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| On Behalf Of: | COMMON SENSE PART 3 |
| Committee: | House Committee On Revenue |
| Measure, Appointment or Topic: | HB3755 |

HOW HB3755 INCREASES THE VELOCITY OF MONEY AND INCREASES TAX REVENUE

Velocity of money is an economic principle that involves how fast money changes hands amongst the population, in a given time frame. With each exchange, there is always a corresponding tax value associated with it. The recipient reports it as income and pays taxes; either as goods and services, on a business profit and loss statement, or income taxes from wages. Let’s see how this bill affects elderly spending.

Senior citizens will save up money for their property taxes, all year long. Thus, they spend this money just once per year. The turnover, or velocity, of this money is one; and the state won’t gain any further cycling of money, other than the one-time payment of property taxes each year.

Should senior citizens have reduced property taxes, they would have more discretionary income to spend regularly on consumer goods and services. This would not only enhance their golden years but increase revenue through taxation.

With increased elderly consumer spending, the velocity of this money would be six, eight, ten times, or more. Every time their money is spent at the grocery store, or department store, more tax revenue is generated. Businesses will pay more taxes. Employees will pay more payroll taxes and will also use their wages to spend on their goods and services. The cycle repeats many times during the year. Thus, with even more turnover or velocity of money, more taxes are generated. Therefore, it is better for the state to decrease elderly property taxes and stimulate the economy, which will increase the velocity of this money and increase general tax revenue; a win/win situation. If senior homeowners are foreclosed upon because they can’t afford their property taxes, the state collects no taxes and this creates a money velocity of zero; bad for the homeowner and the state alike.

THE SENIOR AND DISABLED DEFERRAL PROGRAM—THE THEFT OF PROPERTY AT 6% YEARLY

The Oregon Department of Revenue published a pamphlet, “A Brief History of Oregon Property Taxation”, describing a program to “help” senior citizens pay their property taxes. Here is a copy of the actual text.

Homeowners 62 years or older who meet certain income requirements are able to defer all property taxes. Under the Senior Citizen’s Deferral program, the state pays the property taxes of participants and charges the homeowner 6 percent annual interest on the deferred amount. Homeowners are not required to pay the taxes or interest to the state until they die or sell their homes, or no longer inhabit their home (except for medical reasons). The income eligibility requirement is indexed to inflation and was $39,000 in 2008. Once approved, senior citizens are eligible for continued deferral in future years so long as their federal adjusted gross income remains below the threshold.

The second program, the Senior Citizen's Special Assessment Deferral program, allows qualifying seniors to defer their special assessment charges for public improvements (e.g. sewer or sidewalk improvement charges). The qualifying income limit is the same as the limit for the Senior Citizen's Deferral program.

The third Deferral program, the Disabled Citizen's Property Tax Deferral program, started in 2001 for fiscal year 2001-02, and is similar to the Senior Citizen's Deferral program because the same income limits apply, and property taxes are deferred at 6 percent annual interest. However, this program is for disabled homeowners who are eligible for, or receive Social Security disability benefits. In addition, age limitation does not apply.