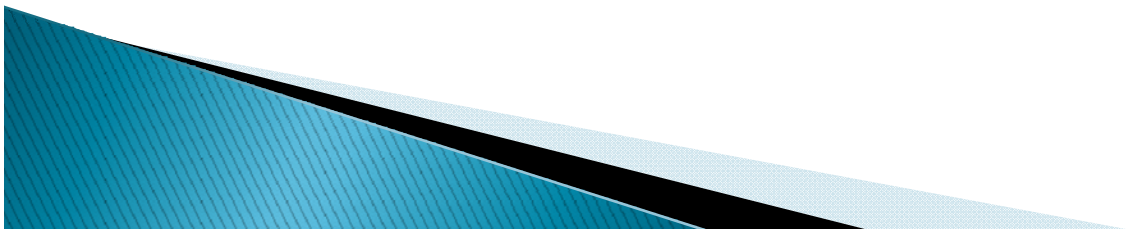
# 2009

## Distressed Residential Market

- ▶ The forecast of the program revealed it would no longer be self-sustaining.

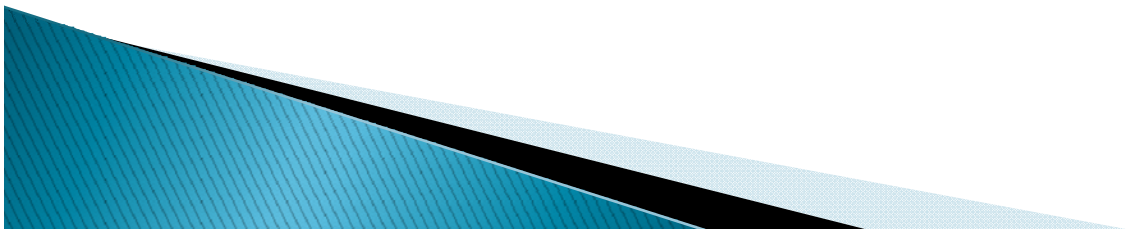
Factors:

1. Dropping home values
2. Decline in home sales that reduced program cash flow
3. Increased program participation



# Outcome of the Distressed Market

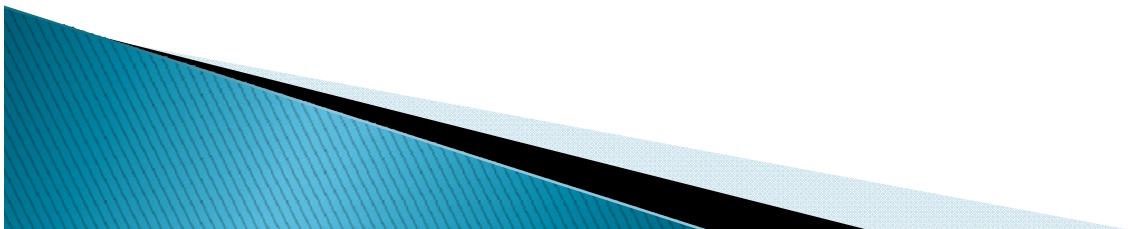
- ▶ Delayed payment to counties of the 2010 deferred property taxes
- ▶ May 2011, deferral account had a zero balance
- ▶ SB 939 (2011) – Oregon State Treasury loaned \$19 million to deferral program
- ▶ HB2543 (2011)– Structural Changes



# 2011

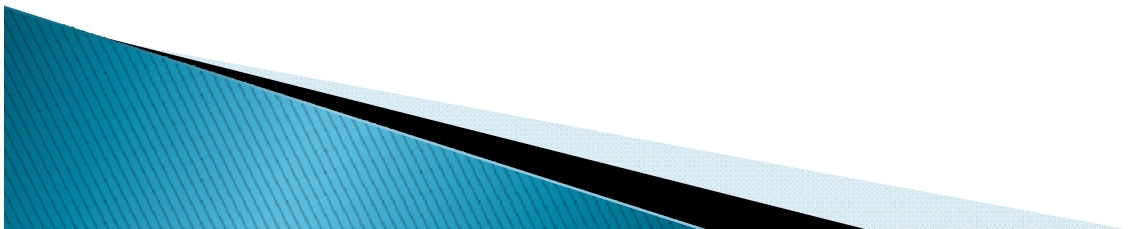
## HB 2543 Overview

- ▶ Previous requirements of the program:
  1. Income–Federal Adjusted Gross Income (FAGI)
  2. Age (62 or older) or Disabled



# HB 2543 (2011) Changes

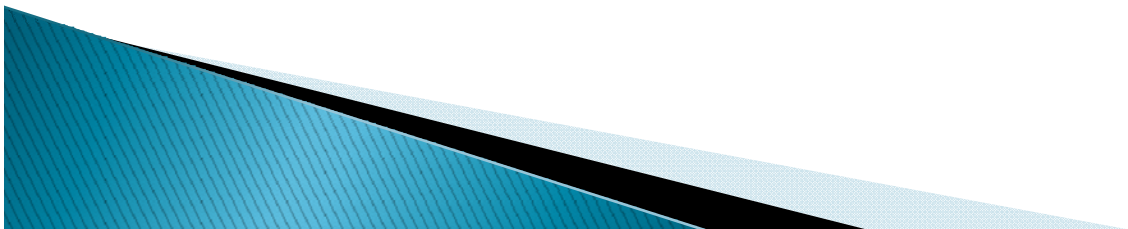
- ▶ New Requirements of the program:
  1. Income (Household)
  2. RMV limitation– County Median
  3. Proof of insurance
  4. 5–year residency requirement
  5. Exclusion of homes with reverse mortgages
  6. Household asset limitation





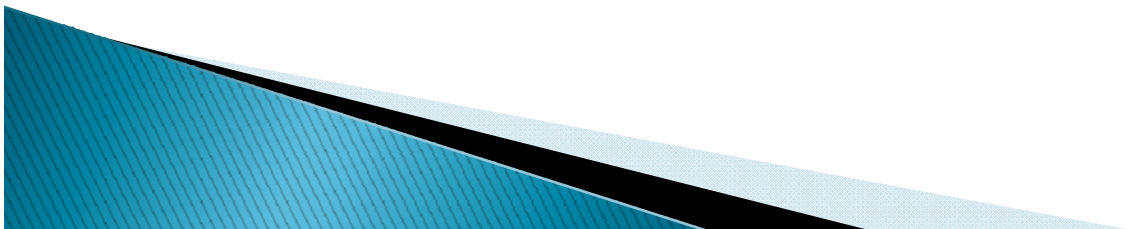
# HB 2543 (2011) Changes (Con't)

- ▶ Other Major Changes in the program:
  1. Recertification once every two years
  2. 6% compound interest calculation



# Effects from HB 2543 (2011)

- ▶ Program participation dropped due to increased requirements
- ▶ Upset taxpayers
- ▶ Thousands of calls/emails to DOR & Legislators

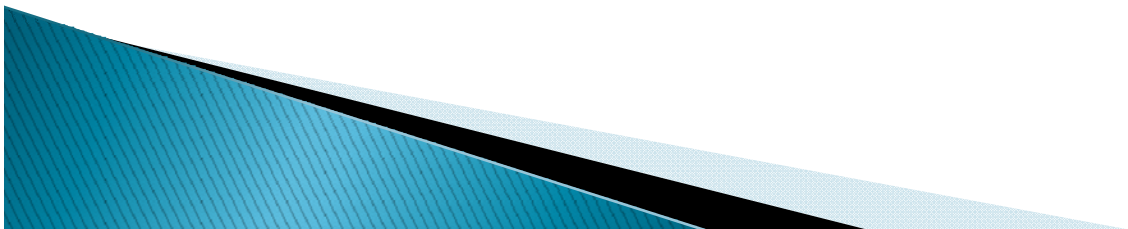


# 2012 Legislative Change

## HB 4039

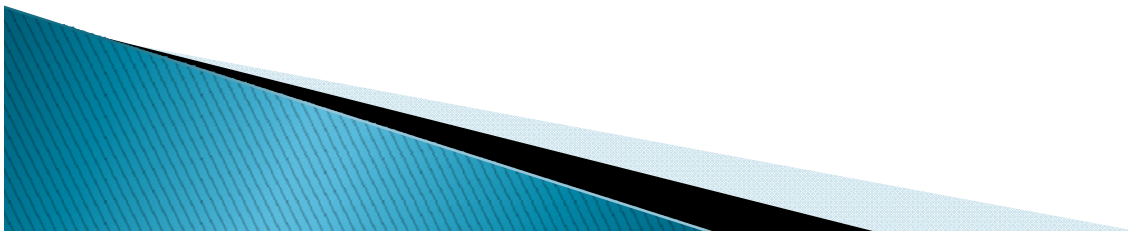
### *Highlight*

- ❖ Reverse mortgage extension – two year reprieve for anyone inactivated from the program solely due to a reverse mortgage and sent in a recertification by Feb. 1, 2012 (approx. 1,500 affected)



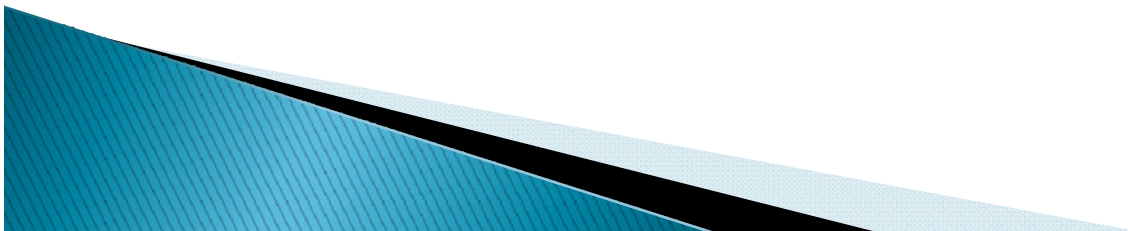
# 2013 Legislative Changes

- ▶ HB 2489
- ▶ HB 2510




# HB 2489 Highlight

- ▶ Allows for a permanent extension for the HB 4039 cohort (approx. 1,500) even though they have a reverse mortgage.



# HB 2510 Highlights

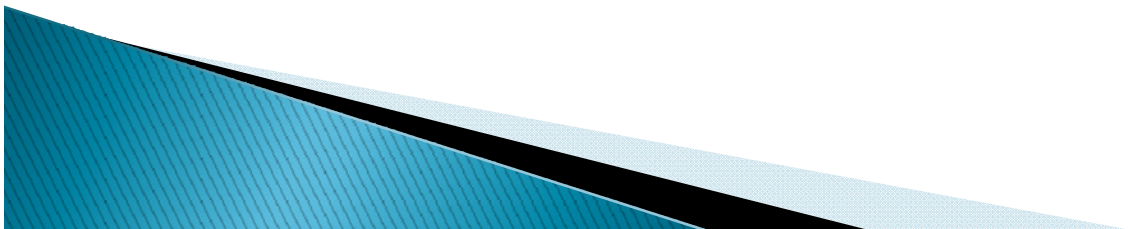
- ▶ Allows participants who were inactivated in 2011 solely due to having a reverse mortgage, or not meeting the 5-year residency requirement, or both, to participate again starting 1/1/2014.
  - ▶ New participants from this change will be limited to **700** for the 2014/15 property tax year, with an allowed growth of 5% each year thereafter.
    - Actual new participants from this change in 2014 = **157**
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# 2014 Legislative Change

## HB 4148

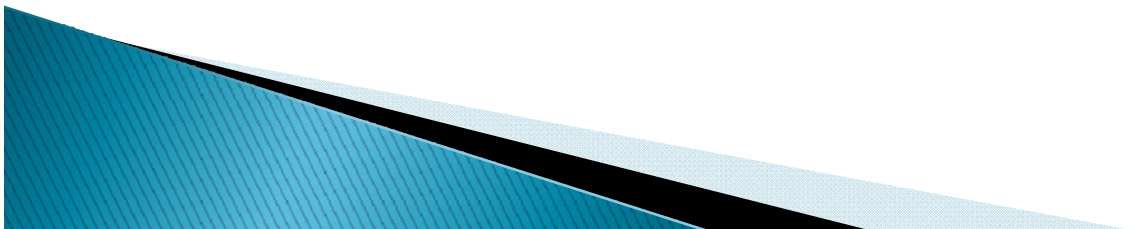
### *Highlight*

- ▶ Revert back to simple interest by 2016



# 2015 – Core Systems Replacement

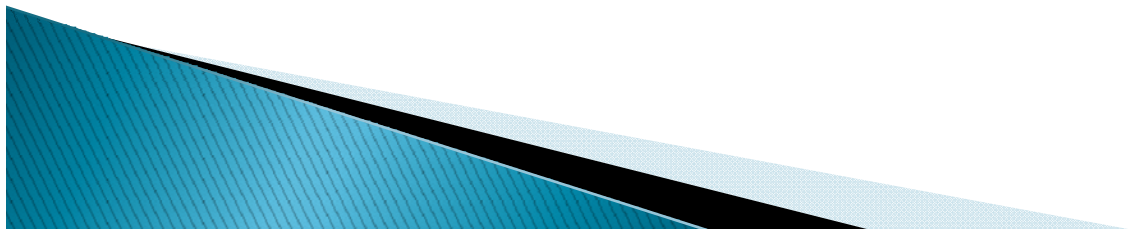
- ▶ Deferral program in Rollout 2



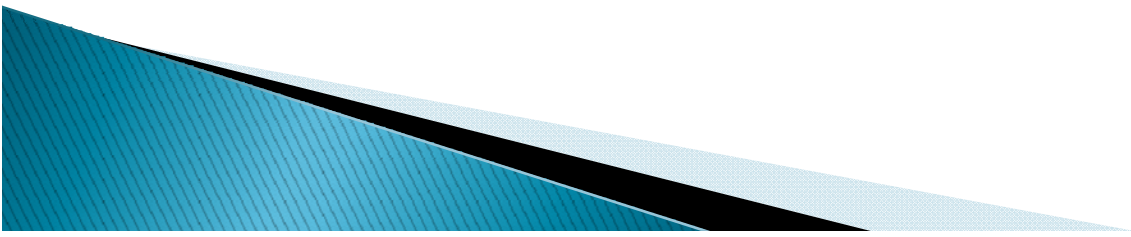
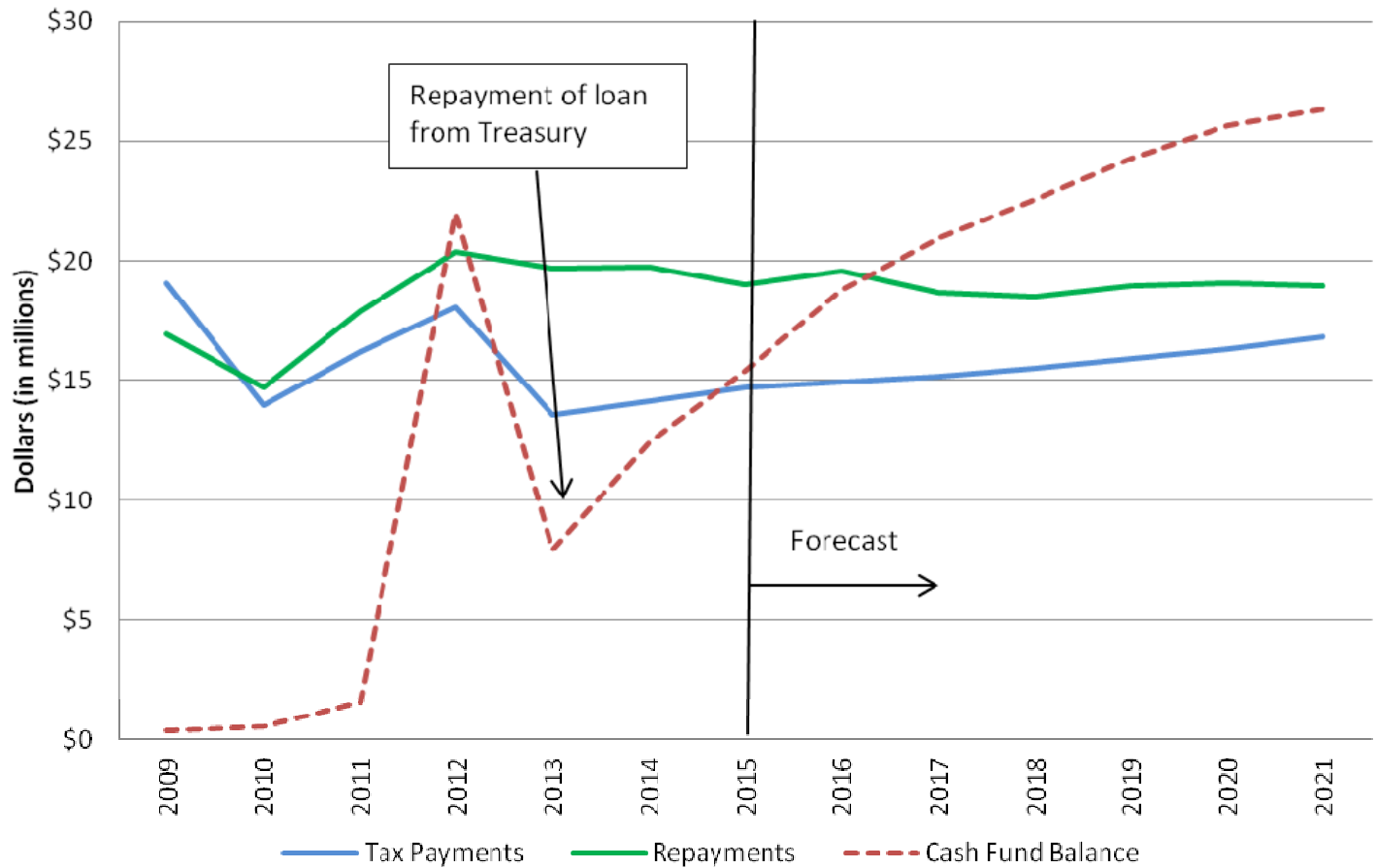


# Revolving Account Yearly (Dec.– Dec.)

	Dec 2011 to Dec 2012	Dec 2012 to Dec 2013	Dec 2013 to Dec 2014	Dec 2014 to Dec 2015	<i>Projected:</i>	
					Dec 2015 to Dec 2016	Dec 2016 to Dec 2017
December 1 <sup>st</sup> Balance	1.6	22.0	7.9	12.4	15.4	18.8
Repayments	20.4	19.7	19.8	19.0	19.6	18.7
Administrative Costs	-0.9	-1.0	-1.2	-1.3	-1.3	-1.4
Loan	19.0					
Loan Repayment		-19.2				
Tax bill	-18.1	-13.6	-14.1	-14.7	-14.9	-15.2
December 1 <sup>st</sup> Balance	22.0	7.9	12.4	15.4	18.8	20.9



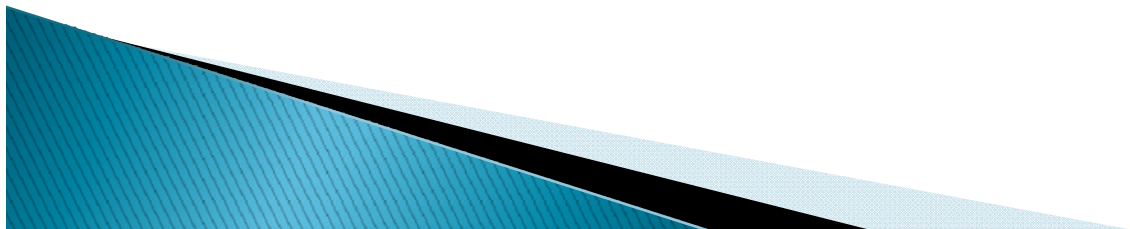
**Senior and Disabled Deferral Program Long-Term Forecast**  
**As of December 1st each Calendar Year**  
**DOR Research Section, March 2015**



# Total Accounts

*As of November 17, 2014*

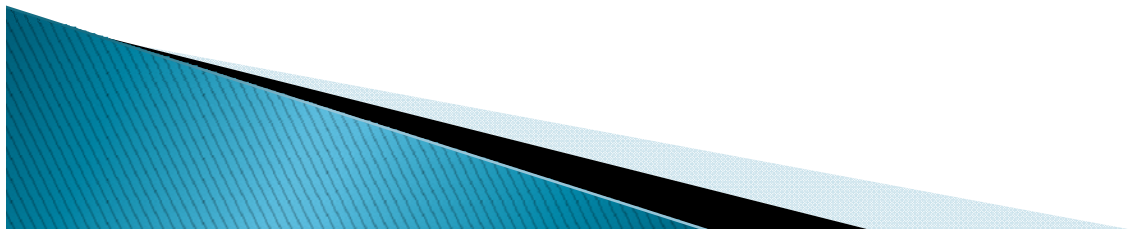
Statewide Accounts by Program	Active	Inactive	Disqualified	Cancel	Total
Senior-490	5,738	1,351	786	111	7,986
Special- 491	22	0	18	31	71
Disabled-492	800	272	74	15	1,161
<b>Total</b>	<b>6,560</b>	<b>1,623</b>	<b>878</b>	<b>157</b>	<b>9,218</b>



# Total Liabilities

*As of November 17, 2014*

Statewide Liability Balance	Active	Inactive	Disqualified	Cancel	Total Liability
Total accounts by status	6,560	1,623	878	157	9,218
Balance	\$ 113,652,575	\$ 22,941,386	\$ 14,471,177	\$ 1,986,636	\$ 153,051,773
Avg. Account liability	\$ 17,325	\$ 14,135	\$ 16,482	\$ 12,654	\$ 16,604



# Cancelled Debt

*\*5 year period 09-14*

Statewide Cancelled Debt	Quantity	Tax	Penalty	Interest	Total	Avg. Debt Cancelled
Senior-490	235	\$ 1,682,415.46	\$ 8,375.00	\$ 433,508.09	\$ 2,124,298.55	9,039.57
Special- 491	1	\$ 2,377.82	\$ -	\$ 3,604.58	\$ 5,982.40	5,982.40
Disabled-492	43	\$ 182,440.41	\$ 1,825.86	\$ 32,253.43	\$ 216,519.70	5,035.34
<b>Totals</b>	<b>279</b>	<b>\$ 1,867,233.69</b>	<b>\$ 10,200.86</b>	<b>\$ 469,366.10</b>	<b>\$ 2,346,800.65</b>	<b>8,411.47</b>
Avg. cancelled per year (5 yr. period)	55.80	\$ 373,446.74	\$ 2,040.17	\$ 93,873.22	\$ 469,360.13	1,682.29

