

Department of County Management



Division of Assessment, Recording, and Taxation (DART)

March 11, 2025

House COmmittee on Revenue
900 Court St NE
Salem, Oregon 97301

RE: Support for House Bill 3518

Chair Nathanson, Vice-Chairs Reschke and Walters, and Members of the Committee,

Thank you for the opportunity to share our perspective in support of House Bill 3518. Multnomah County property tax administration serves 64 taxing districts. Schools, cities, public safety all rely on this statutory program to generate anywhere between 40-75% of total revenue needs. For the current Multnomah County tax roll, over \$2.4B was generated in revenue on 310,000 property tax accounts. This revenue is generated by 2 significant sources: existing property maintenance and adding new property to the tax equation. Our challenge, and one faced by all Oregon counties, is to decide between which revenue source to allocate limited staffing resources--a product of staffing reductions inherited from Measure 50.

Source 1: New Construction

New construction permit volume has more than doubled over the past 10 years. Although it has slowed in the commercial core as of late, permit volume has increased in outlying jurisdictions such as Gresham, Fairview and Troutdale with strengthening suburban popularity and new construction. Over the last ten years, an annualized average rate of new construction permitting activity has yielded over 30K permits to prioritize—that's 30k each year. Over that same time period, new Real Market Value (RMV) added on an annual basis has exceeded \$3B.

Multnomah County currently employs 47 appraisers. On a per appraiser basis, each appraiser generates over \$63M in new RMV. With respect to new property taxes raised, this translates to over \$700k per appraiser per year. Once identified, billed and collected, this revenue continues into perpetuity.

Source 2: Reappraisal and Recapture Tax Dollars Reduced due to Compression

Certifying Real Market Values (RMV's) via regular reappraisal are keys to reducing tax revenue loss due to compression. Simply put, people pay taxes on the lower of their RMV or MAV (Maximum Assessed Value). The tax limitation, however, is based on RMV.

At the individual property level, compression happens when the RMV is no longer in the driver's seat. A lack of regular reappraisal results in RMV's losing relevance and becoming further and further disproportionately divorced from the MAV.

The table below represents annual tax revenue losses as a result of ongoing compression for Multnomah County, along with all of the other taxing districts. Regular reappraisal efforts would address compression in a systematic and comprehensive manner, resulting in a substantive compression reduction and an increase in revenues.

Tax Dollars Lost To Compression

	City of Portland	City of Gresham	Countywide Total
Tax Year 24-25	\$29M	91k	\$130M

Revenue is achieved through recapture of already levied taxes against a property. In the example below, you can see how this occurs:

Residential Property Example

	RMV	AV	Extended Tax	Imposed Tax	Compressed (Tax Loss)
Tax Year					
24-25	\$1,032,350	\$805,530	\$21,325	\$18,684	\$2,641

In this example, a property in Multnomah Co. is valued at \$1,032,350. Let's say that after reappraisal, the county appraiser determines the correct RMV of the property is \$1,200,000--not an unrealistic expectation. This would yield a "Recapture" of \$167,650 in RMV resulting in a "Recapture" of \$2,350 in compressed or reduced taxes. In other words, compression is reduced to a total of \$291 from \$2,641.

There are over 40,000 properties in Multnomah County that have property tax compression. The total compression tax loss is \$130M. By systematically reappraising property, we should be able to value property more accurately; and recapture tax revenue that would otherwise be owed to districts.

Reappraisal of all 40,000 accounts over 6 years will result in an estimated recapture of somewhere between \$5 to \$10 m of property taxes calculated but not billed because of compression. This estimate assumes an ability to collect no more than 10% of compressed taxes. It should be noted that taxes recaptured will continue to be collected into perpetuity unless a significant economic event occurs that affects market value.

Summary

Limited staffing forces a decision to be made over where to allocate resources. An adequate appraisal program requires enough funding to cover adding new construction and reappraising existing property to equalize compression loss. We implore this committee to consider the task of creating long-term, adequate and stable funding for property tax assessment and tax collection administration. It will benefit the State, Counties and all Districts.

Thank you again for the opportunity to testify in support of HB 3518.

Regards,

Mike Vaughn

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Multnomah County

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