OREGON DEPARTMENT OF REVENUE

SB 726

Assessment and Taxation Funding

Background

ORS 294.187 provides that a portion of delinquent interest on property taxes as well as certain recording fees be deposited into the County Assessment Function Funding Assistance Account (CAFFA). ORS 311.508 defines the means of determining how much delinquent interest is directed toward CAFFA, with the remainder distributed to all taxing districts. The Department of Revenue administers CAFFA to provide counties grants proportionate to each county's assessment and taxation expenses as a share of total statewide assessment and taxation expenses. The Department of Revenue also retains 10 percent of CAFFA for related assessment work at the department.

While CAFFA distributions to the counties have ranged between $17 million and $24 million annually over the past two decades, county expenditures have nearly doubled in the same period, from $65 million in 2000-01 to $119 million in 2019-20. Counties are left to cover the remaining expenses from their own budgets, or risk leaving potential tax revenue on the table through unreported or undervalued property. Some – mostly larger – counties are able make ends meet, while others – often smaller and rural – are more dependent on CAFFA.

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The bill would create a 13-member task force to study means to stabilize county assessment and taxation funding. Previous informal attempts to study the topic have developed a list of potential solutions, each of which comes at the expense of one or more stakeholders, including taxing districts, businesses, or homebuilders and realtors.

Recommendation

To better balance all stakeholders' interests in the search for additional assessment and taxation funding, consider specifying in the bill that homebuilders, realtors, and the broader business community be specifically represented in the study group. Otherwise, there is a risk that the study group will return with options that favor tax districts at the expense of other stakeholders.

Agency Contact

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