

## FISCAL IMPACT OF PROPOSED LEGISLATION

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

Measure: HB 3275 - B

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

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### Measure Description:

Exempts land owned by eligible covenant holder that is burdened by affordable housing covenant requiring permanent affordability from ad valorem property taxation if improvements on land constitute owner-occupied housing. Exempts 27 percent of the assessed value of an owner-occupied condominium unit that is subject to an affordable housing covenant from ad valorem property taxation.

### Government Unit(s) Affected:

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

### Summary of Fiscal Impact:

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

### Analysis:

House Bill 3275, B-engrossed, replaces the A-engrossed version. The measure exempts the land owned by an eligible covenant holder that is subject to an affordable housing covenant from ad valorem property taxation under certain conditions. It exempts 27 percent of the assessed 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 under certain conditions. The measure allows the exemptions to continue in the case of certain gaps in occupancy. It allows for bare land or buildings being rehabilitated to qualify for the exemptions, if held for a reasonable period of time, which is defined as seven years. It allows for a three-year extension on the hold period with the filing of an extension claim and payment of the filing fee. The measure requires a county assessor to enter a potential additional tax notation on the tax roll, and it requires the assessor to remove the exemption and impose the exempted taxes if the assessor determines that the covenant holder has failed meet the exemption criteria. The exemptions apply to tax years beginning on or after July 1, 2022.

### Counties

The measure would have a minimal fiscal impact on counties, though the impact would depend on how many counties adopt the community land trust model and how many properties may qualify for exemption. 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 for the exemption. At present, it is unclear which counties will utilize this model. There are currently approximately 1,000 properties that may qualify for the property tax exemptions in this 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.

### Oregon Judicial Department

The measure would have a minimal fiscal impact on the Oregon Judicial Department (OJD) in the 2021-23 biennium. OJD 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. Beyond the 2021-23 biennium, the impact is indeterminate.

### **Department of Revenue**

The measure would have a minimal fiscal impact on the Department of Revenue (DOR). The 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.

### **Cities**

The measure would not have a fiscal impact on 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.

### **Special Districts**

The measure would not have a fiscal impact on 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.