

HB 2069 / SB 147

Property Tax Exemption:
Single-Unit Housing

Joint Committee on Tax Expenditures

LRO | 3/10/2023



Housing Supply

- EO 23-02 declares a State of Emergency due to homelessness in parts of the state that saw a large jump in homelessness over the last five years.
- EO 23-04 sets statewide housing production goal of building 36,000 new homes per year.
- EO 23-03 supports the other two orders by directing state agencies to prioritize addressing and reducing homelessness.





Many state tax expenditures address housing supply, mostly property tax

Many tax expenditures address housing supply. For example:

Income Tax

- Farmworker Housing Lender's Credit (TER 1.412)
- Agriculture Workforce Housing Construction (TER 1.413)
- Oregon Affordable Housing Lender's Credit (TER 1.426)

Property Tax

Full Exemption

- Land Owned by Nonprofit for Purpose of Building Low-Income Housing (TER 2.008)
- Housing Authority Rental Properties (TER 2.020)
- Local Government Owned Low-income Housing (TER 2.021)
- Transfer of Cemetery Land for Low Income Housing (TER 2.022)
- Low-income Housing Owned by Religious Organization (TER 2.032)

Partial Exemption

- Vertical Housing Development Zone (2.102)
- **Certain Single-Unit Housing (TER 2.103)**
- Rehabilitated Housing (TER 2.104)

(continued)

- Multi-Unit Rental Housing in Designated Areas (TER 2.105)
- Low Income Multi-Unit Rental Housing (TER 2.106)
- Property for Low Income Rental (TER 2.107)
- Nonprofit Low Income Rental Housing (2.108)
- New or Rehabilitated Multi-Unit Rental Housing (2.109)
- Home Share Program Low-Income Housing (2.110)
- Veterans in Nonprofit Elderly Housing (TER 2.112)
- Workforce Housing (TER 2.113)
- Affordable Housing Covenant (TER 2.114)

Special Assessment

- Use-Restricted Multi-Unit Rental Housing (TER 2.125)
- Nonprofit Housing for the Elderly (TER 2.126)

Corporate Activity Tax

- Manufactured Dwelling Cooperatives (TER 9.002)
- Subcontractor Labor Payments for Residential Construction (TER 9.003)





Related Direct Spending Programs

- **Agency Program:**
 - Shared Equity Pilot Program through Square One
 - Low-Income and Fast Track Housing Program (LIFT).
- **2021-23 LAB Budget (Amounts by Fund Types):**
 - \$2,000,000 General Fund for Square One
 - \$72,000,000 Other Funds for issuance of LIFT under Article XI-Q bonds as partial financing for projects designed to foster lower-income homeownership
- **Agency Program Description/Comments:** These programs provide partial financing for projects designed to foster lower-income homeownership. These projects require the state to maintain an interest in the land on which the housing is built.





Current Property Tax Exemption

- Purpose of tax exemption: (ORS 307.654)
 - “...in the public interest to encourage homeownership among low and moderate income families.”
 - “cities...should be able to establish and design programs to stimulate the purchase, rehabilitation and construction of single-unit housing...by means of a limited property tax exemption.”
- Long-standing program, enacted in 1989.
- Legislation in 2017 (HB 2964):
 - Allowed cities to extend exemption to newly purchased/rehabilitated housing.
 - Established explicit sunset of January 1, 2025 for the approval of new applications. Effective date October 6, 2017.
 - Established grandfather clause: “a qualified dwelling unit of single-unit housing...shall continue to receive the exemption for the period of time for which the exemption was granted.”





Current Property Tax Exemption (cont.)

- Permissive property tax exemption
 - Allows city to adopt exemption program within statutory limitations
 - Property tax exemption initially only applies to city taxing district, but can apply to all taxing districts if sufficient amount of districts opt-in (based on combined rate of taxation)
 - Qualified housing property is exempt, land remains taxable
 - Exemption is up to 10 years





Current Property Tax Exemption (cont.)

- **Property that can qualify**
 - Newly constructed or rehabilitated single unit housing
 - Single family home, condominiums, manufactured structure (outside manuf. parks)
- **Property requirements**
 - Have one or more units used as a dwelling for one person or family
 - Value \leq 120% of median sales price of single-family homes located in city as determined annually
- **Cities can adopt additional requirements**
 - Examples: Income limitation, annual new qualification limits
- **Revenue impact: \$4.2 million loss in property tax revenue per biennium**
- **Who benefits: Homeowners receiving the exemption, mostly in the Portland area.**





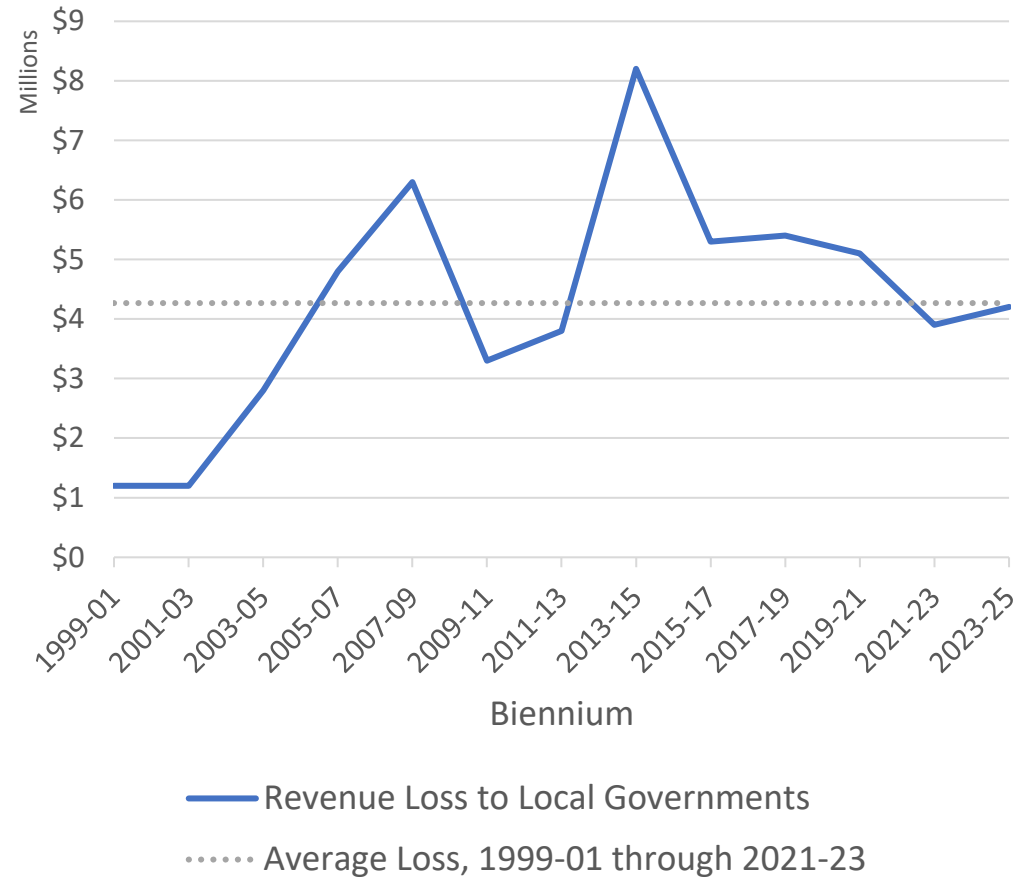
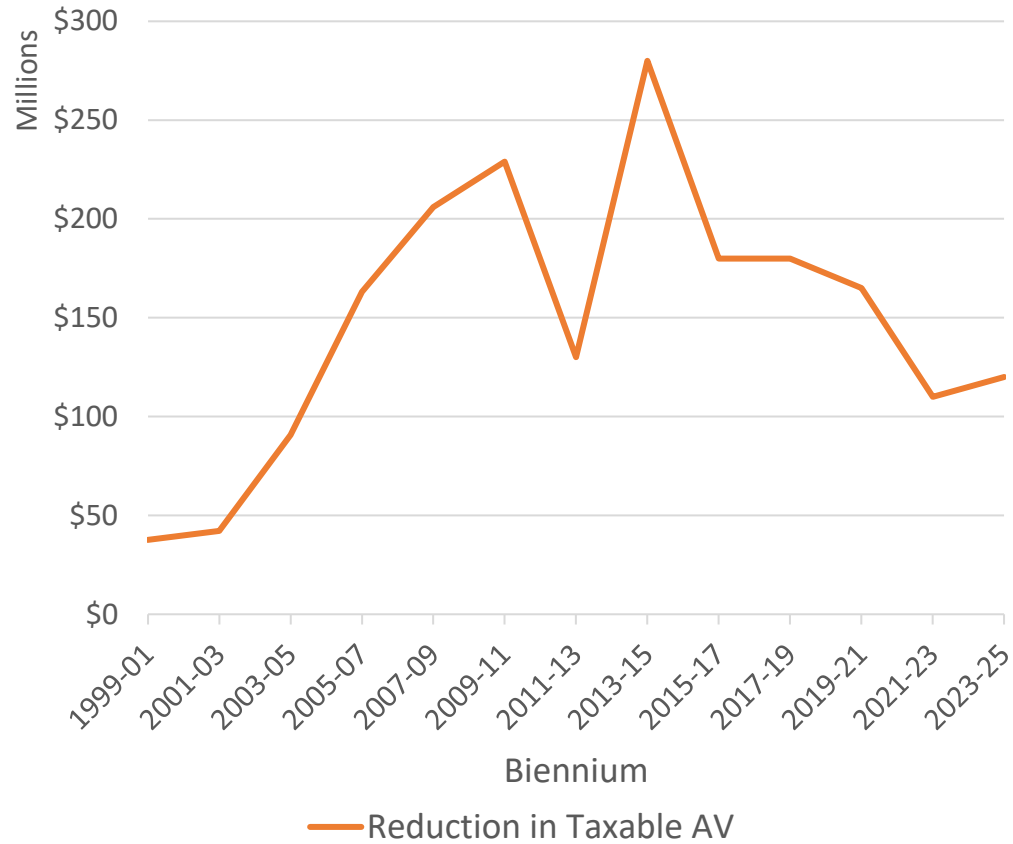
What SB 147 Does

- Moves sunset of Single-Unit Housing property tax exemption from January 1, 2025 to January 1, 2032.





Current use of exemption





Policy Considerations

- “A major advantage of tax exemptions over a direct expenditure is...there is no lost opportunity of funds committed to a project that is not constructed; nor is there any lost revenue.” TER 2023-25 (2.103)
- To continue an exemption that has an explicit sunset, the sunset needs to be moved repeatedly, even for exemptions with long-standing usage.
- A sunset in an even-numbered year will not have a gap in program provision, like there is with a sunset in an odd-numbered year.



Legislative Revenue Office

<https://www.oregonlegislature.gov/lro>

503-986-1266

State of Oregon

LEGISLATIVE REVENUE OFFICE

