# Property Tax Reform

The League of Oregon Cities is committed to assisting with the passage of legislation that will enhance local decision-making, provide sustainable sources of revenue and streamline governmental processes. Property tax reform is a League priority.
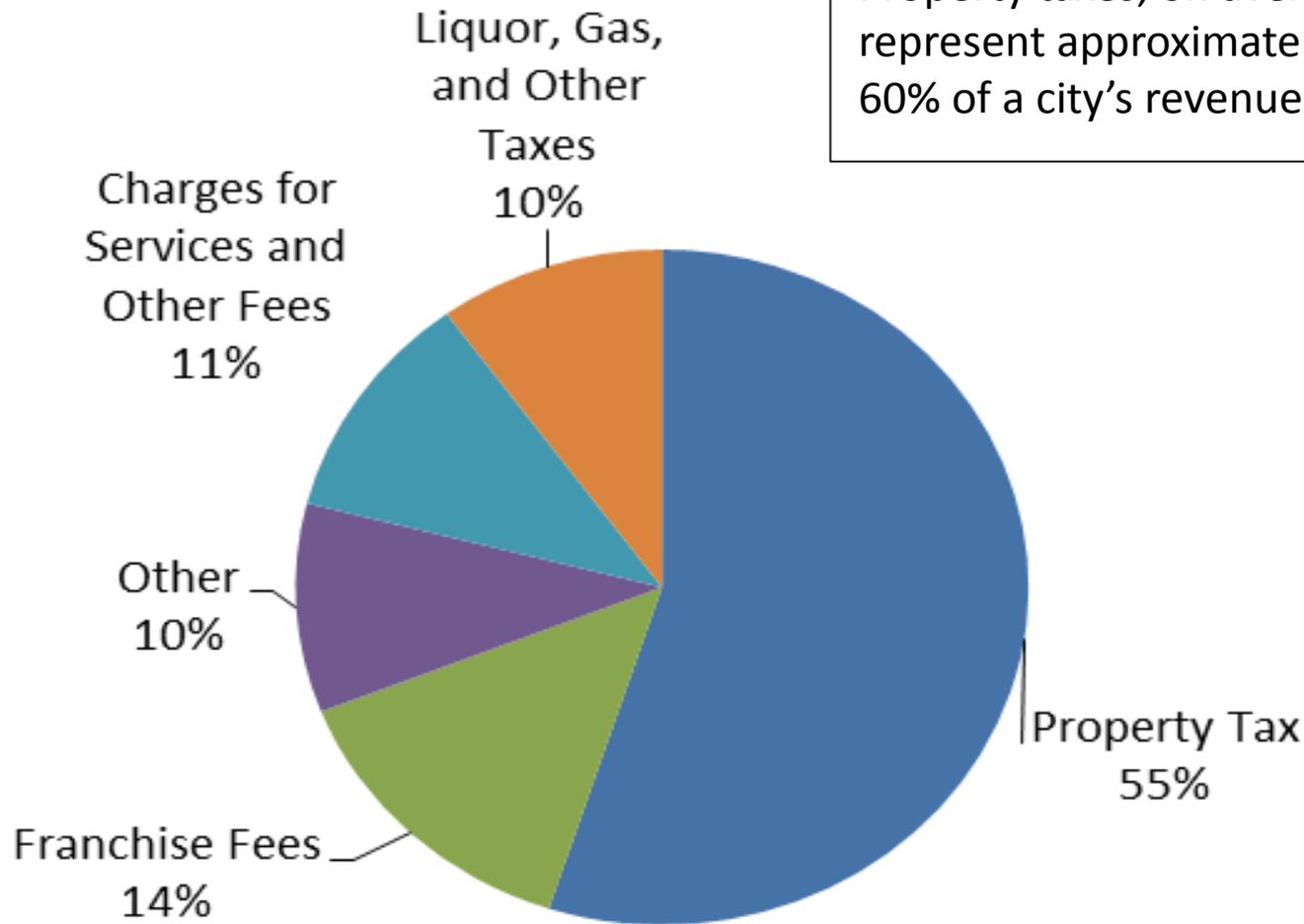
Where the Money Goes – Property Taxes in Oregon

Special Districts, 14%

Counties, 18%

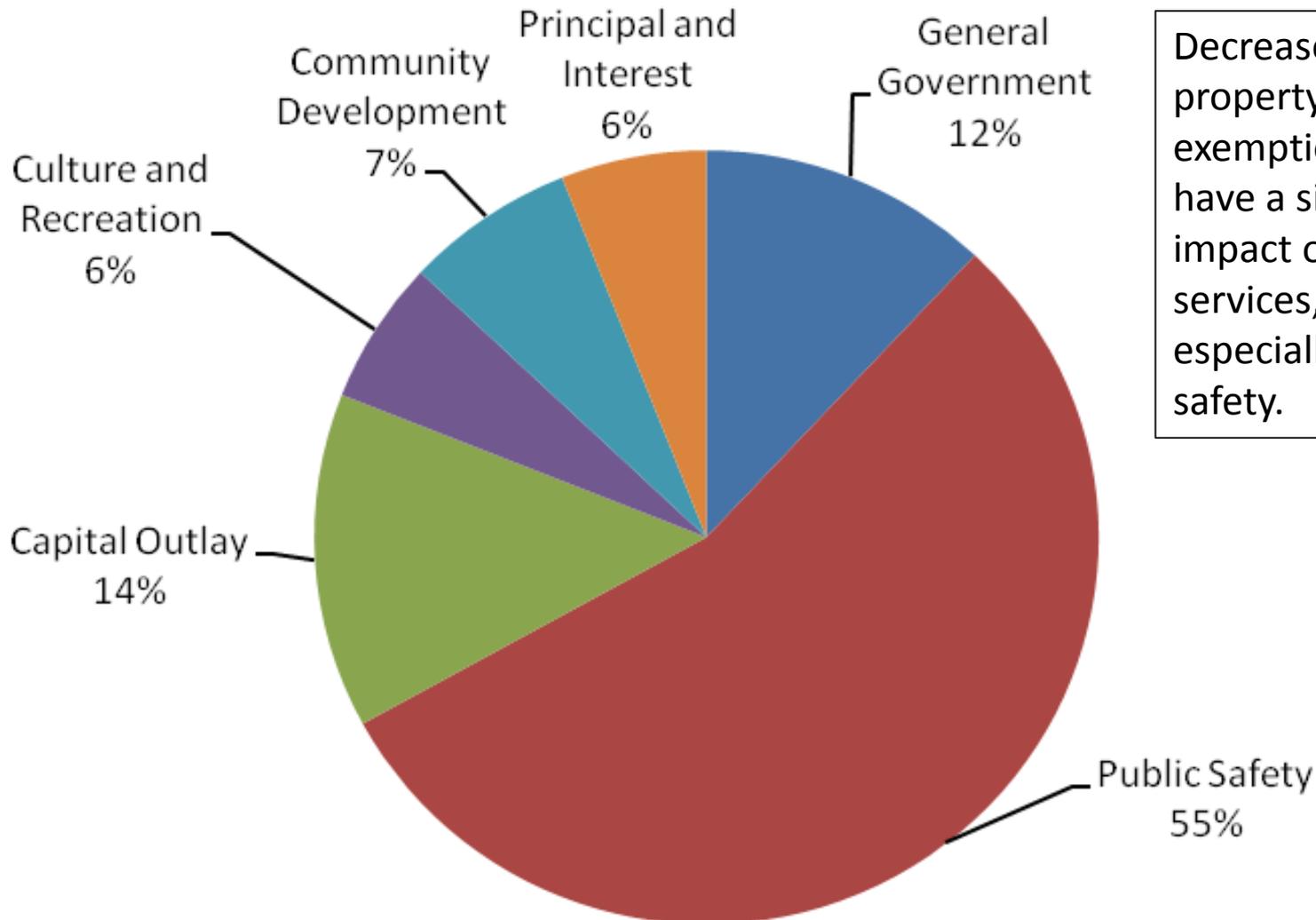Community Colleges, 4%

Cities, 22%

K-12 & ESDs, 42%
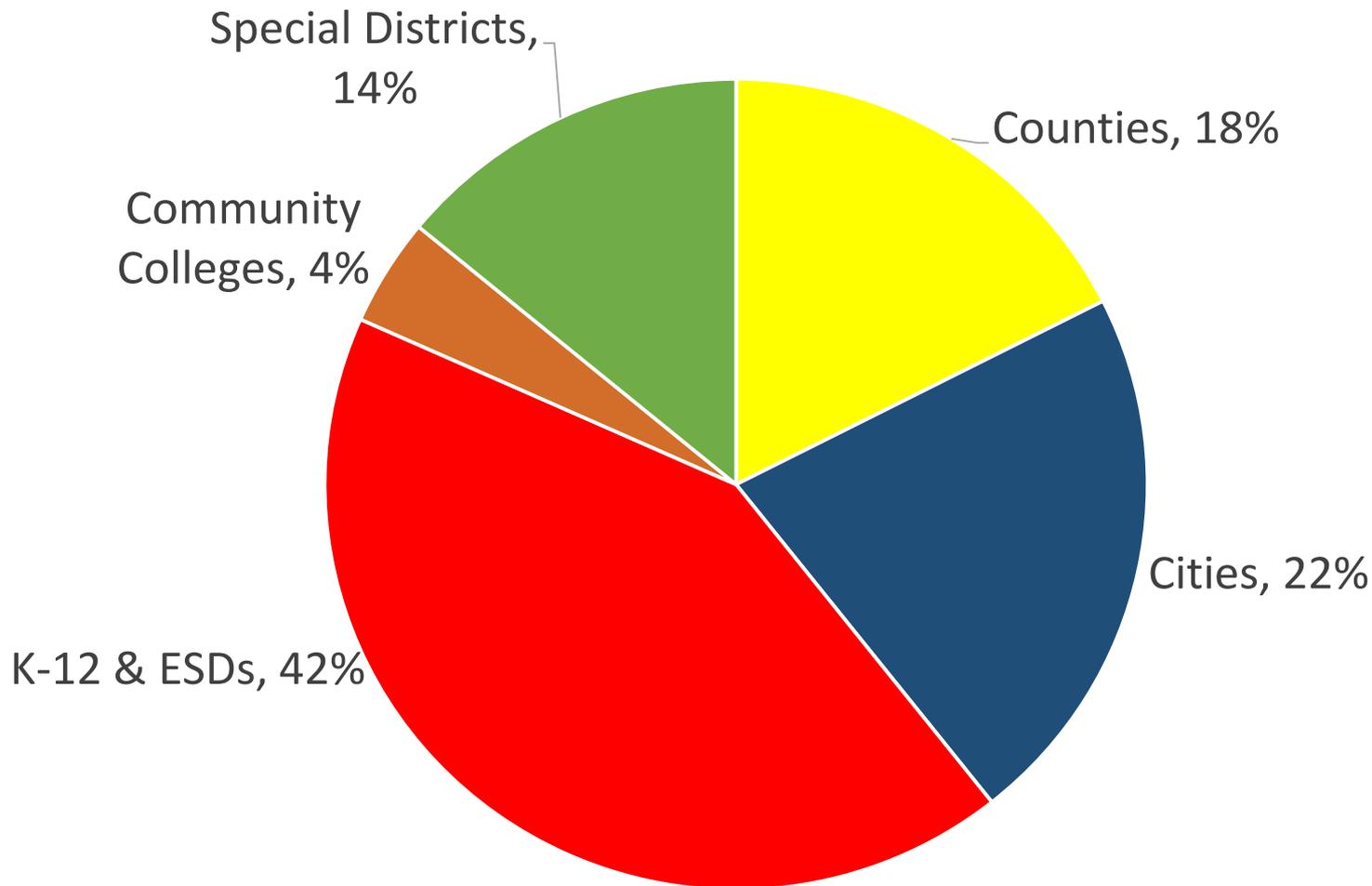
City Revenues: Example

Property taxes, on average, represent approximately 60% of a city's revenues.

City Expenditures: Example

Decreases in property taxes, exemptions, etc. have a significant impact on city services, especially public safety.

City Budget Balancing Survey Results

Many cities since 2007-08 have:

- Reduced infrastructure spending and maintenance
- Decreased service levels
- Reduced personnel
  - Including public safety

Survey on Infrastructure

Table 4-Cities Deferring Maintenance	2013	2014
Water, sewer or stormwater infrastructure	38%	43%
Roads, bridges, sidewalks and other transportation infrastructure	56%	59%
Other (fleets, buildings, etc.)	37%	39%
No, my city has not deferred maintenance in the last three years	36%	26%
Not applicable (my city does not provide these services)	1%	1%

Measure 5

- Limits property taxes:
  - $10 per $1,000 of Real Market Value: General Governments (City, County, Special Districts)
  - $5 per $1,000 of Real Market value: Schools
- No limit on property taxes for bonds

Compression: Reducing Levies

- If property taxes on an <u>individual</u> property would exceed the Measure 5 limits: the taxes are reduced on that property until the limitations are met (called compression)

- Voter-approved temporary taxes are reduced first, all the way to $0, before collections from permanent rates are compressed (temporary taxes are often for public safety or school services)
  - City, County, School District in compression:
    - Over ½ of Cities
    - All Counties
    - 90% of School Districts

Losses to Compression

Total Compression FY2013-14
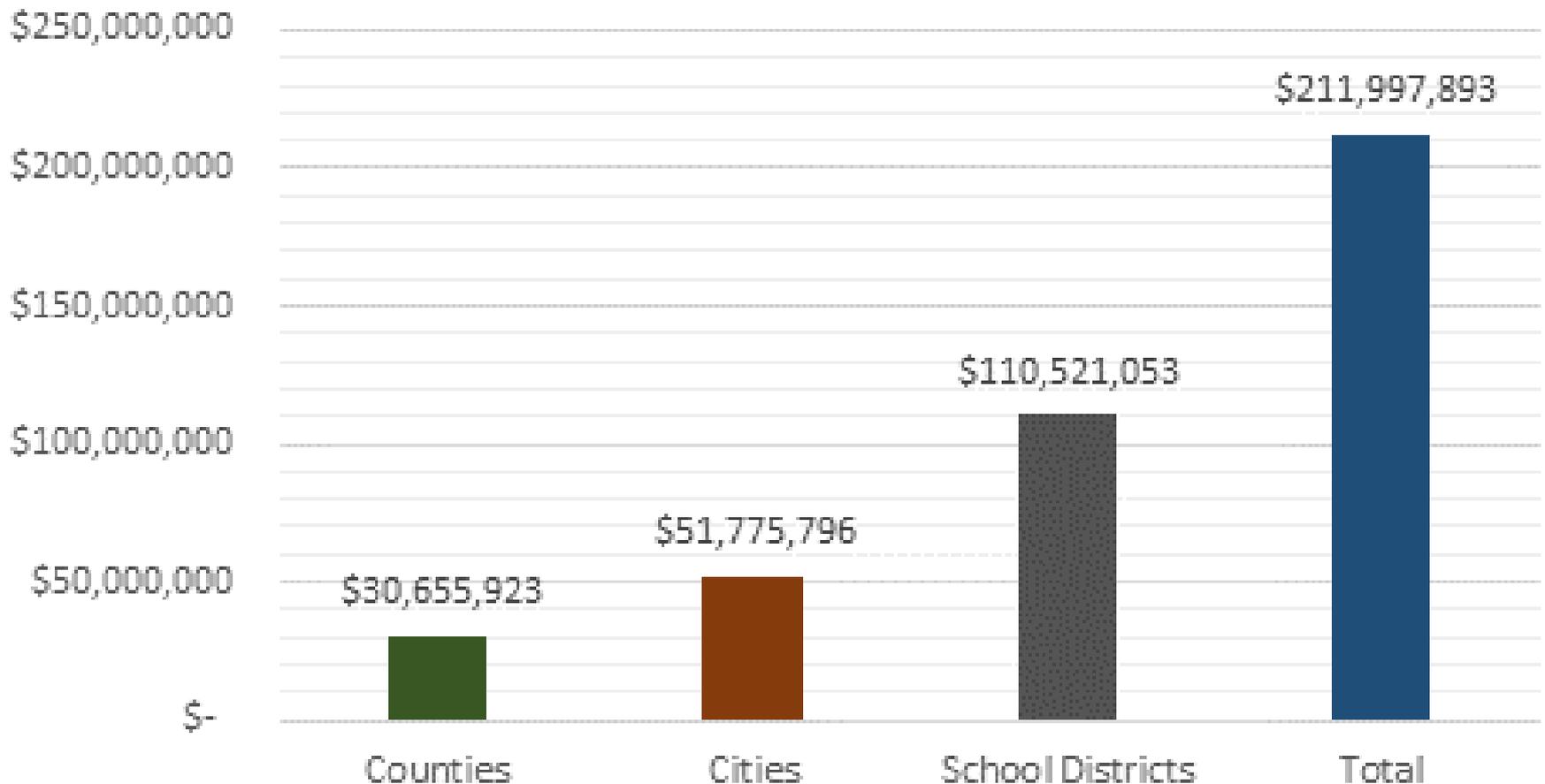
League Proposal

- **HJR 20** Constitutional amendment allowing local voter choice to adopt operating levy outside Measure 5 limits (outside compression). HJR 20, if passed, would not raise anyone's taxes, but would empower voters to authorize a tax increase for local operations.
  - Limited to 5 years
  - Vote at general election

Measure 50

- Set a new assessed value (AV) level
  - At 10% less than 1995-96 Real Market Value (RMV)

- Capped annual growth in AV at 3% annually

- Set permanent rates for all taxing districts at rate in 1997

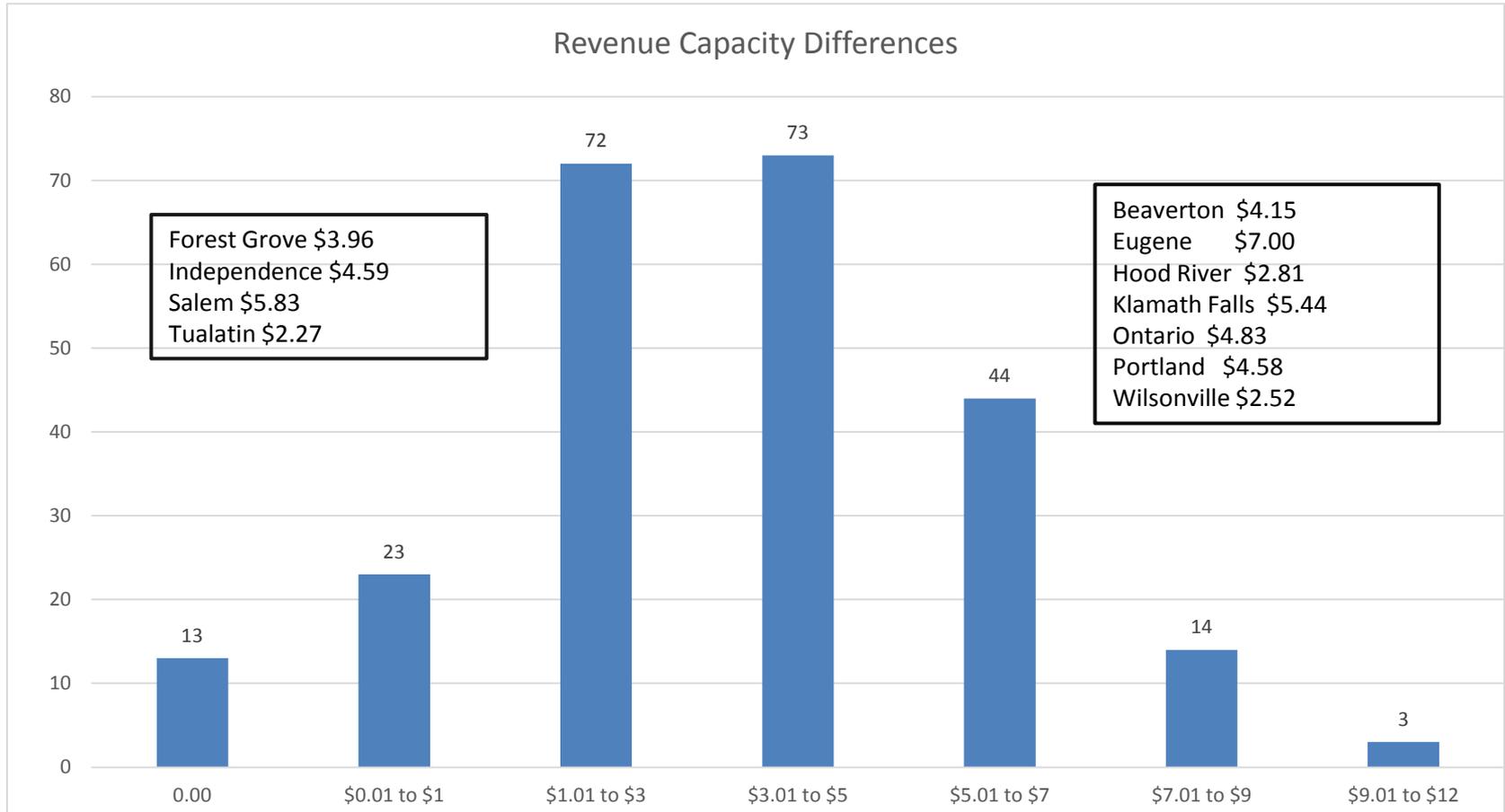- Created permanent inequities in taxation across the State due to how tax is calculated

  (see #2, Assessed Value in Identified Problems List from LOC for details)

City Revenues Are Unlike the State's

- ECO Northwest has pointed out that city revenues will not rise in tandem with increases in State revenues when employment levels and the economy recovers/grows.
- Why?
  - Because property taxes are decoupled from changes in real market value due to Measure 50

Permanent Rate of Oregon's 242 Cities:

Revenue Capacity Differences

Forest Grove $3.96
Independence $4.59
Salem $5.83
Tualatin $2.27

Beaverton $4.15
Eugene $7.00
Hood River $2.81
Klamath Falls $5.44
Ontario $4.83
Portland $4.58
Wilsonville $2.52

Category	Count
0.00	13
$0.01 to $1	23
$1.01 to $3	72
$3.01 to $5	73
$5.01 to $7	44
$7.01 to $9	14
$9.01 to $12	3

Inequities example:
Same sales price: $2,896 difference in property taxes

HOUSE A

4700 Block NW Woodside Terrace, Portland

Sale price: $323,000
Date sold: June 2011
2011 property taxes: $4,693

HOUSE B

4600 Block NE 21st Avenue, Portland

Sale price: $320,000
Date sold: June 2011
2011 property taxes: $1,797

Difference in property taxes paid per year:
$2,896

League Proposal

- **HJR 12** Constitutional amendment resetting assessed value and maximum assessed value to real market value at sale
  - "Oregon has gone the farthest of any [state] in breaking the link between property taxes and property values." This bill would start to restore the link.
  - Bill would not raise taxes on anyone's current home, but would restore equity by recalibrating taxes based on the market's valuation of a property at the time of sale. This timing would also better ensure an owner's ability to pay.