

Results & Analysis

Revenue Impact by Nonprofit Category

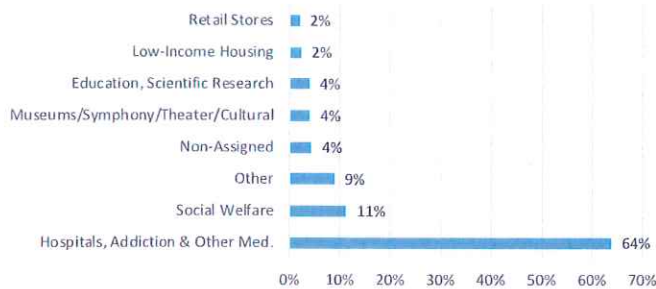
The table below displays revenue impact estimates resulting from the 307,130 property tax exemption aggregated by nonprofit category for fiscal year 2015-16. Also included are the number of unique property owners/lessees and number of property tax accounts.³¹ The *Other* category includes organizations with mission/objectives related to: Other, Community Centers/Gardens, Recreation/Sports, Environmental, Animals, Emergency Disaster Relief and Volunteer Fire Departments. The revenue impact estimates entail two components, loss and shift. Shift refers to the property tax imposed that is “shifted” to other properties due to the exemption. Shift is primarily due to district bond levies where districts determine a certain levy amount, and then calculate the tax rate to extend to each property based upon the assessed value within the district’s boundaries. Loss estimates are different than estimates of revenue increases that would result from eliminating the exemption. This is due primarily because property receiving exemption may be able to qualify for exemption under another statute or behavioral responses by organizations to changes in exemption law.

As displayed in the table and accompanying charts, the overall estimated loss for reporting counties was \$122.4 million with total shift estimated at \$17.5 million. The *Hospitals, Addiction & Other Medical* category accounts for \$78.0 million, or 64% of the total loss.

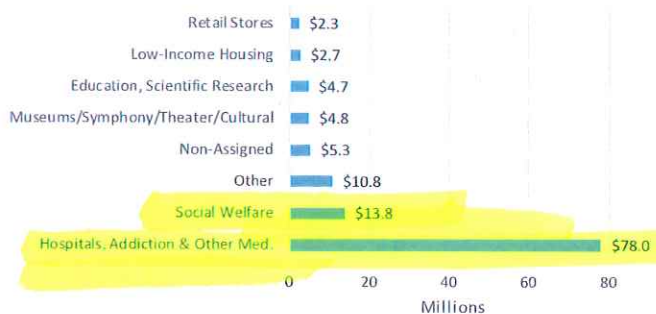
Exhibit 5-1a

Estimated Revenue Loss and Tax Shift by Nonprofit Category for General Government & Education Districts									
FY 2015-16 (\$'s in Thousands)									
Nonprofit Category	# Unique Prop Owners	# Property Accounts	General Government		Education		Total		
			Loss	Shift	Loss	Shift	Loss	Shift	
Hospitals, Addiction & Other Med.	241	1,069	\$49,505	\$2,730	\$28,519	\$8,288	\$78,024	\$11,018	
Social Welfare	459	1,342	\$8,650	\$489	\$5,133	\$1,398	\$13,782	\$1,887	
Other	283	903	\$6,538	\$505	\$4,255	\$1,324	\$10,792	\$1,829	
Non-Assigned	1,164	1,673	\$3,195	\$160	\$2,057	\$570	\$5,251	\$730	
Museums/Symphony/Theater/Cultural	143	274	\$3,064	\$181	\$1,775	\$517	\$4,839	\$698	
Education, Scientific Research	76	130	\$2,623	\$113	\$2,081	\$558	\$4,705	\$670	
Low-Income Housing	94	324	\$1,731	\$78	\$957	\$272	\$2,688	\$350	
Retail Stores	59	160	\$1,440	\$88	\$848	\$272	\$2,288	\$360	
Total	2,519	5,875	\$76,745	\$4,343	\$45,625	\$13,199	\$122,369	\$17,542	

Ex. 5-1b | Percent of Cumulative Estimated Revenue Loss by Nonprofit Category, FY 2015-16



Ex. 5-1c | Estimated Revenue Loss by Nonprofit Category, FY 2015-16



³¹ For multiple reasons, number of unique property owners displayed in table should be viewed as a high end figure. Process used to determine unique number for table reporting purposes was based upon nearly identical naming conventions for properties included in county provided data. If county assessor data followed different naming conventions, it is possible nonprofit organizations would be counted as two distinct organizations. Also, nonprofit organizations that would generally be assumed to be a single organization, may in fact be numerous distinct nonprofits with separately filed IRS 990s and unique IRS assigned Employee Identification Numbers.



Review of Oregon's Property Tax Exemption for Literary, Charitable and Scientific Institutions

RESEARCH REPORT # 3-17

February 13, 2017

Legislative Revenue Office
State Capitol Building
900 Court Street NE, Room 354
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<https://www.oregonlegislature.gov/lro>

A-Engrossed Senate Bill 181

Ordered by the Senate March 17
Including Senate Amendments dated March 17

Printed pursuant to Senate Interim Rule 213.28 by order of the President of the Senate in conformance with pre-session filing rules, indicating neither advocacy nor opposition on the part of the President (at the request of Senate Interim Committee on Finance and Revenue)

SUMMARY

The following summary is not prepared by the sponsors of the measure and is not a part of the body thereof subject to consideration by the Legislative Assembly. It is an editor's brief statement of the essential features of the measure.

Requires certain institutions seeking property tax exemption to file information return that states basis for exemption claim in terms derived from Oregon case law. Requires information return to be accompanied by institution's **most recently required and timely filed Form 990 or Form CT-12**, *as applicable, filed for current tax year*. Requires institution that files Form 990-N to file information return *[postcard instead of information return]* **containing information on institution's most recently required and timely filed Form 990-N**. Denies exemption for noncompliance. Provides for clawback of exempt taxes upon discovery that information in return *[or postcard]* or in exemption claim was misleading or false. *[Makes information returns and information return postcards exempt from disclosure. Makes it unlawful for county assessor to disclose information or particulars set forth in information return or information return postcard, with certain exceptions for regulatory purposes or publication of anonymous statistics. Punishes by maximum of five years' imprisonment, \$125,000 fine, or both.]* **Requires county assessors to keep information returns as public records.**

Takes effect on 91st day following adjournment sine die.

A BILL FOR AN ACT

1
2 Relating to exemption from taxation for property of certain charitable institutions; creating new
3 provisions; amending ORS 307.130; and prescribing an effective date.

4 **Be It Enacted by the People of the State of Oregon:**

5 **SECTION 1. (1) As used in this section:**

6 (a) **"Reporting institution"** means an incorporated literary, benevolent, charitable or
7 scientific institution.

8 (b) **"Reporting institution"** does not mean an art museum, history museum or science
9 museum, rehabilitation facility or volunteer fire department as those terms are defined in
10 ORS 307.130 or a retail store described in ORS 307.130.

11 (2)(a) **Except as provided in subsection (5) of this section, a reporting institution seeking**
12 **exemption for property under ORS 307.130 must file an information return that meets the**
13 **requirements of this section with the assessor of the county in which the property is located**
14 **on or before April 1 preceding each tax year for which exemption is claimed.**

15 (b) **When the property to which an information return relates is acquired after March 1**
16 **and before July 1, the information return for that year must be filed within 30 days from the**
17 **date of acquisition of the property.**

18 (c) **The provisions of ORS 307.162 (2) relating to late filing apply to the filing of an in-**
19 **formation return under this section.**

20 (3)(a) **The information return must state:**

NOTE: Matter in boldfaced type in an amended section is new; matter *[italic and bracketed]* is existing law to be omitted.
New sections are in boldfaced type.

SB 181 A STAFF MEASURE SUMMARY

Carrier: Sen. Boquist

Senate Committee On Finance and Revenue

Action Date: 03/13/17
Action: Do pass with amendments. (Printed A-Eng.)
Vote: 5-0-0-0
Yeas: 5 - Baertschiger Jr, Boquist, Hass, Riley, Taylor
Fiscal: Fiscal impact issued
Revenue: Revenue impact issued
Prepared By: Kyle Easton, Economist

WHAT THE MEASURE DOES:

Requires specified institutions seeking property tax exemption under ORS 307.130 to annually file an information return on or before April 1 preceding each tax year for which exemption is claimed. Specifies that late filing provisions contained in ORS 307.162 apply to the filing of an information return. Specifies contents of information return. Requires reporting institution to include with information return, most recently required and timely filed Form 990 and Form CT-12 of the reporting institution or link to a version of the form that is publicly available on the Internet. Requires institution that files a Form 990-N with the Internal Revenue Service, to file an information return that contains the information set forth on the Form 990-N filed by institution for current tax year instead of Form 990. Requires property to be disqualified from exemption under ORS 307.130 if information contained in information return or initial application for exemption was misleading or false. Imposes additional taxes on disqualified property in an amount equal to the property taxes that would have otherwise been imposed had the property not been exempt for up to the five immediately preceding property tax years, plus interest computed at the rate of one and one-third percent per month. Requires county assessor to provide notice of information return requirements to all reporting institutions whose property has been granted exemption under ORS 307.130 for the 2017-18 property tax year. Provides late filing of information return for initial 2018-19 property tax year. Specifies that information returns are kept as public records. Makes a number of insubstantial statutory modifications to ORS 307.130. Takes effect on 91st day following adjournment sine die.

ISSUES DISCUSSED:2/14/2017

- Introduced version is a discussion piece brought forth from legislative work group relating to nonprofit property exemption/taxation
- General idea of work group is for a one page document containing information reported from nonprofit organizations to assessors, to aid assessors in their determination of exemption qualification
- Much of accompanying documentation to be provided to assessor is currently publicly available
- Timing of the 990 and CT-12 forms to be submitted, need to adjust from current tax year to most recently available
- Exemption appeal rights of property owners
- Non-disclosure requirements and disclosure punishment being class C felony.

2/27/2017

- Potential changes to the introduced version
- Lack of clarity in the ORS 307.130 statute

3/13/2017

- Role of assessors in the process of developing language and suggesting changes
- Changes contained in -2 amendment.

EFFECT OF AMENDMENT:

For property acquired after March 1 and before July 1, requires information return to be filed within thirty days from the date of acquisition of property. Specifies that late filing provisions contained in ORS 307.162 apply to the filing of an information return. Requires reporting institution to include with information return, most recently required and timely filed Form 990 and Form CT-12 of the reporting institution or link to a version of the form that is publicly available on the Internet. Eliminates "postcard" distinction. Specifies that information returns are kept as public records.

BACKGROUND:

ORS 307.130 is a relatively broad exemption available to various types of nonprofit institutions including: hospitals and health organizations, social welfare organizations, museums and specified charitable retail stores. To qualify for exemption, organizations must initially apply to the assessor of the county in which the property resides. So long as ownership of all property included in the initial application remains unchanged, a new claim is not required.

Charitable organizations that solicit funds, hold assets, or otherwise do business in Oregon are required to register with the Charitable Activities Section of the Department of Justice (DOJ) and annually file financial reports with the Department. Annual reporting is met by filing DOJ form CT-12.

Form 990 is an annual information return required to be filed with the Internal Revenue Service (IRS) by most organizations exempt from the federal income tax under section 501(a) of the Internal Revenue Code. An organization's gross receipts and total assets determine which form an organization is required to file, the 990 being the most comprehensive. Organizations with gross receipts greater than or equal to \$200,000 or total assets greater than or equal to \$500,000 at the end of the tax year are required to file the full 990 return. Various schedules may be required as part of 990 filing depending upon the characteristics of the nonprofit organization. For example, hospitals are required to file Schedule H which includes information specific to hospital organizations. Certain organizations are not required to file annual 990 returns including certain: religious, governmental, political, foreign, or organizations with limited gross receipts. Completed form 990 returns are required to be made publicly available in their entirety.

Revenue Impact by County

The following charts display estimated loss amounts, number of exempt accounts and estimated loss as a percentage of property tax imposed by all districts within the county's boundaries in FY 2015-16. Unsurprisingly, in nominal terms most exempt accounts and associated estimated loss is located within the Portland Metro Area and Willamette Valley counties. The five most populated counties (Multnomah, Washington, Clackamas, Lane & Marion) combine for nearly 75% of the total estimated loss. As displayed in Exhibit 5-4, when comparing estimated loss as a percentage of tax imposed, results are more mixed. Greater estimated loss as a percent of overall imposed can

Exhibit 5-2

Estimated Loss & Number of Exempt Accounts by County FY 2015-16			
County	# of Accts.	Estimated Loss	Loss as % of Tax Imposed
Multnomah	749	31,730,000	2.1%
Lane	714	22,847,000	4.8%
Washington	752	14,305,000	1.5%
Marion	489	11,927,000	3.2%
Clackamas	389	9,966,000	1.4%
Jackson	469	7,493,000	2.7%
Douglas	289	3,077,000	3.1%
Josephine	188	2,783,000	4.3%
Benton	185	2,750,000	2.2%
Linn	267	2,677,000	1.8%
Deschutes	155	2,264,000	0.7%
Clatsop	315	1,587,000	2.2%
Yamhill	78	1,426,000	1.2%
Lincoln	162	1,366,000	1.4%
Malheur	59	1,042,000	4.3%
Wasco	39	989,000	2.8%
Union	64	928,000	3.7%
Polk	97	656,000	0.8%
Hood River	46	636,000	2.0%
Tillamook	121	528,000	1.0%
Baker	41	363,000	1.9%
Harney	24	272,000	3.8%
Jefferson	43	266,000	1.0%
Crook	33	245,000	1.0%
Morrow	24	175,000	0.5%
Columbia	83	70,000	0.1%
Total	5,875	122,369,000	2.1%

Ex. 5-3 | Estimated Loss and Number of Exempt Accounts by County, FY 2015-16



Ex. 5-4 | Estimated Loss as % of Property Tax Imposed by County, FY 2015-16

