

HB 3194 -1, -3 STAFF MEASURE SUMMARY

House Committee On Revenue

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Meeting Dates: 2/16, 3/14

WHAT THE MEASURE DOES:

Changes the thresholds 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:

How to adjust thresholds that define minor construction to account for current costs of construction, given that the thresholds were set in 1997 by Measure 50.

Whether current value thresholds can be a disincentive to upgrades, including mechanical systems of higher value.

Whether value thresholds set as a percent of the real market value of the property are regressive.

How property tax is a valuable component of local budgets.

EFFECT OF AMENDMENT:

-1 Maintains current thresholds to define minor construction for commercial property. For noncommercial residential property, uses value thresholds from introduced HB 3194 to define minor construction.

-3 Deletes the current thresholds and establishes new thresholds of \$18,200 per assessment year or \$45,000 over five assessment years, based on inflation adjustment since the status quo became law in 1997. These thresholds are then adjusted for inflation annually in the future.

BACKGROUND:

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.