Property Tax 101

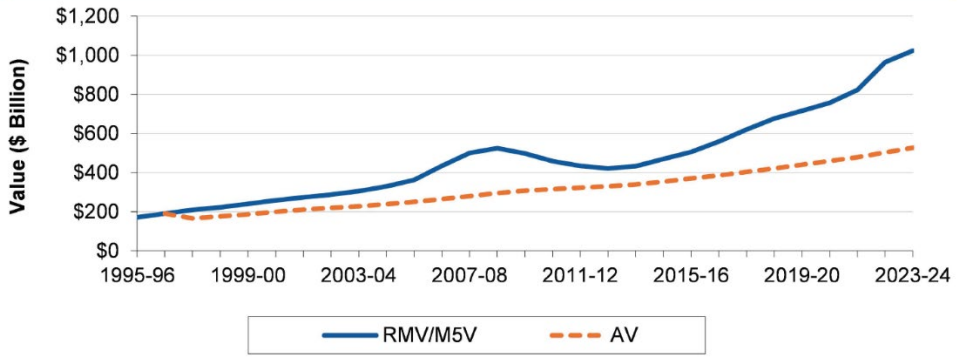
Measure 5

- Passed in 1990
- Limits $5 per $1,000 real market value (RMV) for schools
- Limits $10 per $1,000 RMV for general government taxes
- Applies only to operating levies, not bonds

Measure 50

- Passed in 1997
- Repealed M47
- Created permanent rates
- Assessed value (AV) was set at 90% of 1995-96 RMV for each property
- AV limited to 3% annual growth
- Change property ratio (For new property, AV = (RMV) x (AV/RMV of similar property))

Exhibit 7—Assessed and Real Market Value of Taxable Property in Oregon, FY 1995-96 to FY 2023-24



Compression by Type of Government in FY 23-24				
District	Total #	# in Compression	% in Compression	Total Compression
City	241	182	76%	$ 48.5 M
County	36	35	97%	$ 20.8M
School	205	185	90%	$ 71.3M
Other	765	387	51%	$ 14.2M
Total	1247	789	63%	$ 154,988,722

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Oregon's property tax system operates within constitutional limitations voters approved through Measures 5 and 50. They created a framework that limits tax growth while introducing complexities like compression and tax disparities tied to assessed values for individual properties.

Measure 5, passed in 1990, introduced constraints on property tax levies. It capped property taxes at $10 per $1,000 of real market value for general government services and $5 per $1,000 for education services.

In 1997, Measure 50 created:

- **A permanent tax rate limit** for each taxing district that cannot be changed by the district or its voters. Voters can approve temporary levies (i.e., local option levies) to exceed the permanent tax rate.
- **An assessed value** for each property, which (a) is distinct from the **real market value**, (b) is used to calculate property taxes for each property, and (c) cannot grow more than 3 percent each year, though exceptions apply for new constructions and major improvements. (Measure 5 limits still apply to the real market value.)

Assessed values were smaller than real market values in 1997, and for most properties the gap between the two values widened over time as property prices grew faster than three percent per year. Depending on when properties were built and how the local market changed since 1997, similarly priced properties can have very different assessed values. For example, a house built in 1995 may have an assessed value significantly lower than a similar house built in 2005 has, even if their real market values are similar today. This can create inequities in how much property taxes people pay for similar properties.

When the calculated property taxes exceed these limits, a process called **compression** reduces the final tax bill. Compression proportionately reduces levy rates until the taxes are within the Measure 5 limits. Local option levies and special district assessments are compressed first, and they must be reduced to zero before any compression is applied to permanent rate levies. General obligation bond levies are not subject to compression.

In communities where compression loss is more significant, it can be difficult for overlapping taxing districts to secure adequate revenue. New levies can trigger compression and proportionately reduce property tax levies of overlapping districts. Compression forces taxing jurisdictions to compete for a limited pool of funds, compounding the challenges faced by local governments.

While Oregon's property tax system provides predictable tax bills for taxpayers, it restricts local governments' ability to respond to inflation, growth, and rising service demands. The reliance on assessed values rather than real market values and the limitations imposed by compression hinder local governments' ability to meet growing needs, resulting in funding gaps for critical public services.