

Submitter:

Thomas Busse

On Behalf Of:

Committee:

House Committee On Revenue

Measure, Appointment or Topic:

HB2079

Although I believe Oregon's property tax system should be studied and is in need of reform, this bill is deficient in that it fails to direct the study of the most important reform that could be made in Oregon: specifically replacing property taxes with land value taxes as a superior alternative. Therefore, I urge amending this bill before passage.

Land Value taxation taxes land but not the improvements to it. This is important in Oregon because the amount of developable land is fixed due to urban growth boundary laws. It has been used to reverse housing shortages in several cities in Pennsylvania and almost became law in Detroit. It is the standard method of "property" taxation in several countries including Denmark.

Property tax is a deterrent to landholders because it disincentivizes improvements such as affordable housing while incentivizing poor upkeep. For example, Washington Place is a speculative investment property in Downtown Portland owned by the Menashe family. Because they are holding it for investment, there is no incentive to keep up the building, which sits empty and blighted in a walkable area ripe for dense housing and now has a building tax assessment of zero. The blight drives down the assessments of neighboring land and buildings. If only the land was taxed but reflecting its location, the Menashes would not have bought the building and the previous owner would have renovated it into housing because the cost of the holding speculative investment is higher due to land-value taxation.

Overnight, owners of downtown Portland parking lots would be incentivized to build housing - and because the housing isn't subject to marginal land-value tax, they would be encouraged to maximize the improvements to the property.