



Department of Revenue Budget

The League of Oregon Cities (LOC) appreciates the work of the Department of Revenue (DOR) but is especially thankful for our strong partnership with the Property Tax Division and the special programs area within the Business Division. The Governor's Recommended Budget reflects the importance of this agency to the success of Oregon and the LOC is generally supportive.

Cities are heavily reliant on property taxes, and the employees in the Property Tax Division do excellent work in their role as the supervisors of that system. While Measures 5 and 50 will never lend themselves to fairness or rationality, the DOR's work with the 36 county assessors at least brings consistency and clarity to those measures.

The proposed \$4.2 million for the IT modernization project within the Property Tax Division is of particular importance to cities. The DOR appraisal of large industrial and centrally assessed properties is critical to getting accurate values on the tax roll for these complex properties that represented over 5% total taxes imposed in the 2019-20 tax year.

Cities also support full funding of the special programs area in the Business Division. The DOR administers local marijuana taxes for 89 local governments, mostly cities, and is currently standing up a similar program for local lodging taxes per the direction of the legislature. Employees in this unit have proven to be responsive to local concerns and we are confident this new program will be successful.

There is one item of concern for cities in the Governor's Recommended Budget. The budget proposes eliminating all funding for the Nonprofit Homes for the Elderly (NPH) Program. Under the NPH program counties grant a property tax exemption to qualifying nonprofit corporations that provide housing to low-income individuals age 62 or older. Through this program, payments are made from the state's general fund to local governments in lieu of property taxes and the nonprofit entity passes the property tax exemption on to eligible tenants in the form of reduced rent. The Governor's budget proposes cutting the backfill to local governments, estimated to be \$3.4 million for the biennium. This cut was last proposed in 2019, and the legislature instead chose to honor the state's commitment to this program. While this is a small expenditure in terms of the general fund, eliminating this funding could force service cuts in the thirteen counties where the homes are located. We hope the legislature will again fund this longstanding commitment.

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