



January 31, 2025

House Committee on Revenue
Oregon State Capitol
900 Court Se. NE
Salem, OR 97301

RE: HB 2089 Foreclosure Surplus Proceeds

Dear Chair Nathanson and Members of the House Revenue Committee,

Oregon counties are tasked with the responsibility of managing the property tax foreclosure process on behalf of local governments, including cities. Under Oregon law, counties retained the proceeds of foreclosure sales, even if the proceeds exceed the taxes, interest, and penalties that were owed, and in most cases distributed dollars to local taxing districts: cities, special districts, and school districts. The 2023 *Tyler v. Hennepin* decision held that such processes violate the “takings clause” of the Fifth Amendment to the U.S. Constitution.

As a result of the *Tyler v. Hennepin* decision, cities recognize possible liability exposure. Many Oregon counties take the surplus proceeds from a foreclosure sale and disperse them to their cities, school districts, and special districts, retaining a portion as well. These previously received proceeds may now need to be returned to the property owner. Counties may plan to file crossclaims against all taxing districts, like cities, that received these surplus proceeds. Cities may neither have the funds to fight these claims in court nor award back to the original property owner. A solution must be found that holds cities harmless and still protects Oregonians.

HB 2089 as introduced needs amendments to protect all local taxing districts from liability. LOC supports the Association of Oregon Counties amendments that will lead to a legally sound solution, provides counties with a uniform process to resolve foreclosure surpluses, and is thoughtful of the needs of everyday Oregonians.

Respectfully,

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