Oregon's Property Tax System: A Few Concepts

House Committee on Revenue

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State of Oregon

LEGISLATIVE REVENUE OFFICE

Presentation Outline

- Terminology

- A Few Technical Concepts: Code Area, CPR, MAV

- 2023 Bills and Potential Changes

What do we mean by "property"?

Taxpayer			Type of Property		
			Tangible		Intangible
			Real	Personal	
Taxpayer	Household		Taxed	Exempt[1]	Exempt
	Business	Non-Farm	Taxed	Taxed[2]	Taxed[3]
		Farm	Taxed[4]	Exempt	Exempt

[1] Floating homes and some manufactured structures are considered taxable personal property
[2] If value is above $18,500 for FY 2020-21 (indexed to inflation)
[3] If Centrally Assessed
[4] Specially Assessed

- Real Market Value (RMV)
  - Amount…paid by an informed buyer to an informed seller in a voluntary transaction

- Measure 5 Value (M5V; $824B)
  - Value used to calculate compression (often equal to RMV)

- Maximum Assessed Value
  - For 1997-98, set at 90% of 1995-96 property value
  - New property = RMV x CPR
    - Changed Property Ratio (CPR) is MAV/RMV (% of value that is taxable)
  - Grows 3% per year

- Assessed Value: the smaller of MAV and RMV ($463B)

Levy System vs Rate System

Value * Tax Rate = Budget

Levy System

- Budget process determines the "size of the pie"

- $\dfrac{District\ Budget}{District\ Value} = Tax\ Rate$

- Bonds function this way

- Exemptions don't affect total tax

Rate System
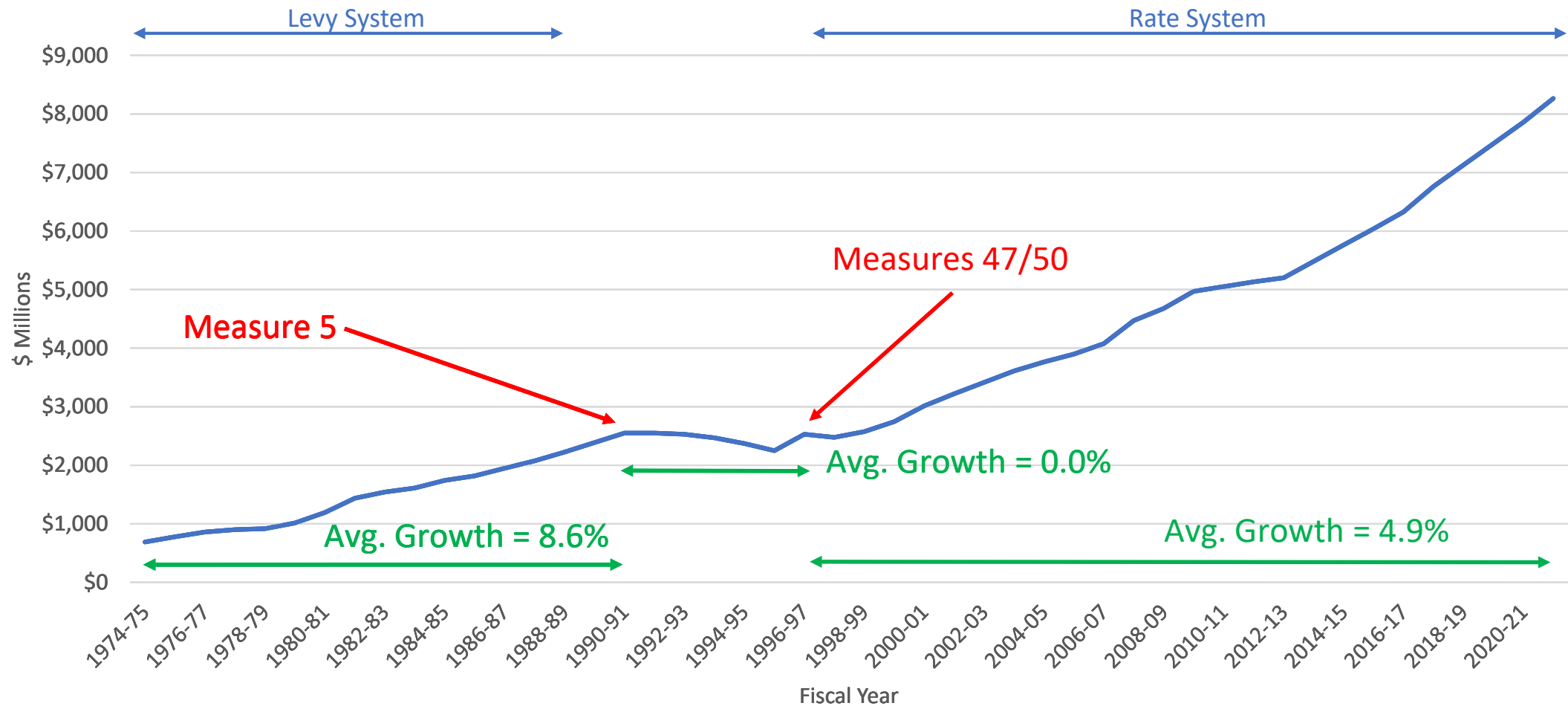
- Value change determines the "size of the pie"

- $District\ Value\ * Tax\ Rate = District\ Budget$

- Permanent Rates are fixed

- Exemptions reduce total tax

Property Tax Liability
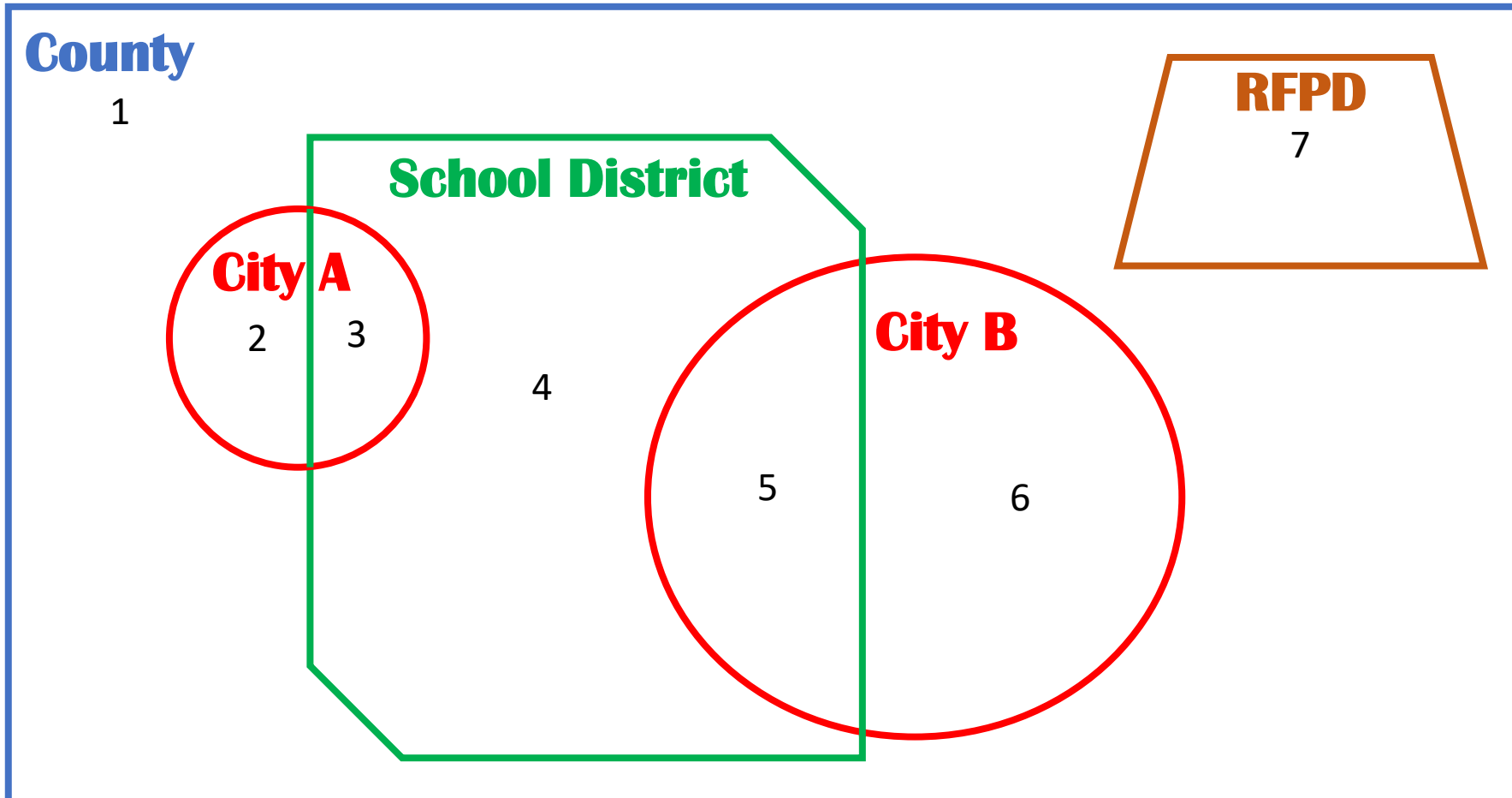
One Tax Bill, Several taxes (Code Areas)

County

1

School District

City A

2   3

4

City B

5   6

RFPD

7

District Tax Rates

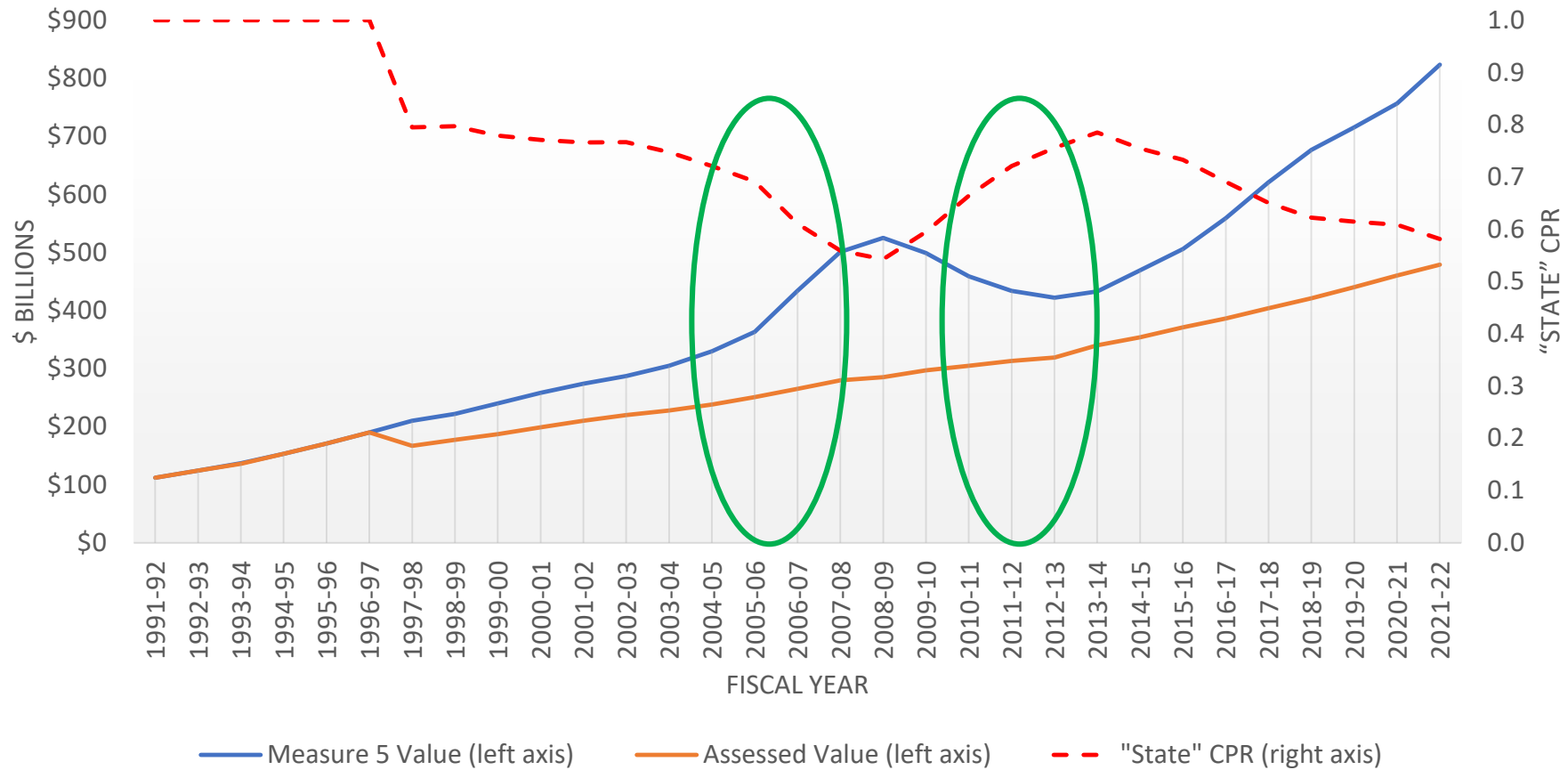County: $1.50
City A: $1.00
City B: $2.00
School: $3.00
RFPD: $1.25

Code Area Tax rates

1: $1.50
2: $2.50
3: $5.50
4: $4.50
5: $6.50
6: $3.50
7: $2.75

M50: Changed Property Ratio (CPR)

$$CPR = \frac{MAV}{RMV}$$
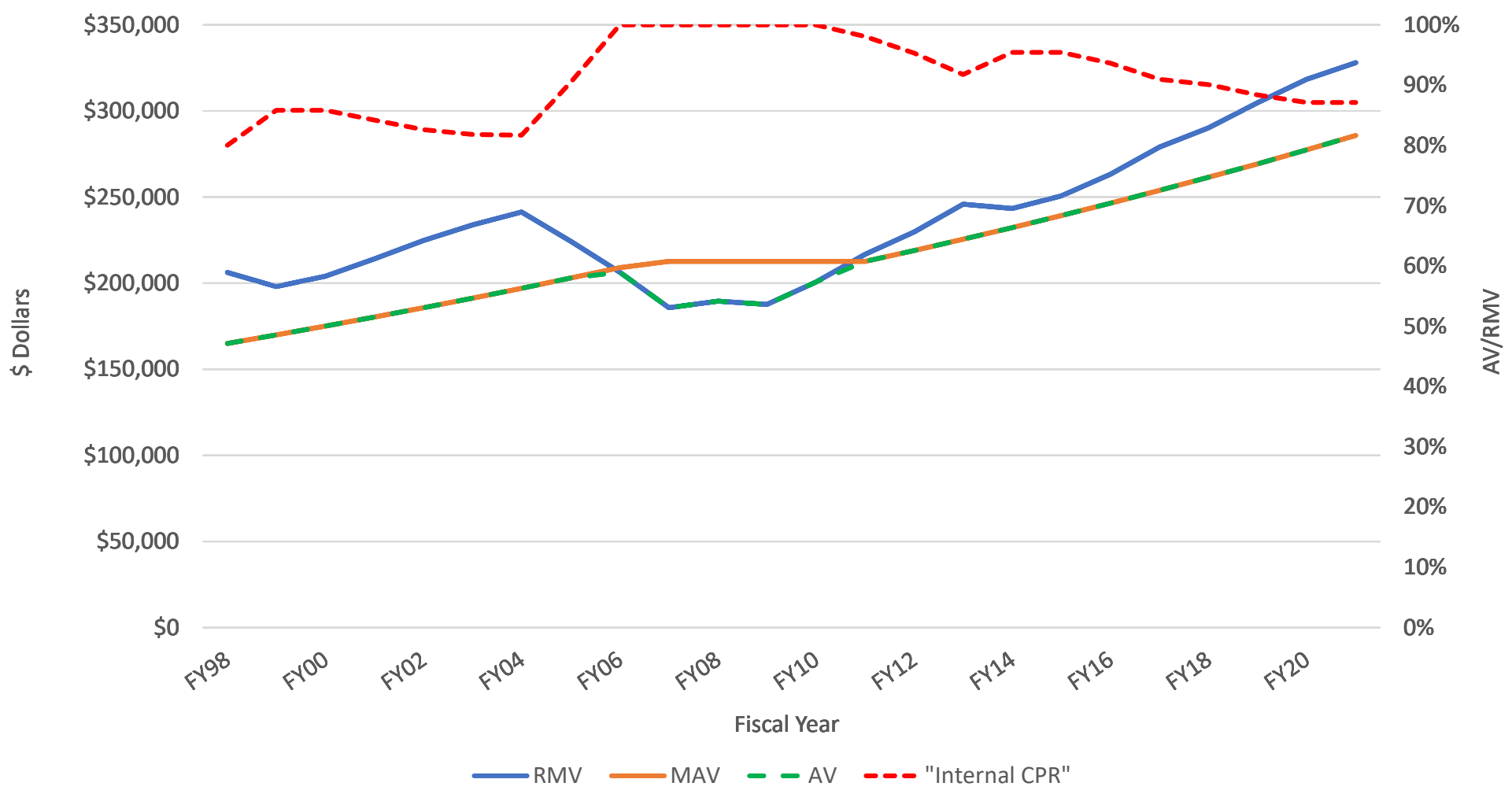
Measure 5 Value (left axis) — Assessed Value (left axis) — "State" CPR (right axis)

FISCAL YEAR

$ BILLIONS / "STATE" CPR

MAV Example

- $MAV_y = Max(1.03*AV_{y-1}, MAV_{y-1})$
- $AV_y = Min(RMV_y, MAV_y)$

Oregon Constitution, Article 11, Section 11(1)(c)

- (A) The property is new property or new improvements to property;

- (B) The property is partitioned or subdivided;

- (C) The property is rezoned and used consistently with the rezoning;

- (D) The property is first taken into account as omitted property;

- (E) The property becomes disqualified from exemption, partial exemption or special assessment; or

- (F) A lot line adjustment is made with respect to the property, except that the total assessed value of all property affected by a lot line adjustment shall not exceed the total maximum assessed value of the affected property under paragraph (a) or (b) of this subsection.

2023 Bills and Potential Action

- Administration
  - Tax roll corrections (HB 2086)
  - Recalculating maximum assessed values (SB 154, HB 2084)
  - Assessment and Taxation funding (HB 2088)
- Exemptions
  - 12 (or so) policies sunsetting in the 23-25 biennium (various bills)
  - Establish a review process

Potential Changes

- Eliminate the MAV freeze when AV=RMV

- Redefine 'property class' or 'area' for CPR calculation

- Changing the 3% discount

- Additional taxes upon disqualification from exemption or special assessment

- Move compression from individual property to code area

- Minor Construction value caps of $10k / $25k

For More Information

- Legislative Revenue Office
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- https://www.oregonlegislature.gov/lro