

# Property Tax Assessment

## Central Assessment and State-Appraised Industrial Property

---

### Background

This overview responds to questions raised in the January 27, 2021 House Revenue Committee overview of Oregon's property tax system. Members asked about the methodology of assessment for certain property including airplanes, co-generation facilities, underground natural gas pipelines, and food processing plants. They asked how the department ensures counties are collecting the appropriate amount of revenue, including for example if a facility has been discounted on a balance sheet despite its significant value.

### Central Assessment

According to ORS 308.515, energy (heating, gas, electricity), transportation (airlines, railroads, waterborne), and communication companies are centrally assessed by the Department of Revenue. Intangible personal property, such as patents, goodwill, or trade names, for example, is included in the valuation of centrally-assessed properties but not included for locally-assessed property. Also, central assessment applies the concept of unitary valuation.

Unitary valuation means valuing an integrated group of assets functioning as an economic unit as "one thing," without references to the independent value of the component parts. The unit of property for central assessment purposes is all the company's property in Oregon, all the company's property in the US, or even all the company's property worldwide. The department uses allocation factors to determine the appropriate value to Oregon.

### Local Assessment

Locally-assessed properties are site-specific and no property owned or operated out of the state is included in the valuation.

Industrial manufacturing facilities with a real property value of at least \$1 million are subject to state industrial valuation. These properties typically are very specialized, with a high percentage of their value derived from real property machinery and equipment. Industrial manufacturing facilities are among the most complex properties to appraise and can include sawmills and paper mills, food processors, metal forging, high tech, and pharmaceuticals, and in some cases data centers and landfill operations.

### Valuation Approaches

Most utility properties and some industrial properties span county lines. Many utility properties span state and even international borders. This makes Department of Revenue appraisal a necessity to ensure consistency and uniformity in valuation methodologies.

When valuing centrally-assessed or industrial property the department uses all the following methods to capture the value as accurately as possible:

- **Cost Approach** – The principle of substitution holds that people will not pay more for a property than the cost of a satisfactory substitute with equal utility.
- **Income Approach** – The income approach is any method that converts future anticipated income into present value.

- **Market Approach** – The department uses two market approaches: sales comparison and stock and debt. If the appraiser can determine the market value of a company’s debt plus the market value of the company’s equity, then the appraiser will have the value of a company’s assets.

By using all three approaches to valuation for centrally-assessed and industrial valuation, appraisers can better mitigate any distortions that might result from relying on only one approach. Professional appraisers judge how to weight each of the approaches for any given valuation based on several factors including data availability, uniformity across industries and locations, and appraisal industry standards. The valuation work we do in the Property Tax Division generates \$535 million annually, or nearly 8% of all property taxes statewide.

## Agency Contact

Seiji T. Shiratori, Property Tax Division Policy Director, [seiji.shiratori@oregon.gov](mailto:seiji.shiratori@oregon.gov) (503) 877 7932