

FISCAL IMPACT OF PROPOSED LEGISLATION

81st Oregon Legislative Assembly – 2021 Regular Session
Legislative Fiscal Office

Measure: HB 3275 - 1

*Only Impacts on Original or Engrossed
Versions are Considered Official*

Prepared by: Michael Graham
Reviewed by: Zane Potter, John Borden, Laurie Byerly
Date: April 5, 2021

Measure Description:

Exempts the land owned by an eligible covenant holder that is subject to an affordable housing covenant from ad valorem property taxation if improvements on the land constitute owner-occupied housing. The measure exempts 27 percent of the real market value of an owner-occupied condominium unit that is subject to an affordable housing covenant from ad valorem property taxation.

Government Unit(s) Affected:

Special Districts, Cities, Counties, Oregon Judicial Department (OJD), Department of Revenue (DOR)

Summary of Fiscal Impact:

Costs related to the measure are anticipated to be minimal - See analysis.

Analysis:

House Bill 3275, as amended by the -1 amendments, exempts the land owned by an eligible covenant holder that is subject to an affordable housing covenant from ad valorem property taxation if improvements on the land constitute owner-occupied housing; owner-occupied housing is being constructed or rehabilitated on the land; the land is being held for a reasonable period for the construction of owner-occupied housing; the owner-occupied housing on the land is occupied while offered for sale as owner-occupied housing; or the owner is required to be absent from the owner-occupied housing on the land by reason of health or active military service. The measure also exempts 27 percent of the real market value of an owner-occupied condominium unit that is subject to an affordable housing covenant from ad valorem property taxation. The owner-occupied condominium unit shall continue to receive the partial property tax exemption granted by the measure if the owner-occupied condominium unit is being rehabilitated and will constitute owner-occupied housing after the rehabilitation is complete; the owner-occupied condominium unit is unoccupied while offered for sale as owner-occupied housing; or the owner is required to be absent from the owner-occupied condominium unit by reason of health or active military service. These changes apply to property tax years beginning on or after July 1, 2022. The measure takes effect on the 91st after adjournment *sine die*.

Special Districts

The measure may reduce property tax revenues to special districts, depending on whether any given special district is located within counties or cities that have adopted the community land trust model in the measure. Otherwise, the measure would not have a fiscal impact on special districts.

Cities

The measure may reduce property tax revenues to cities, depending on whether any given city includes properties that qualify for the property tax exemptions. Otherwise, the measure would not have a fiscal impact on cities.

Counties

The measure will inevitably create additional tax exemptions in several counties, which will reduce property tax revenue to counties. The community land trust model will be used sporadically and only in specific counties. Exempting properties in general leads to more work for county assessors that need to verify that properties

qualify. At present, it is unclear which counties will utilize this model. At the public hearing on March 25, 2021, proponents of the measure testified that there are currently approximately 1,000 properties that may qualify for the property tax exemptions in the measure. Although the current number of qualifying properties appears to be relatively small, the number of qualifying properties may increase over time, and the prospect of property tax exemptions may provide an incentive to enter into affordable housing covenants, which would increase the workload of county assessors needing to determine whether properties qualify for the property tax exemptions. The fiscal impact to counties is anticipated to be minimal, but it will ultimately depend on how many counties adopt the community land trust model and how many properties may qualify for exemption.

Oregon Judicial Department

The Oregon Judicial Department anticipates that the measure would lead to some additional appeals being filed in the Magistrate Division of the Oregon Tax Court and a smaller number of appeals being filed in the Regular Division of the Tax Court. The number of additional case filings are difficult to determine, but most property tax exemption appeals are filed by property owners or lessees disputing a county assessor's denial of a claim for exemption. As previously noted, proponents of the measure testified that there are currently approximately 1,000 properties that may qualify for the property tax exemptions in the measure; however, the number of potentially qualify properties will likely increase over time as counties adopt the community land trust model. Consequently, OJD anticipates that the number of appeals would increase as the number of potentially qualifying properties increases. With that said, the measure is anticipated to have a minimal fiscal impact on OJD in 2021-23. Beyond the 2021-23, the impact is indeterminate.

Department of Revenue

The Department of Revenue's Property Tax Division will promulgate a new administrative rule to clarify some terms/concepts, specifically defining what is a "reasonable" timeframe for ownership. DOR anticipates that this new rulemaking will involve a meeting with stakeholders and will require legal services from the Department of Justice (DOJ). And given the need for legal interpretation and rulemaking, and the potential for disputed interpretation by taxpayers, DOR also anticipates that the department would intervene in at least one appeal filed in the Oregon Tax Court with assistance from DOJ. The measure presents a minimal fiscal impact to DOR, though the impact is absorbable within DOR's existing resources for 2021-23.