

HB 3194 -1 STAFF MEASURE SUMMARY

House Committee On Revenue

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Meeting Dates: 2/16

WHAT THE MEASURE DOES:

Changes the method for determining whether real property improvements constitute 'minor construction' for purposes of calculating property taxes. Deletes the current thresholds of \$10,000 per assessment year or \$25,000 over five years. Establishes new thresholds of ten percent of the real market value of the property per assessment year or twenty percent over three assessment years. Applies to assessment years beginning on or after January 1, 2024. Takes effect on the 91st day following adjournment sine die.

ISSUES DISCUSSED:

EFFECT OF AMENDMENT:

-1 Maintains current value thresholds to define minor construction for commercial property. For noncommercial residential property, uses value thresholds from introduced HB 3194 to define minor construction. Preliminary analysis of the DOR tax roll data indicates this results in more properties that meet the definition of minor construction but will not include the additional commercial properties that meet the definition with introduced HB 3194.

BACKGROUND:

A tax roll is an official record of property subject to property tax within a given jurisdiction. Tax rolls provide detailed information about the property including property class, real market value, assessed value, and tax due.

Preliminary analysis of the DOR tax roll data showed that the average real market value of improved real residential property in Oregon was \$300,000-\$500,000. Ten percent of this is \$30,000-\$50,000, which is several times higher than the current \$10,000 threshold for an assessment year. This provides a preliminary indication that with HB 3194 more properties meet the definition of minor construction.

Minor construction is an improvement to real property that does not result in any change to the property's maximum assessed value. It does not include general maintenance and repairs. Preliminary analysis suggests that with a higher share of properties that meet the definition of minor construction, this will not raise tax revenue and does not require a three-fifths majority in both chambers to become law.