

SB 387 -6 STAFF MEASURE SUMMARY

Senate Committee On Finance and Revenue

Prepared By: Beau Olen, Economist

Meeting Dates: 4/9, 4/28, 5/21

WHAT THE MEASURE DOES:

Increases one of the current property tax exemption amounts for the homestead or personal property of certain disabled veterans or certain surviving spouses of veterans from \$25,537 of assessed value (2024-25 tax year) to \$60,000. Increases the other current exemption amount from \$30,464 of assessed value (2024-25 tax year) to \$65,000. Creates two new exemption amounts for \$150,000 of assessed value and 90 percent of assessed value, respectively. Requires a qualifying resident to have taxable income in the prior year of \$120,000 or less if they filed a separate federal return, or \$240,000 or less if they filed a joint federal return. Requires the Oregon Department of Veterans' Affairs to index the taxable income limits to inflation each year. Applies to property tax years 2026-27 and after.

ISSUES DISCUSSED:

- Circuit breaker
- Means test
- State and local revenue impacts
- Inflation
- Veteran mental health

EFFECT OF AMENDMENT:

-6 Clarifies that one of the qualifications for the new 90 percent exemption amount is based on the U.S. Department of Veteran Affairs criteria for “individual unemployability” under 38 CFR 4.16. Clarifies that taxable income is defined as Oregon taxable income for the last full income tax year preceding the current property tax year. Clarifies that the means test for all four exemption amounts is based on Oregon taxable income. Clarifies that the payments from the department to counties only cover forgone property taxes for the partial exemption. Clarifies that the Department of Revenue may disclose claimants’ income tax returns to county assessors for purposes of the means test and the circuit breaker for the 90 percent exemption amount, and that these returns may not otherwise be disclosed except under certain circumstances. Appropriates an unspecified amount of State General Fund to the Department of Revenue for the 2025-27 biennium to pay county treasurers for forgone property tax revenue due to the two new exemption amounts.

BACKGROUND:

A veteran who has a disability rating of 40 percent or more certified by the U.S. Department of Veteran Affairs or any branch of U.S. Armed Forces may have \$15,000 of the assessed value of their homestead or personal property exempt from property tax (\$25,537 for 2024-25). A veteran who has a disability rating certified by a duly licensed physician or naturopathic physician must have income that is no more than 185 percent of federal poverty guidelines. A veteran who has a service-connected disability rating of 40 percent or more certified by the U.S. Department of Veteran Affairs or any branch of U.S. Armed Forces may have \$18,000 of the assessed value of their homestead or personal property exempt from property tax (\$30,464 for 2024-25). Both exemption amounts increase by three percent per year. The surviving spouse of a veteran who has not remarried may also qualify for the lower exemption amount, regardless of whether the veteran was disabled. For a surviving spouse of a veteran to qualify for the higher exemption amount, the veteran must have died from a service-connected injury or illness or qualified for the higher exemption amount for at least one year.