

SB 1094 -1 STAFF MEASURE SUMMARY

Senate Committee On Finance and Revenue

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Meeting Dates: 4/16, 6/4, 6/9

WHAT THE MEASURE DOES:

Provides a property tax credit for the homestead of a resident on active-duty military service. Provides for a property tax credit for the homestead of a disabled veteran and the surviving spouse of a veteran, including when they reside in nonprofit homes for elderly persons. Caps credit amounts at the amount of non-bond taxes due on the property. Indexes credit amounts to inflation each year. Allows qualifying residents to exit the current property tax exemption programs for such homesteads and enter the new property tax credit programs. Disallows new participants in exemption programs for such homesteads after tax year 2025-26. Property tax credits apply to tax years 2026-27 and later.

ISSUES DISCUSSED:

- Partial exemption of assessed value
- Recalculation of maximum assessed value (ReMAV)
- Certainty
- Equitability
- Administrability
- Transition from exemptions to credits

EFFECT OF AMENDMENT:

-1 Clarifies "credit-eligible taxes" definition. Specifies property tax credit amounts for qualifying homestead of a resident on active-duty military service (\$2,050) or a veteran or surviving spouse of a veteran with disabilities (\$475) or service-connected disabilities (\$575). Replaces annual growth of credit amounts based on Consumer Price Index with three percent growth per year. Clarifies "homestead" definition. Clarifies policy referenced in section 8 (5)(a).

BACKGROUND:

A resident on active-duty military service or a surviving household member may qualify for a property tax exemption on the assessed value of their homestead. The maximum exemption amount, which increases by three percent per year, is \$108,367 for the 2024-25 tax year.

Certain veterans who have a disability rating of 40 percent or more may have \$25,537 or \$30,464 of the assessed value of their homestead or personal property exempt from property tax (2024-25 tax year). Both exemption amounts increase by three percent per year. The surviving spouse of a veteran who has not remarried may also qualify for the exemption under certain conditions, regardless of whether the veteran was disabled. Under a related exemption for the personal property of veterans in nonprofit elderly housing, qualified nonprofit homes for the elderly can claim the exemption amount for a disabled veteran or the surviving spouse of a veteran if they pass the tax benefit through to these residents in the form of lower rental rates.

As required by the Oregon Constitution, the maximum assessed value of a property must be recalculated (ReMAV) when a property is newly eligible for partial exemption or special assessment or is disqualified from exemption, partial exemption, or special assessment. ReMAV can have a particularly noticeable effect on individuals who receive the exemption for active-duty military service because they may only qualify for a single year of exemption.