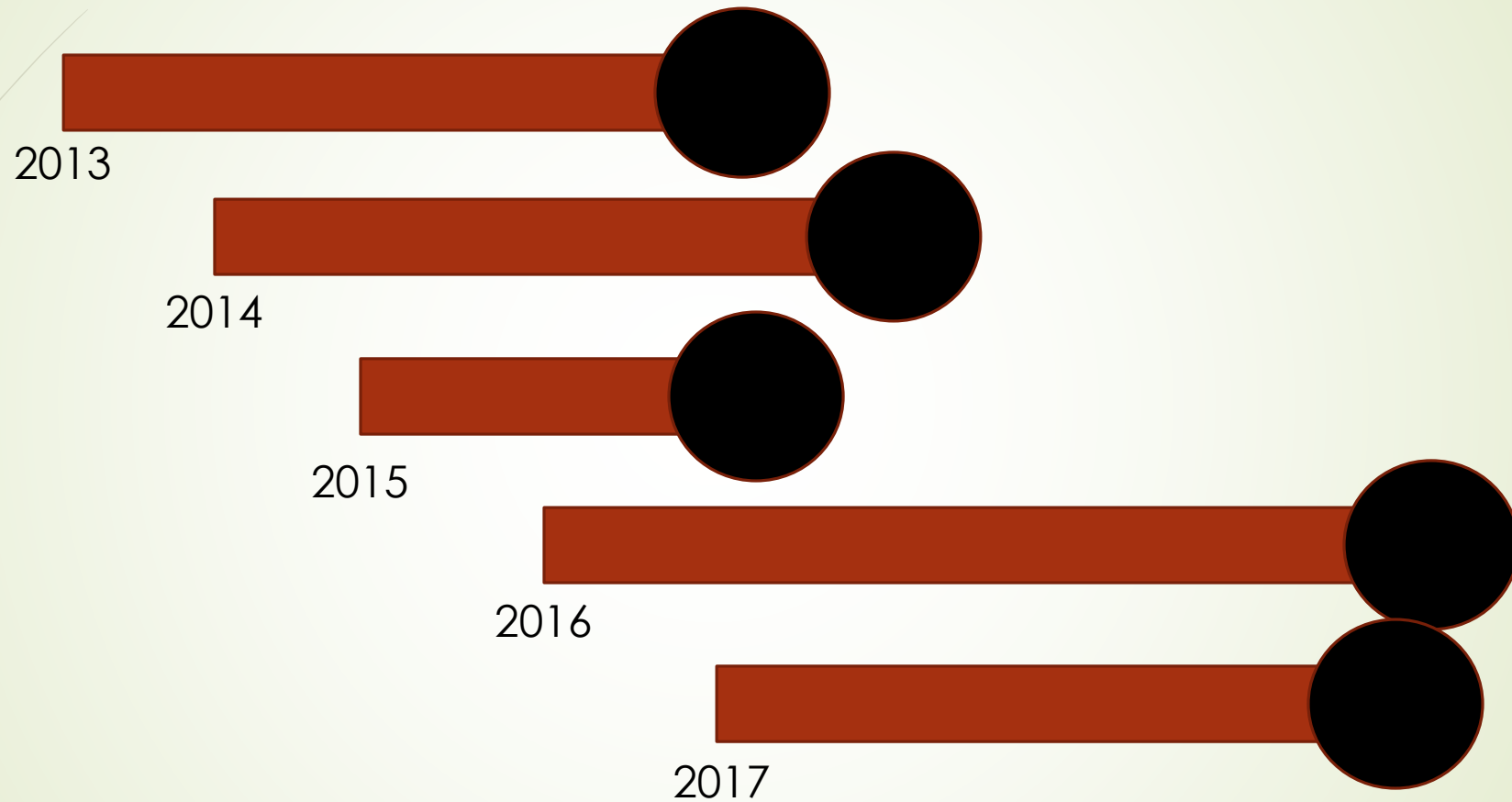




Senior and Disabled Homestead Property Tax Deferral

House Revenue Committee | 3/13/2019

Overlapping program participants



What's happening

- ▶ the taxpayers are not relieved of their tax obligation
- ▶ There is a lien against the property
- ▶ It is akin to a reverse mortgage by the DOR

Recent numbers

- Total Repayments
 - 2017-18 tax year = \$20.7 million
- Tax payments (by DOR)
 - 2017-18 tax year = \$13 million
- Total Balance owed
 - \$140 million
- Ending fund balance
 - 2017-18 tax year = \$42 million
- Annual number of applicants
 - \$382
- Upper household income threshold
 - \$44,000

Estimates

- ▶ Impact of HB 2452
 - ▶ Likely approximately 35 more applicant or 10% resulting in an increase of approximately \$100,000

- ▶ Impact of HB 2460-2
 - ▶ No revenue impact
 - ▶ Program will be administered consistent with current DOR practice

How the Program Works

- ▶ Apply to county assessor to participate in program
- ▶ State pays participant's homestead property taxes each November
- ▶ Lien placed on property, DOR becomes security interest holder
 - ▶ Lien amount estimate of expected lifetime deferral amount
- ▶ Deferred balances accrue 6% annual simple interest

- ▶ Repayment of deferred amount (tax, interest & fees)
 - ▶ Deferral participant dies (option for survivor, if any to continue deferral)
 - ▶ Property is sold or transferred to person other than deferral participant
 - ▶ Property is no longer the homestead of participant (exception for medical reasons)
 - ▶ Property is moved out of state (e.g. manufactured structure)

Who Qualifies

- ▶ 62 years or older
- ▶ Disabled and receiving or eligible to receive federal Social Security Disability benefits
- ▶ Must have owned and lived in the property for at least 5 years
 - ▶ Exception for downsizing
 - ▶ Previous home was in deferral program
 - ▶ New home has lower real market value
 - ▶ Must sell previous home within 1 year
 - ▶ Must not finance more than 80% of purchase price
 - ▶ Must payoff previous deferral balance
- ▶ Must have homeowners insurance

Who Qualifies - Continued

- ▶ Income/wealth requirements
 - ▶ Annual household income limit < \$45,500 (indexed)
 - ▶ Net worth is < \$500,000 (excluding home)

- ▶ Do not have a reverse mortgage (exception for those in program prior to 2011)

- ▶ Application
 - ▶ Must apply initially
 - ▶ Must certify every two years that qualifications are still met

Value Qualification Requirement

- ▶ Home value must be below real market value (RMV) limitation established for county
- ▶ Limitation is function of median value of homes in county & number of years in home
 - ▶ Example: 100% of county median RMV if homesteaded for 5-7 years

5 yrs <7 yrs	100%
7 - <9 yrs	110%
9 - <11 yrs	120%
11 - <13 yrs	130%
13 - <15 yrs	140%
15 - <17 yrs	150%
17 - <19 yrs	160%
19 - <21 yrs	170%
21 - <23 yrs	200%
23 - <25 yrs	225%
25 yrs +	250%

County threshold consideration

2018 County Median Real Market Values					
County	Median RMV	County	Median RMV	County	Median RMV
Baker	100,560	Harney	80,750	Morrow	108,370
Benton	309,000	Hood River	368,580	Multnomah	402,580
Clackamas	391,407	Jackson	270,765	Polk	262,500
Clatsop	265,379	Jefferson	214,770	Sherman	96,190
Columbia	253,280	Josephine	239,260	Tillamook	282,570
Coos	184,090	Klamath	131,340	Umatilla	147,140
Crook	216,770	Lake	68,211	Union	156,560
Curry	258,450	Lane	265,257	Wallowa	154,860
Deschutes	350,690	Lincoln	259,077	Wasco	206,350
Douglas	150,115	Linn	217,000	Washington	389,340
Gilliam	80,425	Malheur	99,970	Wheeler	62,939
Grant	92,910	Marion	252,710	Yamhill	275,914

Blue shading identifies counties with median RMV below 250,000

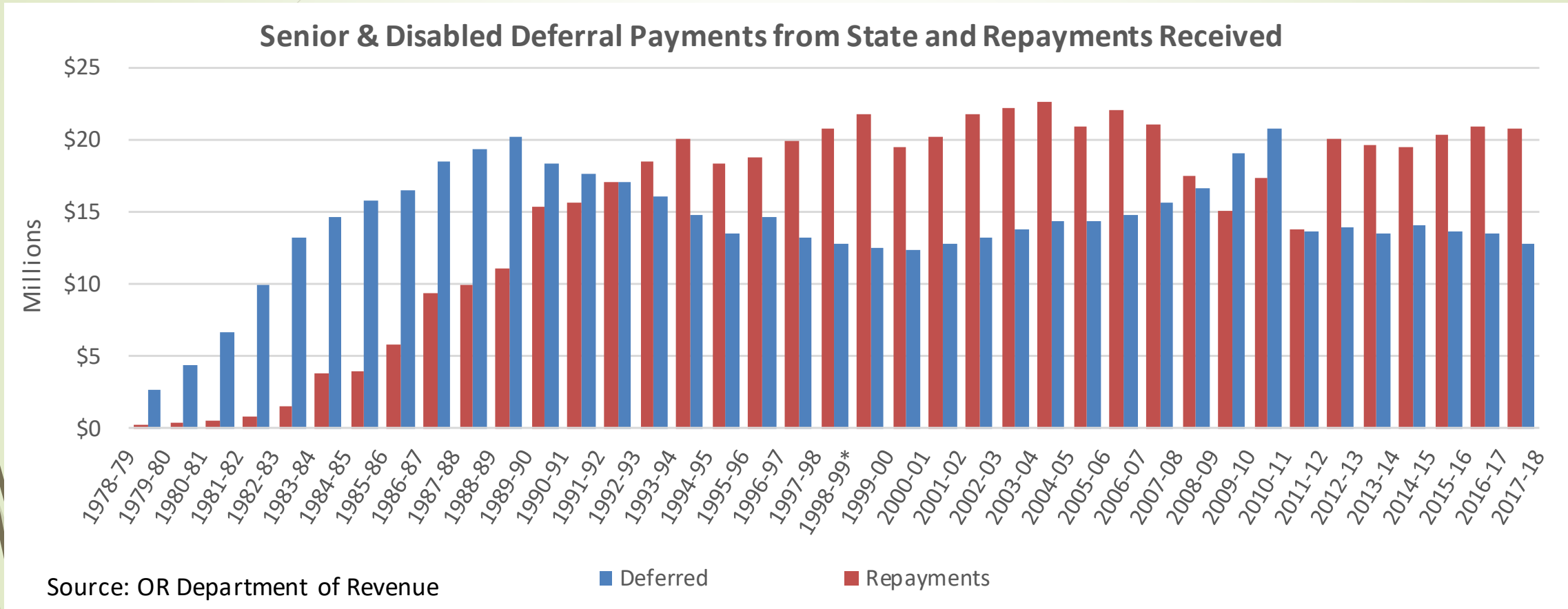
Source: DOR

Deferral Financials

Year	Tax Payments	Repayments	Admin Costs	Treasury Loan	Ending Cash Fund Balance
2009	16,661,953	15,042,050	672,429		11,402,226
2010	19,088,714	17,312,271	553,630		9,072,152
2011	20,742,589	14,276,754	563,084		2,028,808
2012	13,644,189	20,848,187	876,250	19,000,000	27,356,555
2013	13,867,453	19,604,088	921,842	-19,173,115	12,998,234
2014	13,534,349	19,460,756	1,256,753		17,667,888
2015	14,102,085	20,372,959	1,196,539		22,734,398
2016	13,650,891	21,268,053	1,152,054		29,242,772
2017	13,484,568	20,753,576	1,038,027		35,480,095
2018	12,965,772	20,714,192	991,372		42,240,130

Source: Department of Revenue, Deferral Program Forecast

Deferral Financials



Recent Changes

- ▶ 2009 – HB 3199
 - ▶ Eliminate continued appropriation, allow Treasury loan
- ▶ 2011 – HB 2543
 - ▶ Net worth limitation | Occupancy years requirement | RMV limits | Recertification | Eliminate reverse mortgages | Eliminated transfer to Oregon Project Independence | Compound 6% interest
- ▶ 2012 – HB 4039
 - ▶ Some allowance for removed participants for reverse mortgage
- ▶ 2013 – HBs 2510, HB 2489
 - ▶ Allow previous participants with reverse mortgage under certain circumstances to reapply
- ▶ 2014 – HB 4148
 - ▶ Reverted to simple 6% interest with retroactively
- ▶ 2015 – HB 2083
 - ▶ Downsizing | Insurance requirement, allow DOR to purchase insurance | Increase RMV limits 21 years or more in home | Require DOR recertification outreach