

Background

Partial property tax exemptions in Oregon are written as reductions in value, whether real-market value (RMV), maximum-assessed value (MAV), or taxable-assessed value (TAV). Most are written as exemptions to RMV. Four, including three that predated Measure 50 which separated assessed value from RMV, are written as reductions to TAV. To date, Oregon has no property tax credit program. Article XI, Section 15 of the Oregon Constitution requires that the state adequately fund any local program if the state requires the local government to incur costs.

HB 3275

The bill would require that land held by an eligible covenant holder burdened by an affordable housing covenant be exempt from property taxes. It would also require that improvements on the land be “27 percent exempt from ad valorem property taxation.” As written, the bill would credit a 27 percent property tax credit from the final tax bill. This would be the first and only property tax credit in Oregon and would require the Department of Revenue to undertake extensive rulemaking.

With local governments required to participate in the exemption program, Article XI, Section 15 of the Oregon Constitution would require the legislature to appropriate funding for this tax exemption program.

Recommendation

Amend the bill to allow local governments to opt out, and to clarify whether the intent is to create a property tax credit or to create an exemption from RMV.

Agency Contact

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