

Oregon's Property Tax

Legislative Revenue Office
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Overview of Oregon's Property Tax

- History and Significance
- Measure 5 and Measure 50
- Statistics and Trends
 - By type of tax
 - By type of district
- Property Assessment
 - Properties subject to taxation
 - Exemptions and special assessments
 - Compression due to Measure 5 limits
- Urban Renewal – Division of Tax and Special Levy

Property Taxes and Oregon

- Oregon's property tax system is one of the most important sources of revenue for the public sector in Oregon
- This source raised \$4.470 billion for local governments in fiscal year 2007-08
- Only state personal income tax collections exceed property tax collections as a source of state and local tax revenue

Useful Definitions

- Real Market Value (RMV) - the amount in cash which could reasonably be expected by an informed seller acting without compulsion, from an informed buyer acting without compulsion, in an “arms-length” transaction during the period for which the property is taxed
- Assessed Value (AV) – Value of property subject to taxation

Measure 5 (M5)

- The structure of the property tax changed very little until the 1990s, when two statewide ballot measures dramatically altered the system
- Measure 5, which introduced property tax rate limits, was passed in 1990 and became effective starting in the 1991-92 tax year
- When fully implemented in 1995-96, Measure 5 cut property tax rates an average of 51 percent from their 1990-91 levels

Measure 50 (M50)

- Measure 50, passed in 1997,
 - Cut property taxes,
 - Introduced assessed value (AV) growth limits, and
 - Replaced most tax levies with permanent tax rates*
- It transformed the system from one primarily based on levies to one primarily based on rates
- When implemented in 1997-98, Measure 50 cut effective tax rates an average of 11 percent from their 1996-97 levels

*permanent rate = maximum rate without voter approval

A Quick Cheat Sheet on Limits

- Measure 5 (M5 limits)
 - \$5 per \$1,000 real market value (RMV) for schools
 - \$10 per \$1,000 RMV for general government taxes
 - Applied only to operating taxes, not bonds
 - For each property, school taxes and general government taxes compared to their limits respectively
- Measure 50 (M50 limit)
 - Assessed value (AV) for 1997-98 was set (at 90% of 1995-96 AV for each property) and permanent rates were established for taxing districts
 - Annual growth of AV limited to 3% for existing property
 - For new property, $AV = (RMV) \times (AV/RMV \text{ of similar property})$

Summary of Oregon Property Values and Taxes Imposed

Exhibit 1			
Summary of Oregon Property Values and Taxes Imposed			
(\$ million)			
	2006-07	2007-08	Percent Change
Real Market Value	434,293.4	501,124.9	15.4%
Total Assessed Value	265,218.9	280,453.8	5.7%
Net Assessed Value	257,373.8	271,199.8	5.4%
Operating Taxes	3,314.9	3,582.9	8.1%
Bond Taxes	597.7	696.1	16.5%
Total District Taxes	3,912.6	4,279.0	9.4%
Urban Renewal Taxes	164.8	191.4	16.1%
Total all Taxes	4,077.4	4,470.4	9.6%

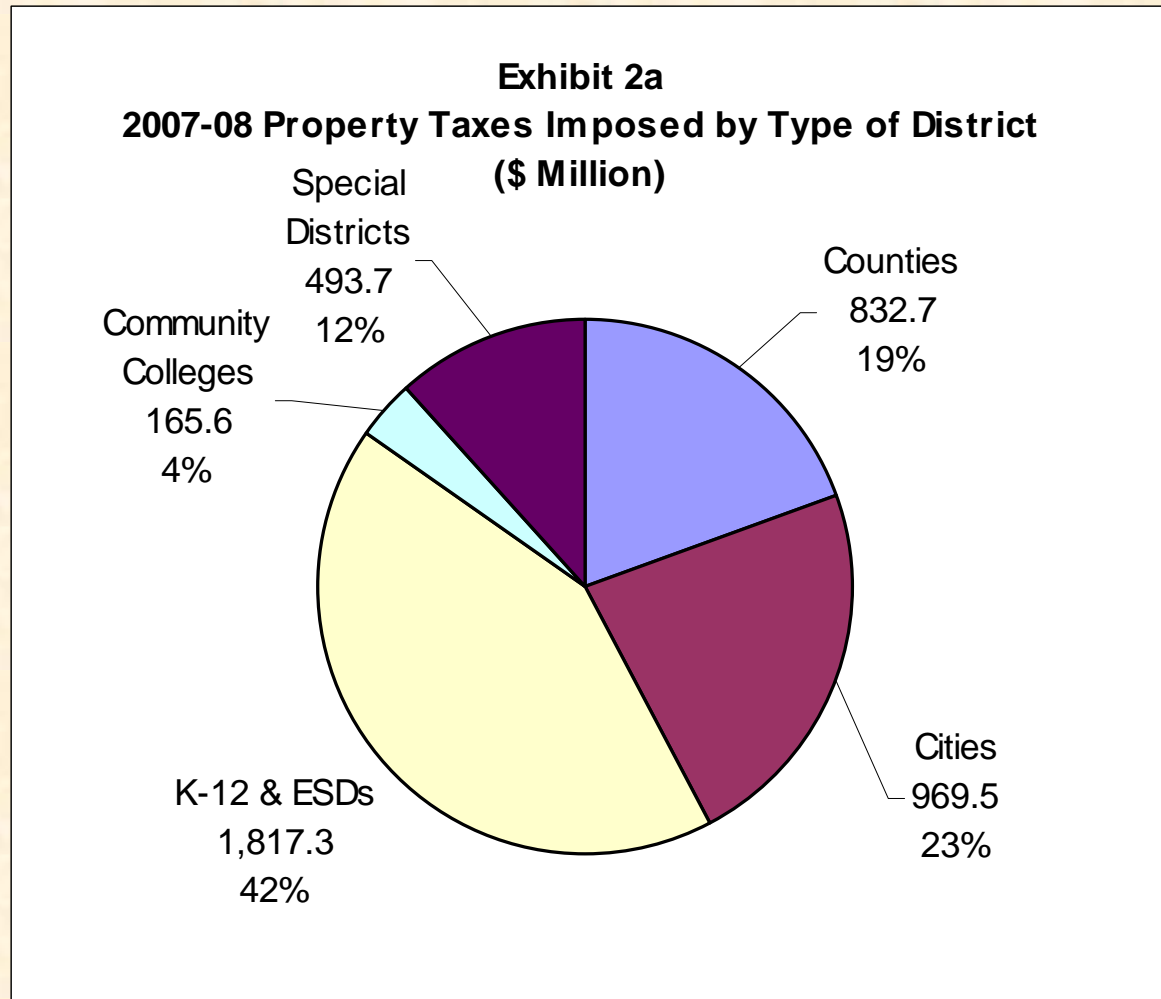
AV and Taxes Imposed

- Total AV has been increasing substantially more than 3% annually when limited to 3% growth
 - 3% growth limit applies to Individual property's AV
 - New construction, property improvement, etc. add AV
- Operating taxes
 - Taxes from permanent rates fund general operating budgets
- M5 limits – depending on type of taxes
 - Subject to limit – permanent rate, local option, gap bond, pension levy, urban renewal plan taxes
 - Not subject to limit – bond levies for capital construction

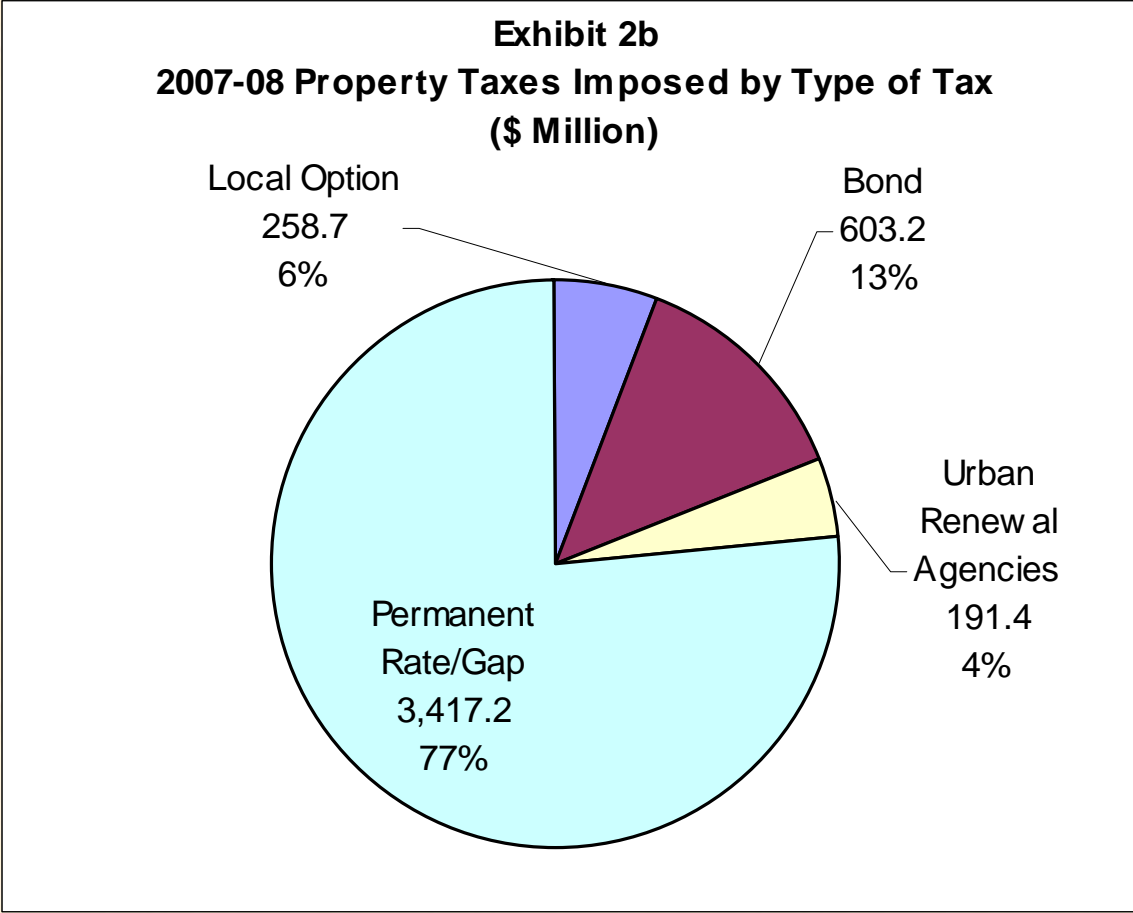
District

- A local government entity that imposes property taxes
- A district can include multiple taxing districts - e.g., City of Salem includes taxing districts representing the portions of the city located in Marion and Polk counties
- School (K-12), Education Service District (ESD), city, county, community college, special district
- Special district includes service, port, fire, park, water control, library, transit, public utility, etc.

Property Taxes by Type of District



Property Taxes by Type of Tax

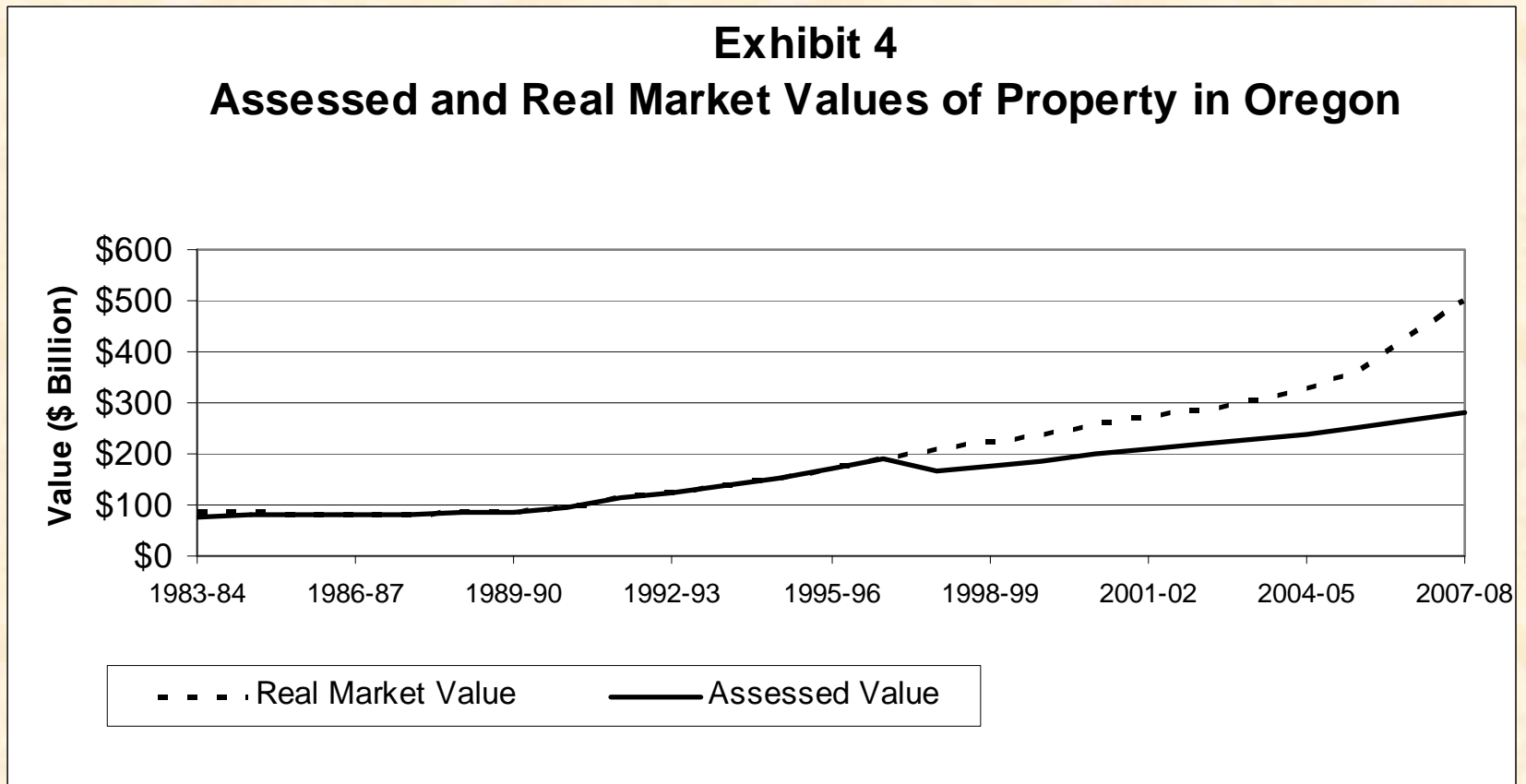


Type of Property Taxes Imposed by Type of District (2006-07 and 2007-08)

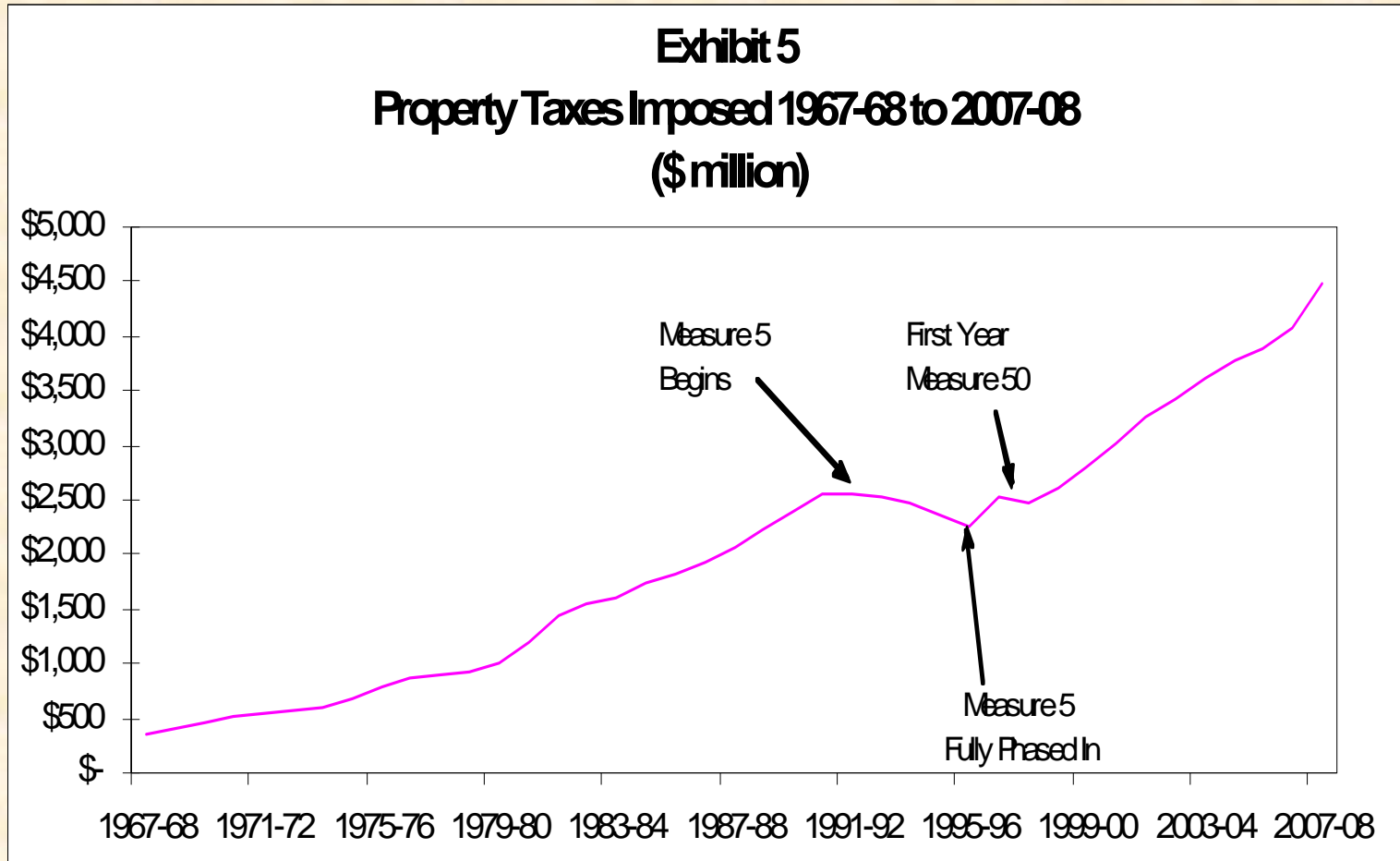
Exhibit 3
Type of Property Taxes Imposed, 2006-07 and 2007-08
By Type of District (Millions of Dollars)

Type of District	Permanent Rate/Gap			Local Option			Bond			Total		
	2006-07	2007-08	%CH	2006-07	2007-08	%CH	2006-07	2007-08	%CH	2006-07	2007-08	%CH
Counties	639.5	695.7	8.8%	64.6	93.1	44.2%	42.4	44.0	3.7%	746.5	832.7	11.5%
Cities	803.4	854.5	6.4%	65.4	56.4	-13.7%	51.7	53.6	13.4%	920.5	969.5	5.3%
K-12 & ESDs	1,278.5	1,349.1	5.5%	35.7	80.6	125.9%	325.9	387.6	18.9%	1,640.0	1,817.3	10.8%
Community College	117.2	123.8	5.7%	0.0	0.0	NA	44.1	41.8	-5.3%	161.3	165.6	2.7%
Special Districts	367.6	394.1	7.2%	27.3	28.5	4.3%	49.3	71.2	44.4%	444.2	493.7	11.1%
Total District Taxes	3,206.3	3,417.2	6.6%	193.0	258.7	34.0%	513.4	603.2	17.5%	3,912.6	4,279.0	9.4%
Urban Renewal Agencies										164.8	191.4	16.1%
Total										4,077.4	4,470.0	9.6%

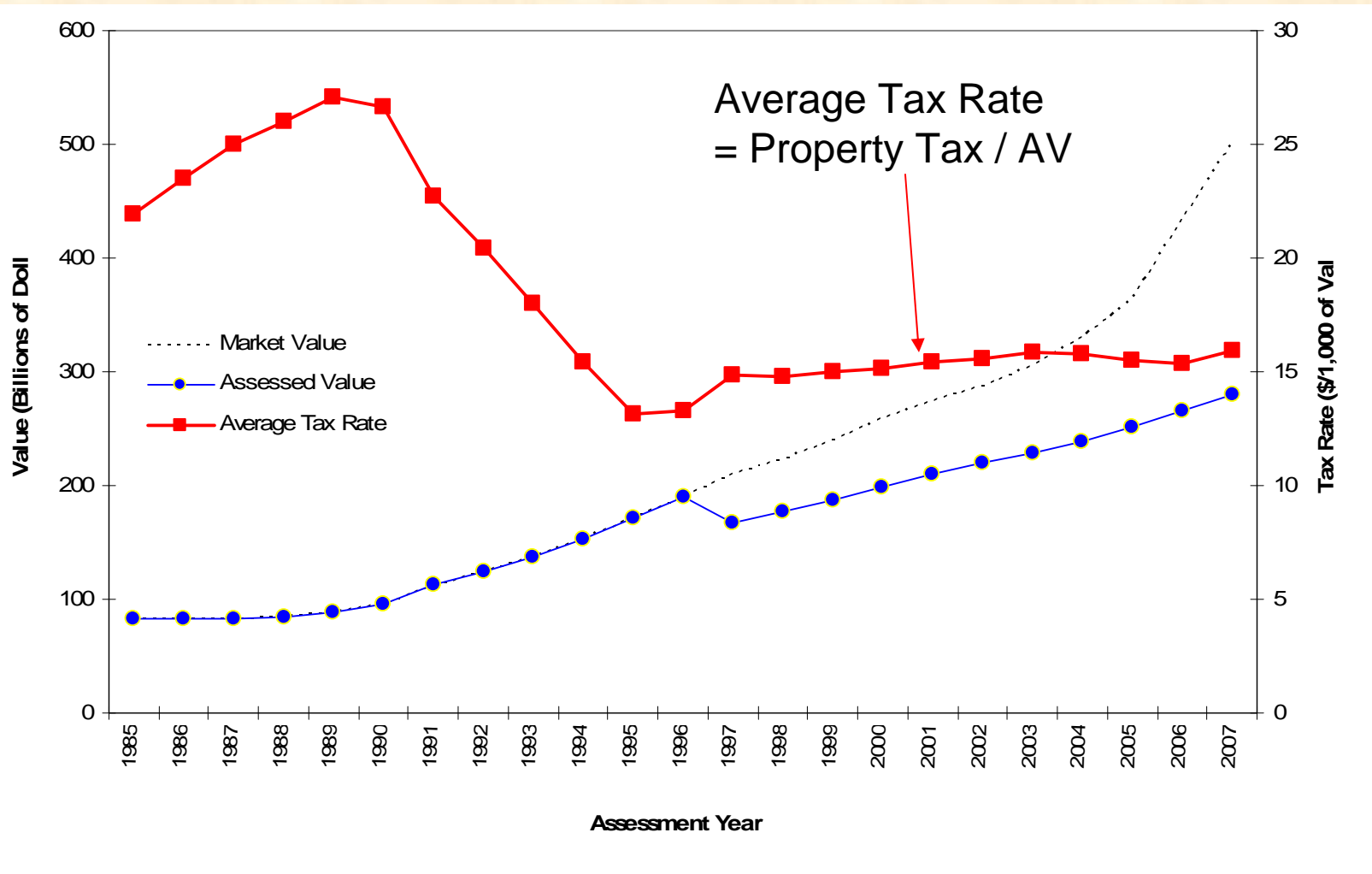
Assessed and Real Market Value of Property in Oregon



Property Taxes Imposed 1967-68 to 2007-08 (\$ million)



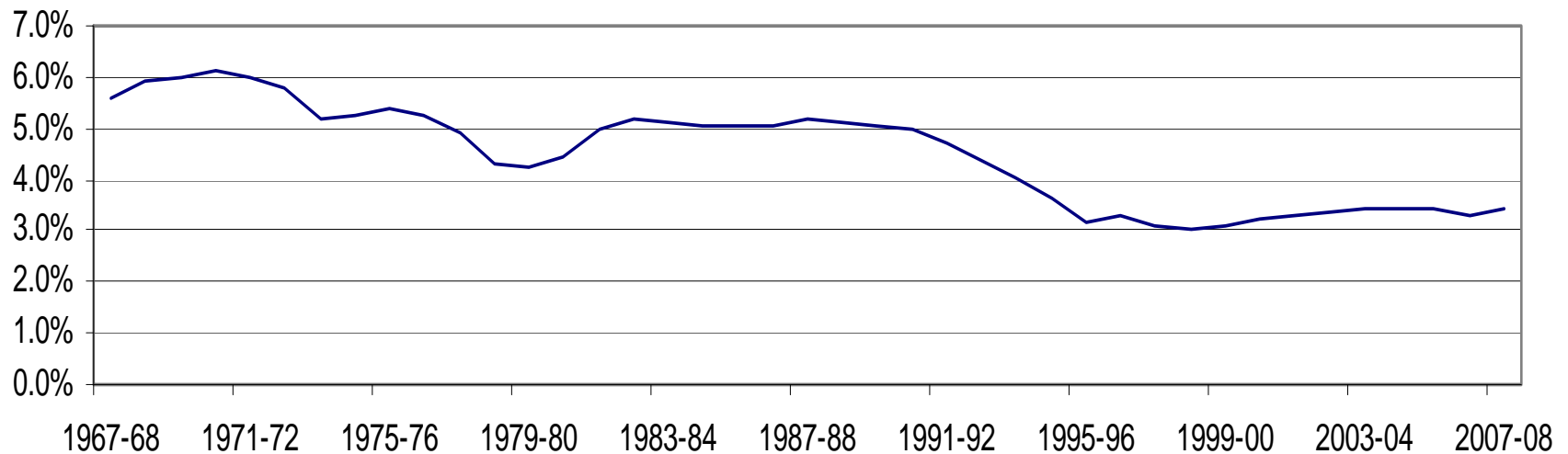
Property Values and Tax Rate



Property Taxes as Share of Oregon Personal Income

Exhibit 6

Property Taxes as Share of Oregon Personal Income*



*Personal Income from U.S. Bureau of Economic Analysis

Relative Property Tax Burden

(Fiscal Year 2005-06)

REVENUE CATEGORIES	\$ PER PERSON	RANK AMONG THE STATES
<i>TOTAL TAXES</i>	\$3,360	34
PERSONAL INCOME TAX	\$1,500	5
CORPORATE INCOME TAX	\$133	32
PROPERTY TAX	\$998	30
GENERAL SALES TAX	0	47*
SELECTIVE SALES TAXES	\$292	45
OTHER TAXES	\$437	13

Note: The higher the rank is, the higher the relative burden is among states.

Property Assessment

- Appraisal – the process of identifying and assigning a value to it
- Who does appraisal?
 - County assessors – most property in Oregon
 - Oregon Department of Revenue (DOR) – Certain large industrial sites and utility property
- Property subject to taxation
 - All privately owned real property (e.g., land, buildings, fixed machinery and equipment)
 - Manufactured homes
 - Personal property used in business

Property Assessment - continued

- Property not subject to taxation
 - Household furnishings, personal belongings and automobiles, crops, orchards, business inventories
 - Certain intangible property (stocks, bonds, bank accounts, etc.)
- Exemptions and Reduced assessment (examples)
 - Exempted - Most property used for religious, fraternal, and governmental purposes
 - Reduced assessments in
 - Open space, farmland, forestland, historical buildings
 - Properties owned by disabled veterans

Tax Expenditure FY 2009-11

Exemptions and Special Assessments

- **Full exemption** – e.g., Intangible personal property \$12.426 billion, Federal, state, local property \$3.352 billion, Personal property for personal use \$0.913 billion, Motor vehicles and trailers \$0.884 billion, Business inventory \$0.640 billion, etc.
- **Partial exemption** – e.g., Strategic Investment Program (SIP) \$103.9 mil, Properties owned by disabled veterans \$24.0 mil, Historical property \$19.8 mil, Nonprofit low income rental housing \$11.7 mil, etc.
- **Special assessment** – e.g., Farmland \$262.4 mil, Private forestland \$57.1 mil, etc.

Property Tax Compression

- Compression – process used to reduce property taxes to the M5 limits, \$5/\$1000 RMV for school, \$10/\$1000 RMV for non-school general government
 - For each property, school taxes and general government taxes compared to their limits respectively
- Limits apply to operating taxes, not bonds
- If exceeding M5 limits, compression starts in a specific order, beginning with local option taxes
- Compression loss
 - Wide range across counties
 - State total = \$53.2 mil for 2007-08, up from \$48.8 mil in 2006-07

Urban Renewal Agency

- Oregon Revised Statute (ORS) Chapter 457 gives each city and county the ability to activate an urban renewal (UR) agency
- UR agency has power to propose, and act on plans to eliminate/remedy/prevent/conserves/ rehabilitate “blighted areas” when approved by the city or the county
- Substantial funding of most UR plans comes from portions taken out of local government property tax levies (they are called division of tax revenue) – for 2007-08, \$158.6 mil out of \$191.4 mil total UR revenue were division of tax revenue

Urban Renewal Revenue

Division of Tax vs. Special Levy

- On top of division of tax revenue, many UR plans adopted before December 6, 1996 may raise revenue via UR levy (called special levy revenue)
- Division of tax is calculated by splitting local government property taxes between local governments and the UR agency
- The split is recalculated every year based on value growth within the plan area
- Both division of tax and UR special levy are subject to the general government tax limitation (that is, M5 limits)