

D R A F T

SUMMARY

Proposes amendment to Oregon Constitution repealing ad valorem property tax assessment provisions created by House Joint Resolution 85 (1997) (Ballot Measure 50 (1997)), requiring ad valorem property taxes to be assessed on real market value of property and directing Legislative Assembly to provide exemption from ad valorem property taxes for owner-occupied principal dwellings and tax lots upon which dwellings are located.

Refers proposed amendment to people for their approval or rejection at next regular general election held throughout this state.

JOINT RESOLUTION

Be It Resolved by the Legislative Assembly of the State of Oregon:

PARAGRAPH 1. The Constitution of the State of Oregon is amended by repealing sections 11 and 11k, Article XI, and by adopting the following new section 11 in lieu thereof, by creating a new section 11m to be added to and made a part of Article XI, and by amending section 11L, Article XI, such sections to read:

SECTION 11. (1)(a) For ad valorem property tax purposes, each unit of property in this state shall be assessed as provided by law at the real market value of the property.

(b) The real market value of property for any property tax year shall be the amount in cash that could reasonably be expected to be paid by an informed buyer to an informed seller, each acting without compulsion, in an arm's-length transaction occurring as of the assessment date for the property tax year, as established by law.

(c) The Legislative Assembly shall provide by law for adjusting the real market value of property for a current property tax year to reflect

a substantial casualty loss of value after the assessment date.

(2)(a) Subject to exemptions, special assessments and all other exceptions provided by law, ad valorem property taxes shall be computed by multiplying the real market value of property, as determined by law, by the permanent limit on the rate of ad valorem property taxes of each local taxing district, as determined under subsection (3) of this section, in which the property is located.

(b) For purposes of paragraph (a) of this subsection, the Legislative Assembly may provide by law for assessing property at the average real market value of the property for a specified number of years. The averaging authorized under this paragraph applies only to property that was in existence for all of the specified number of years.

(3)(a) A local taxing district's permanent limit on the rate of ad valorem property taxes shall be the permanent limit on the rate of ad valorem property taxes imposed by the local taxing district on the effective date of this 2016 Act.

(b) A local taxing district that has not previously imposed ad valorem property taxes may submit to the voters of the district a proposed permanent limit on the rate of ad valorem property taxes to be imposed by the district. The question of the proposed permanent limit may be submitted to the voters only on the date of a general election held throughout this state. The proposed permanent limit shall go into effect for the first property tax year that begins after the election on the question of the proposed permanent limit if the proposed permanent limit is approved by a majority of voters voting on the question. The permanent limit approved under this paragraph shall be the district's permanent limit under paragraph (a) of this subsection.

(c) If two or more local taxing districts seek to consolidate or merge, the permanent limit on the rate of ad valorem property taxes to be imposed by the consolidated or merged district shall be the per-

manent limit that would produce the same tax revenue as the local taxing districts would have cumulatively produced in the year of consolidation or merger, if the consolidation or merger had not occurred.

(d) If a local taxing district divides, the permanent limit on the rate of ad valorem property taxes to be imposed by each local taxing district after division shall be the same as the undivided local taxing district's permanent limit under paragraph (a) of this subsection prior to division. The permanent limit determined under this paragraph may not be greater than the permanent limit that would have produced the same amount of ad valorem property tax revenue in the year of division if the division had not occurred.

(e) Rates of ad valorem property taxes established under this subsection may be carried to a number of decimal places and rounded, as provided by law.

(4)(a)(A) A local taxing district other than a school district may impose a local option ad valorem property tax levy that exceeds the limitations imposed under this section by submitting the question of the proposed local option levy to the voters of the district and obtaining the approval of a majority of the voters voting on the question. The question of the proposed local option levy may be submitted to the voters only on the date of a primary or general election held throughout this state.

(B) The Legislative Assembly may enact laws permitting a school district to impose a local option ad valorem property tax levy as otherwise provided under this subsection.

(b) A local option levy imposed pursuant to legislation enacted under this subsection may be imposed for no more than five years, except that a local option levy for a capital project may be imposed for no more than the lesser of the expected useful life of the capital project or 10 years.

(5)(a) Ad valorem property taxes imposed pursuant to this section,

1 other than taxes described in subsection (6) of this section, are subject
2 to the limitations described in section 11b of this Article.

3 (b) The limits on property taxes by category, \$5 (for public school
4 system purposes) and \$10 (for other government purposes) per \$1,000
5 of real market value, described in subsection (1) of section 11b of this
6 Article shall be determined on the basis of property taxes imposed in
7 each geographic area taxed by the same local taxing districts.

8 (c) If property taxes exceed the categorical limits:

9 (A) Any local option levies imposed pursuant to subsection (4) of
10 this section shall be proportionally reduced by those local taxing dis-
11 tricts imposing local option ad valorem property taxes within the re-
12 spective category; and

13 (B) If the limits are exceeded after all local option ad valorem
14 property taxes are eliminated, all other ad valorem property taxes
15 shall be proportionally reduced by those taxing districts imposing
16 other ad valorem property taxes within the respective category, until
17 the limits are no longer exceeded.

18 (d) The percentages used to make the proportional reductions under
19 paragraph (c) of this subsection shall be calculated separately for each
20 category.

21 (6) Property taxes imposed to pay bonded indebtedness are not
22 subject to the categorical limits under subsection (5) of this section
23 or section 11b of this Article. Such bonded indebtedness consists of:

24 (a) Bonded indebtedness authorized by a provision of this Constitu-
25 tion;

26 (b) Bonded indebtedness issued on or before November 6, 1990;

27 (c) Bonded indebtedness:

28 (A) Incurred for capital construction or capital improvements; and

29 (B)(i) If issued after November 6, 1990, and approved prior to De-
30 cember 5, 1996, the issuance of which has been approved by a majority
31 of voters voting on the question; or

1 (ii) If approved by voters after December 5, 1996, the issuance of
2 which has been approved by a majority of voters voting on the ques-
3 tion in an election that is in compliance with the voter participation
4 requirements of applicable law; and

5 (d) Bonded indebtedness issued to refund bonded indebtedness de-
6 scribed in this subsection.

7 (7)(a) An urban renewal agency, area, plan or project is not a local
8 taxing district.

9 (b) If ad valorem property taxes are divided as provided in section
10 1c, Article IX of this Constitution, in order to fund a redevelopment
11 or urban renewal project, the ad valorem property taxes levied against
12 the increase shall be used exclusively to pay any indebtedness incurred
13 for the redevelopment or urban renewal project.

14 (8)(a) The Legislative Assembly shall provide by law for an ex-
15 emption from ad valorem property taxes imposed on a homestead
16 pursuant to this section. The Legislative Assembly shall provide by law
17 a method for determining and granting the exemption.

18 (b) As used in this subsection, “homestead” means the owner-
19 occupied principal dwelling, either real or personal property, owned
20 by the taxpayer and the tax lot upon which the dwelling is located. If
21 the dwelling is located in a multiunit building, the homestead is the
22 portion of the building actually used as the principal dwelling and the
23 homestead’s percentage of the value of the building’s common ele-
24 ments and the tax lot upon which the building is situated. The per-
25 centage is the value of the dwelling unit that is the homestead
26 compared to the total value of the multiunit building exclusive of any
27 common elements.

28 (9) Nothing in this section affects a local taxing district’s or urban
29 renewal agency’s obligation to pay indebtedness to which subsection
30 (5) of section 11 of this Article (2015 Edition) or subsection (16) of sec-
31 tion 11 of this Article (2015 Edition), or any laws enacted pursuant to

subsection (5) of section 11 of this Article (2015 Edition) or subsection (16) of section 11 of this Article (2015 Edition), as in effect on the day before the effective date of this 2016 Act, relate. The Legislative Assembly may enact any laws necessary to ensure payment of the indebtedness described in this subsection.

(10) Section 32, Article I, and section 1, Article IX of this Constitution, do not apply to this section.

(11) If any provision of this section is determined to be unconstitutional or otherwise invalid, the remaining provisions shall continue in full force and effect.

SECTION 11m. (1) Legislation implementing the provisions of section 11 of this Article is not subject to the emergency declaration prohibition in section 1a, Article IX of this Constitution.

(2) This section is repealed on January 2, 2019.

Sec. 11L. (1) The limitations of [sections 11 and] section 11b of this Article do not apply to bonded indebtedness incurred by local taxing districts if the bonded indebtedness was incurred on or after January 1, 2011, to finance capital costs as defined in subsection (5) of this section.

(2) Bonded indebtedness described in subsection (1) of this section includes bonded indebtedness issued to refund bonded indebtedness described in subsection (1) of this section.

(3) [Notwithstanding subsection (1) of this section, subsection (8) of section 11 of this Article, as limited by section 11k of this Article, applies to measures] **Measures** that authorize bonded indebtedness described in subsection (1) of this section **may be approved only if at least 50 percent of registered voters eligible to vote on the measure cast a ballot, unless the election is held in May or November of any year.**

(4) The weighted average life of bonded indebtedness incurred on or after January 1, 2011, to finance capital costs may not exceed the weighted average life of the capital costs that are financed with that indebtedness.

(5)(a) As used in this section, "capital costs" means costs of land and of

1 other assets having a useful life of more than one year, including costs as-
2 sociated with acquisition, construction, improvement, remodeling, furnishing,
3 equipping, maintenance or repair.

4 (b) "Capital costs" does not include costs of routine maintenance or sup-
5 plies.

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7 **PARAGRAPH 2. The amendment proposed by this resolution shall**
8 **be submitted to the people for their approval or rejection at the next**
9 **regular general election held throughout this state.**