

**REVENUE IMPACT OF
PROPOSED LEGISLATION**
83rd Oregon Legislative Assembly
2025 Regular Session
Legislative Revenue Office

Bill Number: SB 387 - 7
Revenue Area: Property Tax
Economist: Beau Olen
Date: 5/23/2025

*Only Impacts on Original or Engrossed
Versions are Considered Official*

Measure Description:

Increases a current property tax exemption amount 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 another current exemption amount, for qualifying veterans who have service-connected disabilities of at least 40 percent and less than 100 percent, from \$30,464 of assessed value (2024-25 tax year) to \$65,000. Creates a new exemption amount for \$150,000 of assessed value for qualifying veterans who have service-connected disabilities of 100 percent. Creates another new exemption amount for 90 percent of assessed value for qualifying veterans who have service-connected disabilities of 100 percent and property taxes which exceed 14 percent of the resident's state taxable income (circuit breaker). Increases both new exemption amounts by three percent per year. Requires a means test to qualify for any of the four exemption amounts, where a resident's state taxable income in the prior year cannot exceed \$120,000 (separate return) or \$240,000 (joint return). Requires the state taxable income limits for the means test to be adjusted annually for inflation. Appropriates an unspecified amount of State General Fund to the Department of Revenue for the 2025-27 biennium to pay counties for forgone property tax revenue due to the two new exemption amounts. Applies to property tax years 2026-27 and after.

Impact (in \$Millions):

	Fiscal Year			Biennium		
	2025-26	2026-27		2025-27	2027-29	2029-31
Local Govts. – Expanded exemptions	-\$10.5	-\$10.7		-\$21.2	-\$21.7	-\$22.3
State General Fund¹ – New exemptions	-\$22.5	-\$23.2		-\$45.6	-\$48.4	-\$51.4
Total State GF & Local Revenue (total property tax relief)	-\$33.0	-\$33.8		-\$66.9	-\$70.2	-\$73.7

¹Note: Assumes State General Fund appropriation fully compensates local governments for the loss in property tax revenue from the two new exemption amounts.

Impact Explanation:

Currently, about 40,000 property tax accounts receive the exemption for disabled veterans or surviving spouses of veterans. Most of these accounts, if not all, qualify for the higher current exemption amount (\$30,464 of assessed value for the 2024-25 tax year). The impacts of the measure are based on Oregon veteran's service-connected disability ratings, the increase for both current exemption amounts, the increase in exemption

Further Analysis Required

amounts as qualified residents shift to the two new exemption amounts, the number of accounts granted each exemption amount, and tax rates for residential property. For both current exemption amounts, the non-bond tax rate is \$15.40 per \$1,000 of assessed value. For the two new exemption amounts, the tax rate is \$18.73 per \$1,000 of assessed value. The tax rate is higher for the new exemption amounts because the state appropriation pays counties for forgone operating taxes and bond taxes. As such, the impact on the State General Fund from the two new exemption amounts does not cause a shift of property taxes from properties which have exempt bond taxes to properties which have non-exempt bond taxes. The number of accounts granted each exemption amount depends on Oregon veteran's service-connected disability ratings, the means test for all four exemption amounts, and the circuit breaker for the 90 percent exemption amount. About 15,000 Oregon veterans have a service-connected disability rating of 100 percent. About 10,000 accounts would qualify for one of the two new exemption amounts. About 6,000 accounts would be disqualified due to the means test.

Creates, Extends, or Expands Tax Expenditure: Yes ☒ No ☐

The policy purpose of this measure is to recognize disabled veterans and the surviving spouses of veterans for their military service and sacrifices made for the country.

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