

M5 & M50: LOCAL PERSPECTIVE

Jenna Jones, LOC

How did we get here?

Measure 5

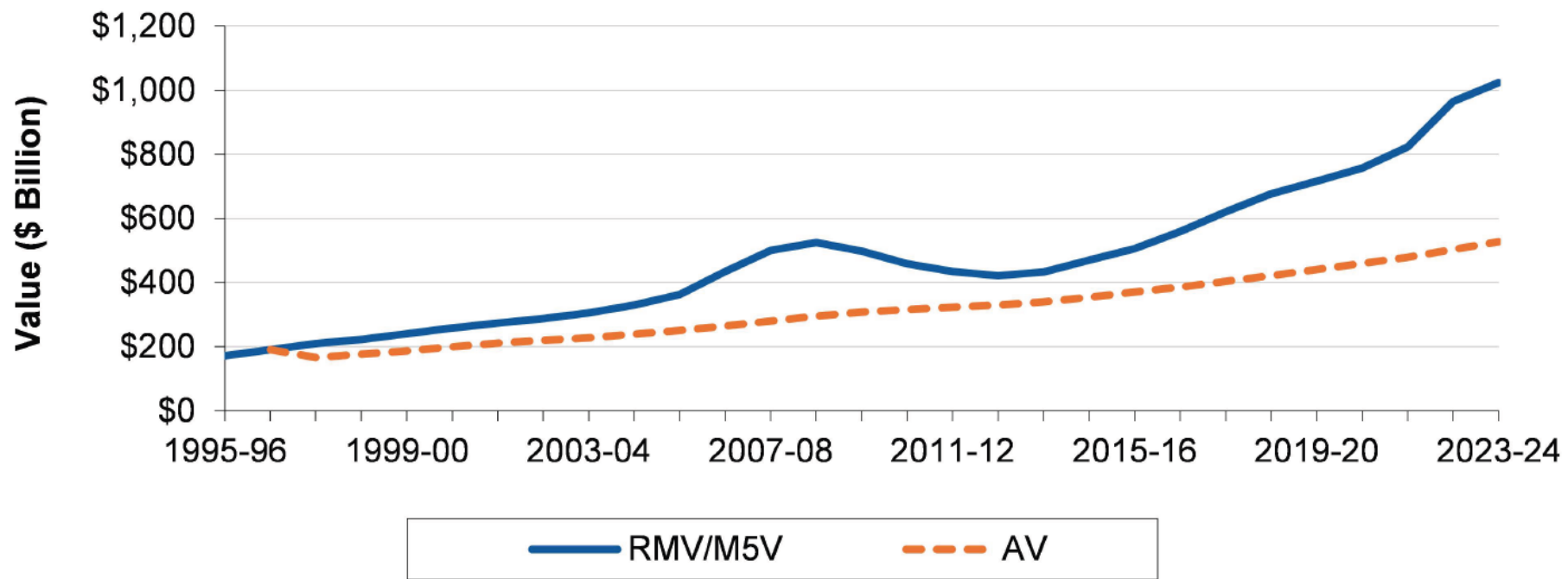
- Passed in 1990
- Limits \$5 per \$1,000 real market value (RMV) for schools
- Limits \$10 per \$1,000 RMV for general government taxes
- Applies only to operating taxes, not bonds

Measure 50

- Passed in 1997
- Repealed M47
- Create permanent rate
- Assessed value (AV) was set at 90% of 1995-96 AV for each property
- AV limited to 3% annual growth
- For new property, $AV = (RMV) \times (AV/RMV \text{ of similar property})$

Property Taxes Grow Steadily, Not with Growth

**Exhibit 7—Assessed and Real Market Value of Taxable Property in Oregon,
FY 1995-96 to FY 2023-24**



What happens when you hit M5 limits?

Compression!

- Compression proportionately reduces levy rates until the taxes are within the Measure 5 limits
- Local option levies and special districts are compressed first, then permanent rate
- General obligation bonds are **NOT** subject to compression.

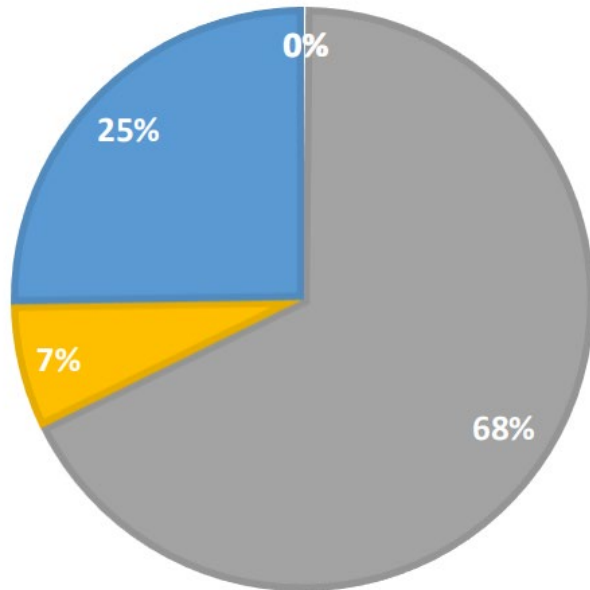
Compression by Type of Government in FY 23-24

District	Total #	# in Compression	% in Compression	Total Compression
City	241	182	76%	\$ 48.5 M
County	36	35	97%	\$ 20.8M
School	205	185	90%	\$ 71.3M
Other	765	387	51%	\$ 14.2M
Total	1247	789	63%	\$ 154,988,722

Oregon Utilizes Less Revenue Tools

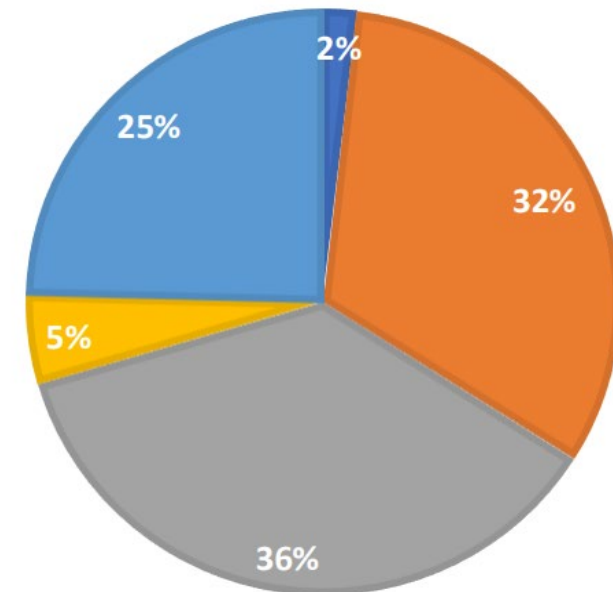
OREGON 2020

- Property Tax
- General Sales and Gross Receipts Taxes
- Individual Income Tax
- Corporate Income Tax
- Other Taxes



ALL STATES (AVERAGE) 2020

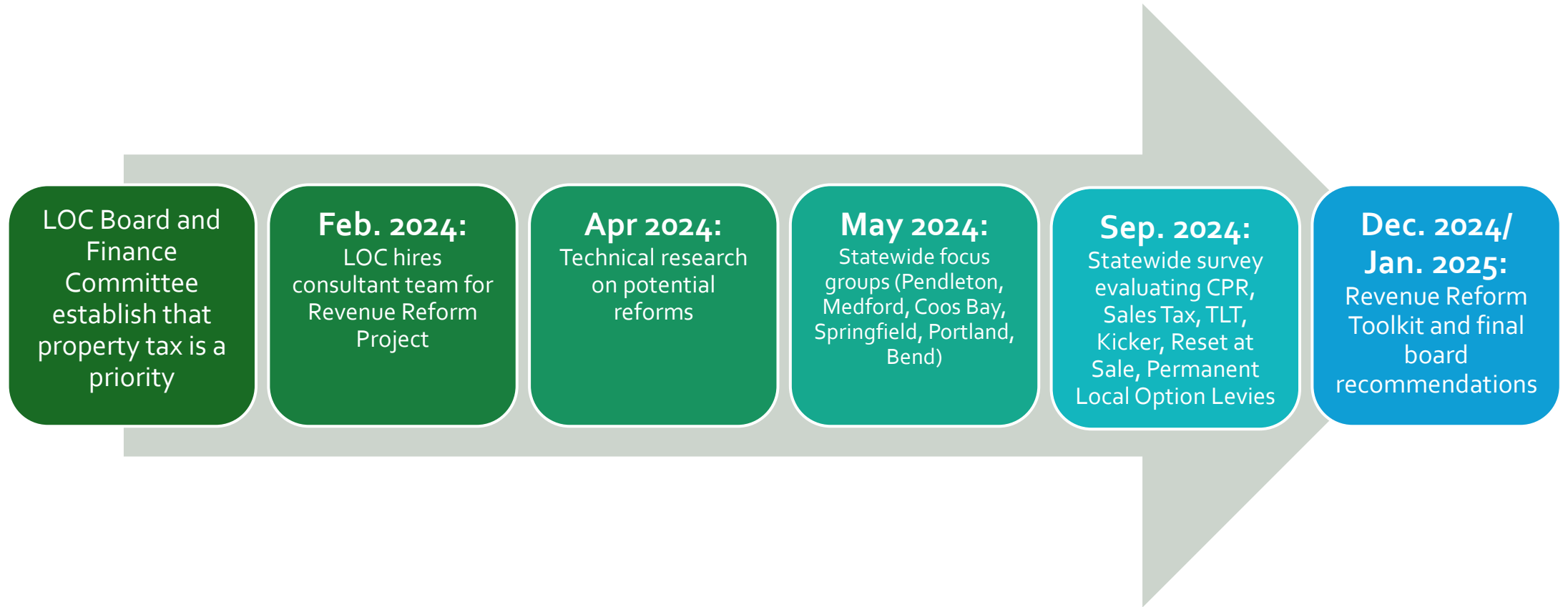
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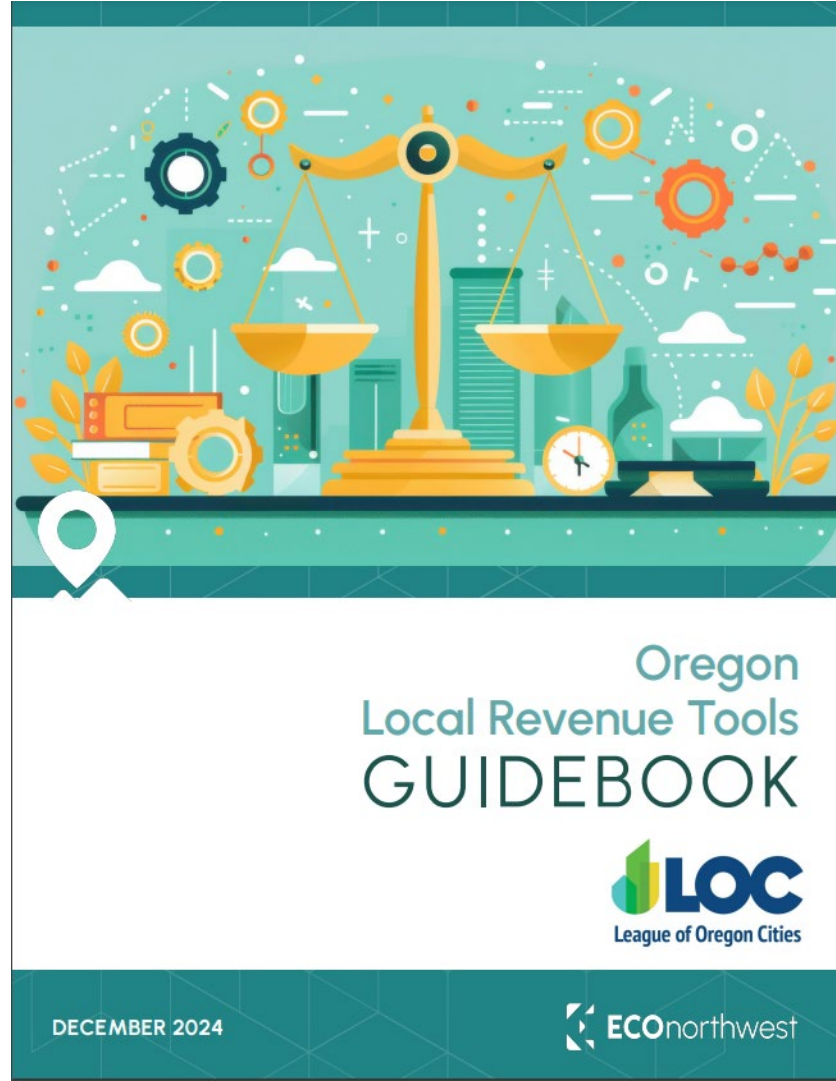
Why We Need Reform?

- **The system is inadequate.** Cities have increasing revenue shortfalls. Local government expenses grow more than 3% every year when the RMV continues to grow more than 3% a year.
- **The system is unfair.** Similar homes and businesses next to each other can be valued differently, because of when it was assessed last and because of the change property ratio.
- **The system limits local choice.** If a local government did not have a property tax base, they were frozen and can never add a property tax. Additionally, once locals hit M5 limits they cannot choose to increase property taxes to pay for services.
- **There are limited statutory remedies.** Outside of expanding a local option change property ratio or how MAV (SB 712) is calculated there is little the state legislature can do. It is a constitutional problem.

LOC Revenue Reform Project



Local Revenue Tools Guidebook



- **Part 1** of the guide focuses on how to create a revenue strategy and get voter buy-in.
- **Part 2** is a comprehensive catalog of revenue tools from cities across Oregon that can be implemented locally.

Landscape Ahead of Potential Reforms

During our focus groups and polling we discovered some interesting sentiments that shape the political landscape. They include:

- There is a funding crisis, but voters don't see it (yet).
- There is a perceived crisis in growth management.
- Voters don't know where to turn for information about city government.
- Voters are relying on sources with high levels of noise.

We Have to Find Solutions Before Its Too Late!

- Community members statewide rely on services provided by local governments.
- A constitutional amendment is a heavy lift.
- Tax policy is complicated and impacts everyday Oregonians and businesses.
- We need to study a new property tax system that is fair, adequate and enables local choice with a broad range of stakeholders.



QUESTIONS
