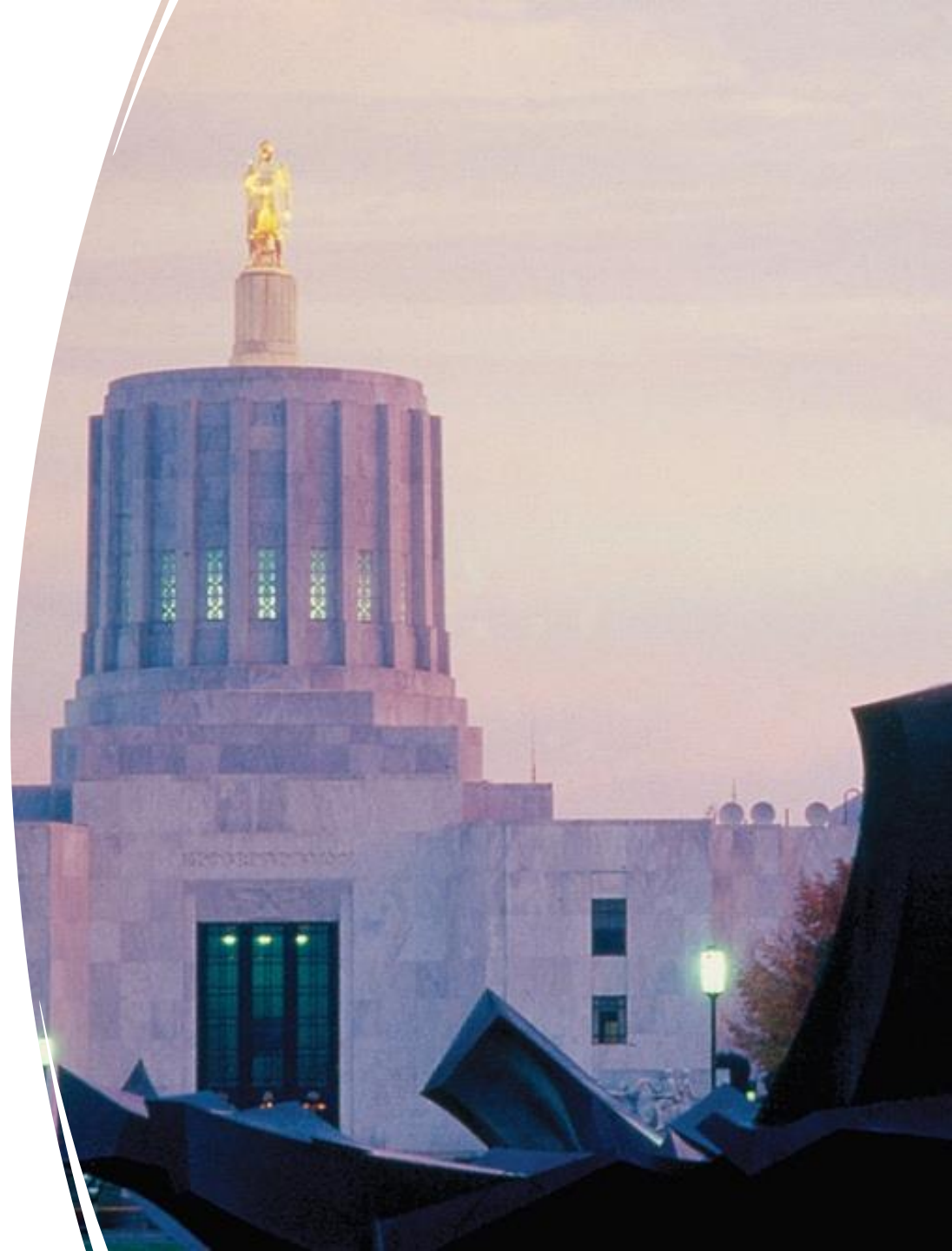


Property Tax 101: Reassessing reform



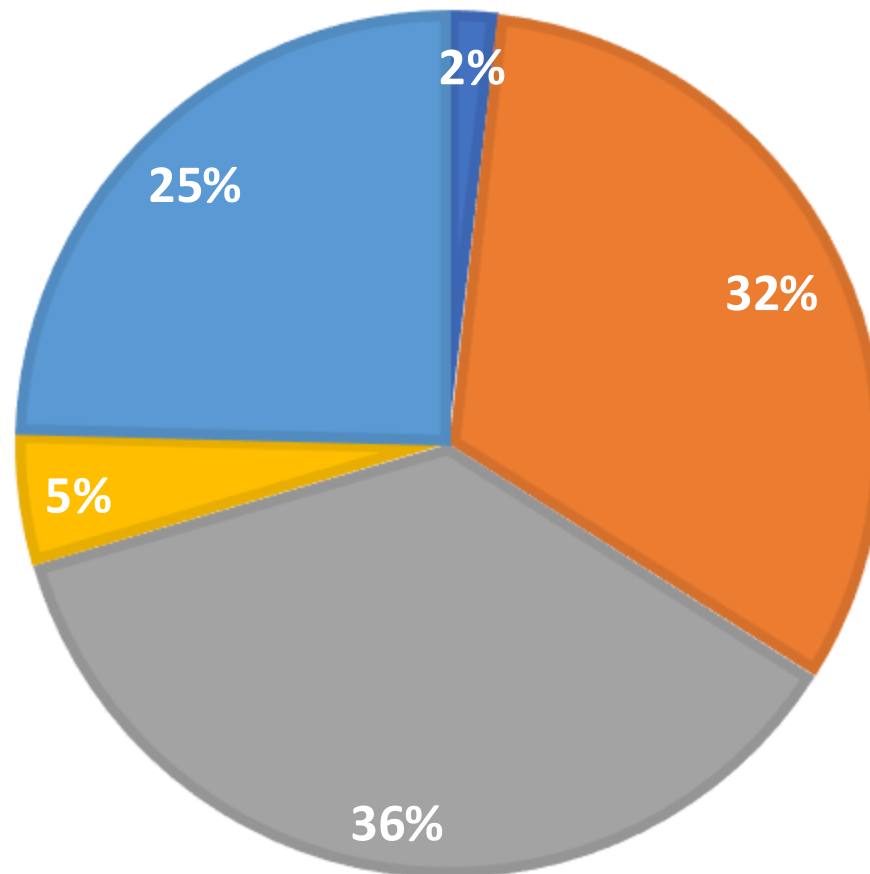
In the beginning...

- Oregon's property tax includes personal property in the base; funds state and local programs
- 1930: Income tax established, providing relief of state property tax
- 1939: State property tax completely offset by income tax
- 1933: First sales tax initiative



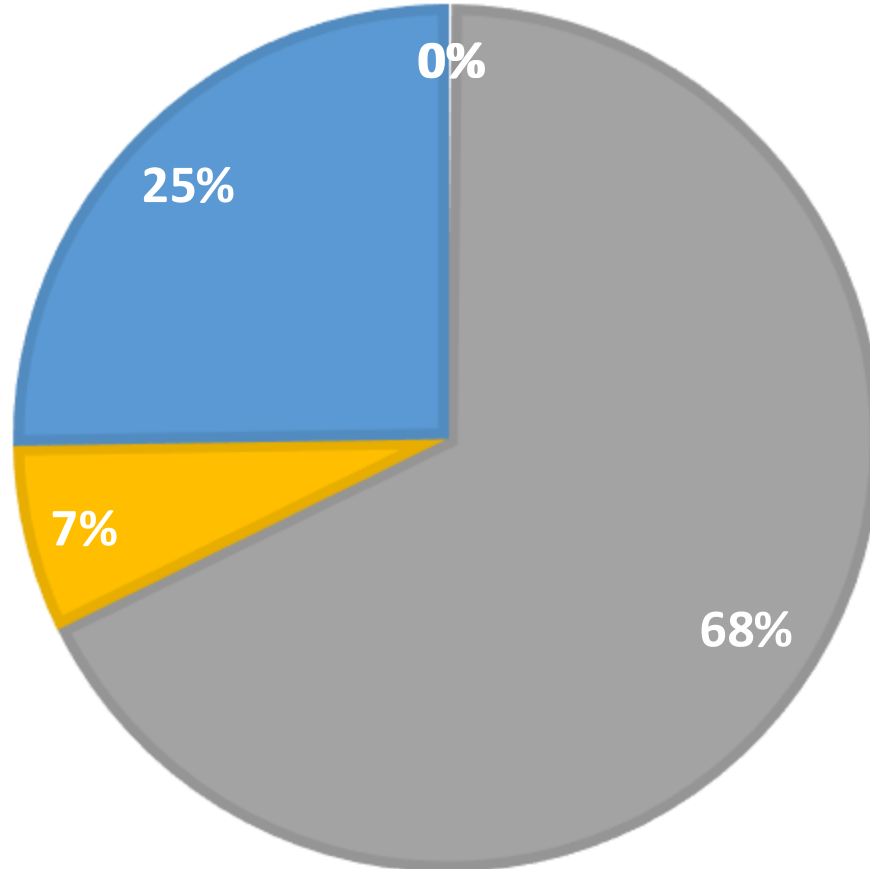
ALL STATES (AVERAGE) 2020

- Property Tax
- General Sales and Gross Receipts Taxes
- Individual Income Tax
- Corporate Income Tax
- Other Taxes

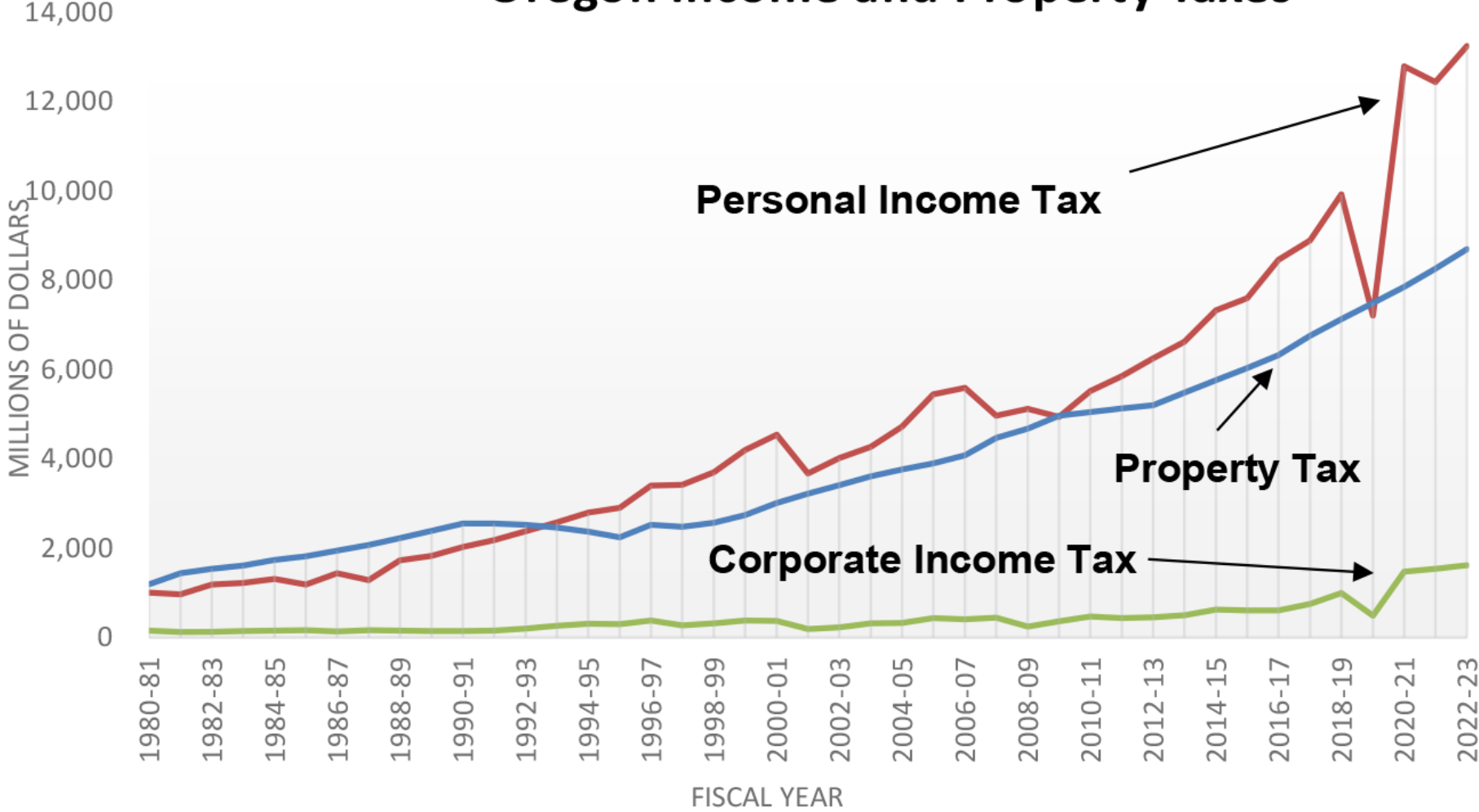


OREGON 2020

- Property Tax
- General Sales and Gross Receipts Taxes
- Individual Income Tax
- Corporate Income Tax
- Other Taxes



Oregon Income and Property Taxes



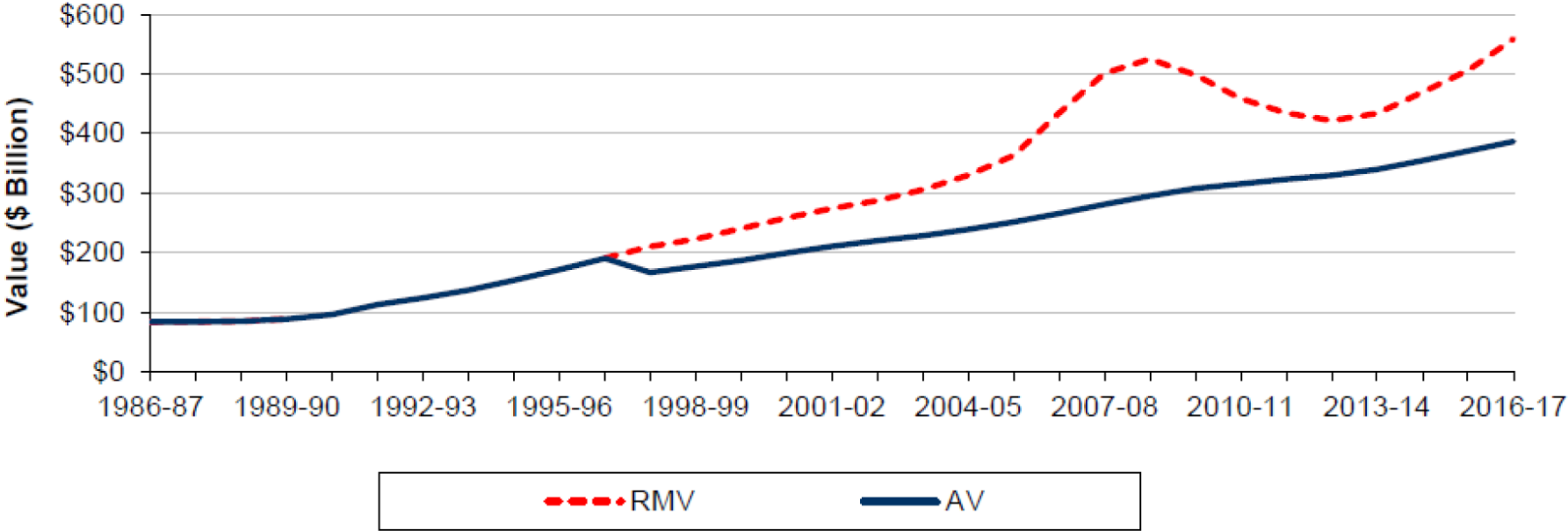
Source: Oregon Legislative Revenue Office

Why are property taxes flat?

- Measure 5 put in place a \$15/\$1,000 cap on tax bills.
- Measure 50 created a new maximum assessed value based on 1990 property values.
- Each year this new lower value can increase by up to 3 percent if it remains lower than real market values.
- This limits revenues and creates a slow climb in value each year.

What if taxes matched the market?

Exhibit 6
Assessed and Real Market Values of Property in Oregon
FY 1986-87 to 2016-17



The three inequities of M50

- 1990 versus today
- The tale of two houses
- New property with 1990 taxes

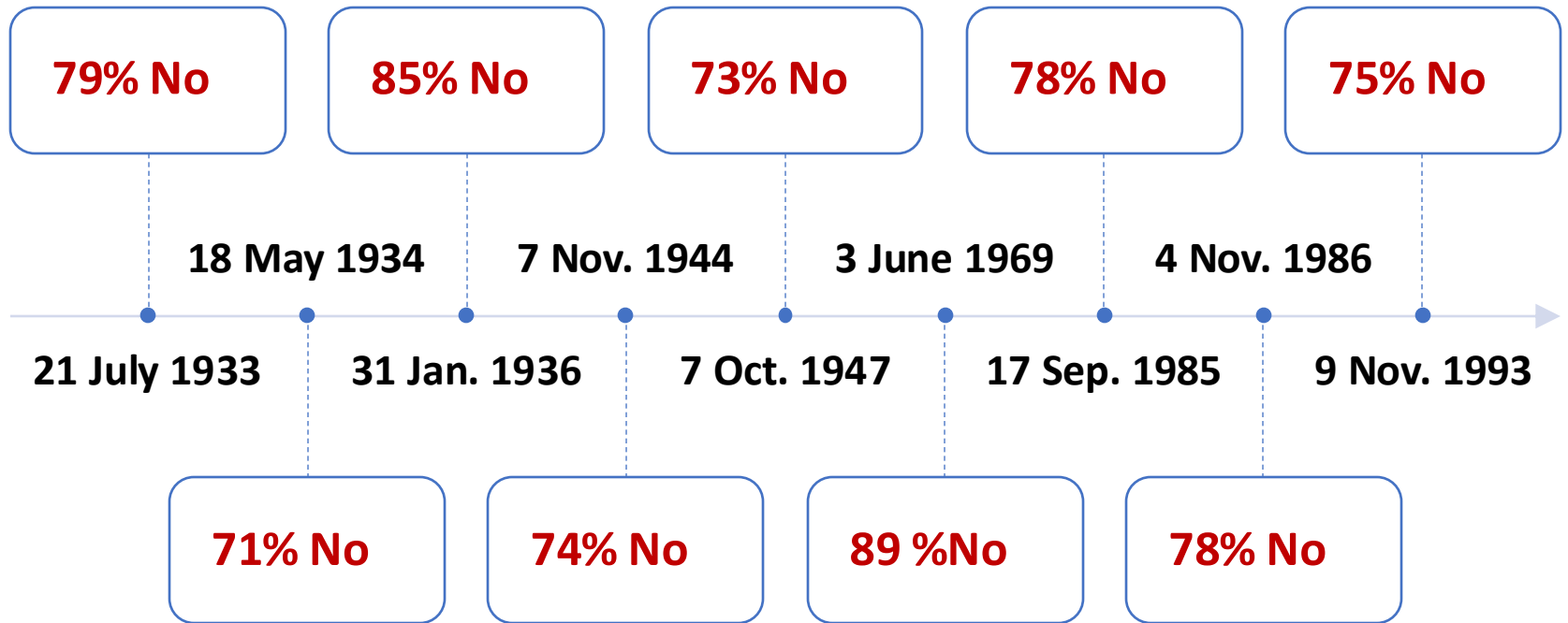




Reform efforts

- Measures 66 & 67
- Measure 97
- Corporate Activities Tax
- Local revenue reform efforts

Oregon's dance with sales tax



LOC Reform project goals



- Assemble the ways in which the property tax system could be reformed
- Calculate what each would provide in more adequate revenue
- Evaluate the political viability of those for which the juice is worth the squeeze
- Offer alternative paths for revenue reform/enhancement for local cities

LOC Reform project overview



- Focus groups (Pendleton, Bend, Portland, Medford, Coos Bay, Eugene)
- Tax policy research (Reset at sale, change property ratio, other revenue concepts)
- Statewide survey
- Other revenues toolkit

Reform: Reset at sale

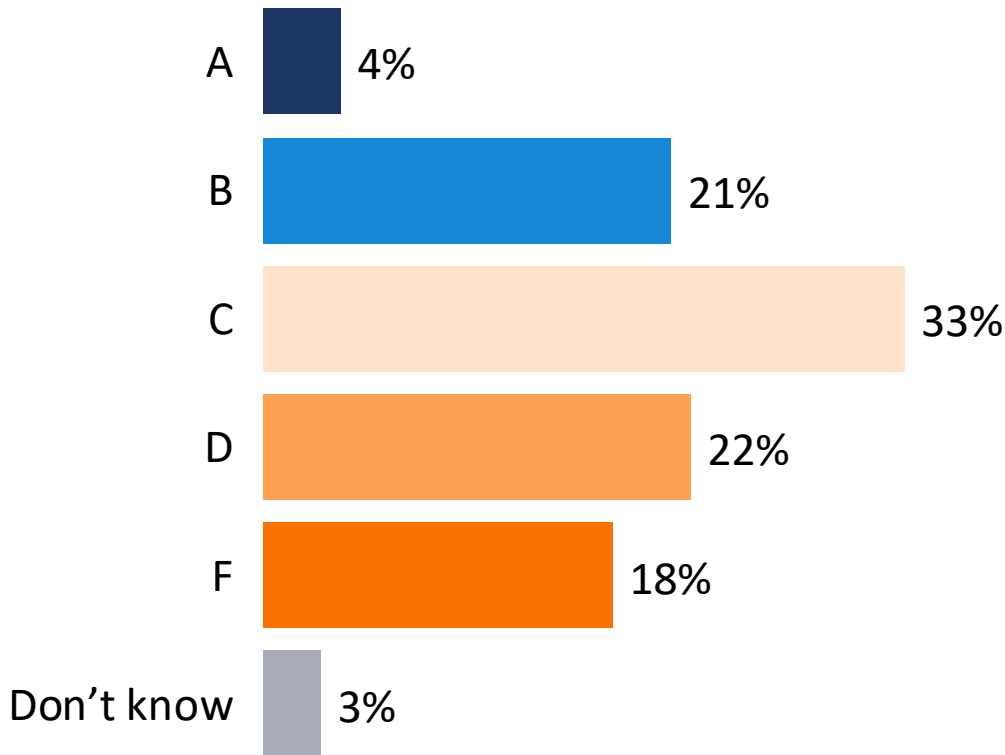
- Resetting **AV to 75% of RMV** for transactions in the last 10 years would have increased annual property tax revenues by about **\$490 million, or 25% more, by the 10th year.**
 - Results are shown for the 10th year because impact grows over time as more properties transact.
- Analysis ignores compression, but 75% of RMV is unlikely to be largely impacted by compression.
- Resetting to 100% RMV would have 1.6x the impact BEFORE compression.

Reform: Change property ratio

- Resetting changed property ratios to **1997 levels** for new construction in the last 10 years would have increased annual property tax revenues by about **\$30 million, or 1.6% more, by the 10th year.**
 - Results also for the 10th year and ignoring compression.
- Resetting to 100% RMV would have 2x the impact BEFORE compression.

Voters give their cities middling grades for serving residents' needs.

If you had to grade your local City government's overall performance in serving residents' needs on a scale with A as the best grade, and F for failing, what grade would you give them?



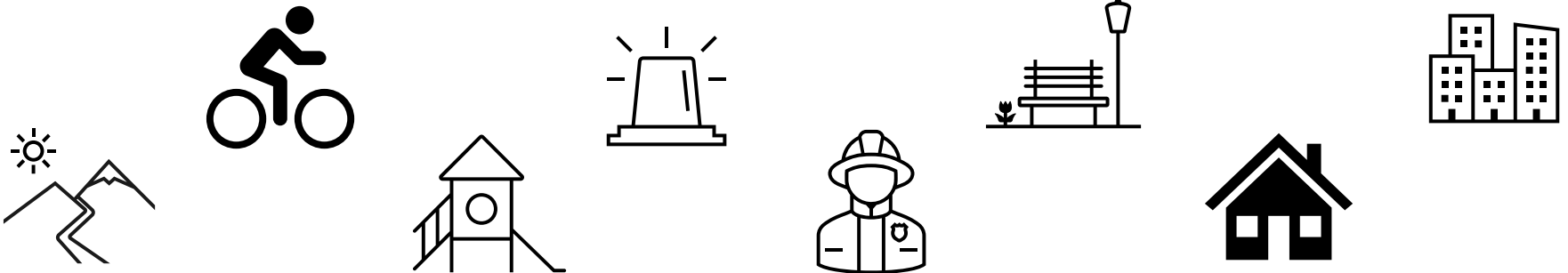
More liberal voters are more likely to give their cities higher ratings – but those in Multnomah County are especially likely to give a C rating or lower.

Respondents felt disconnected from City government and questioned its effectiveness.

- In focus groups, many perceived their City as ineffective, judging based on the lack of progress on key problems – the average grade they assigned was a C-.
- Respondents didn't feel that they hear from their city governments (though most also admit they don't have time to seek out information that might be available).

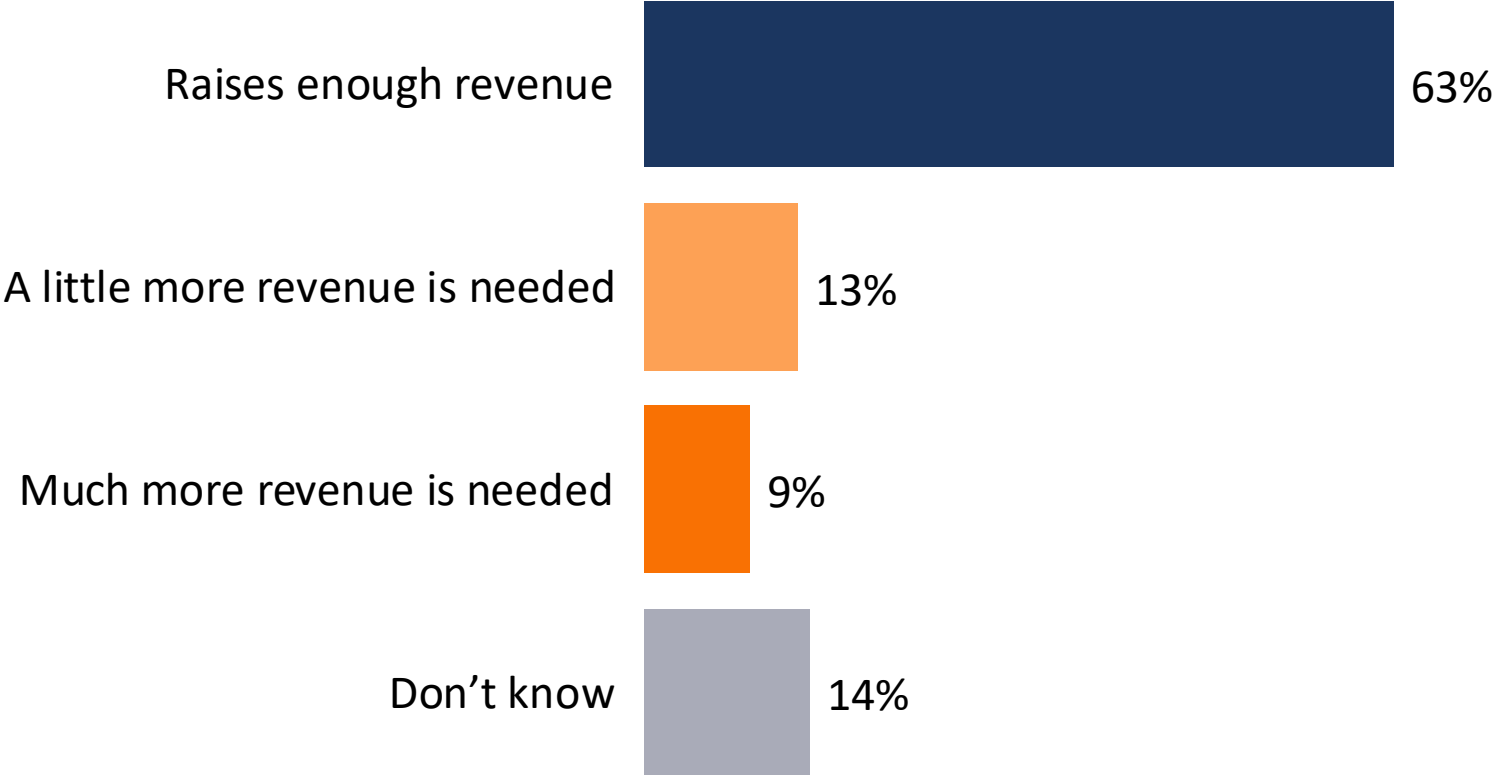
I just don't think [City government does] anything or have any interest in actually wanting to help. – Coos Bay Woman

I don't see much in the way of vision. I don't see much forward action, and no interest in change. – Pendleton Man



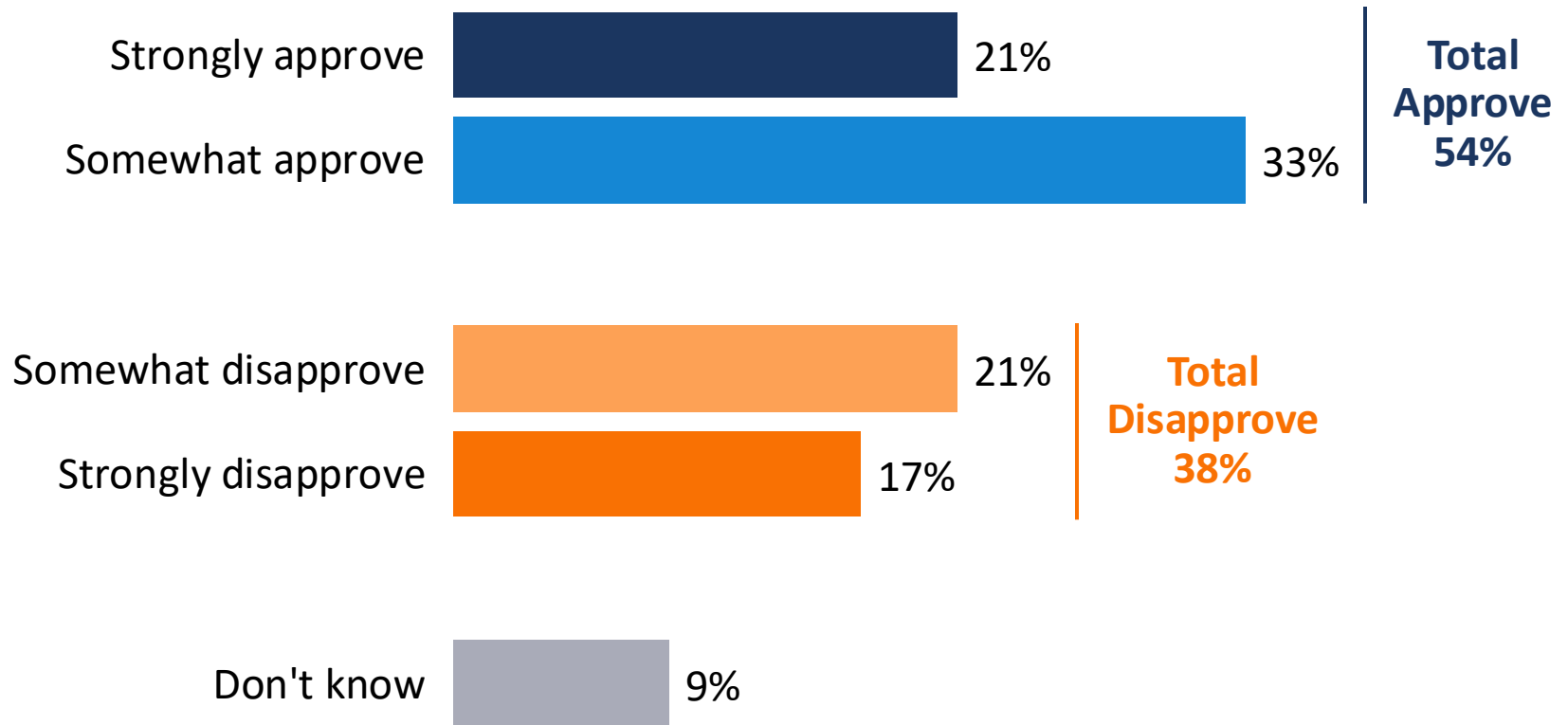
More than three in five believe that their City already raises enough revenue to meet local needs.

And based on your best guess, do you think that your City government currently raises enough revenue in taxes to meet local needs adequately, or that more revenue is needed to meet these needs?



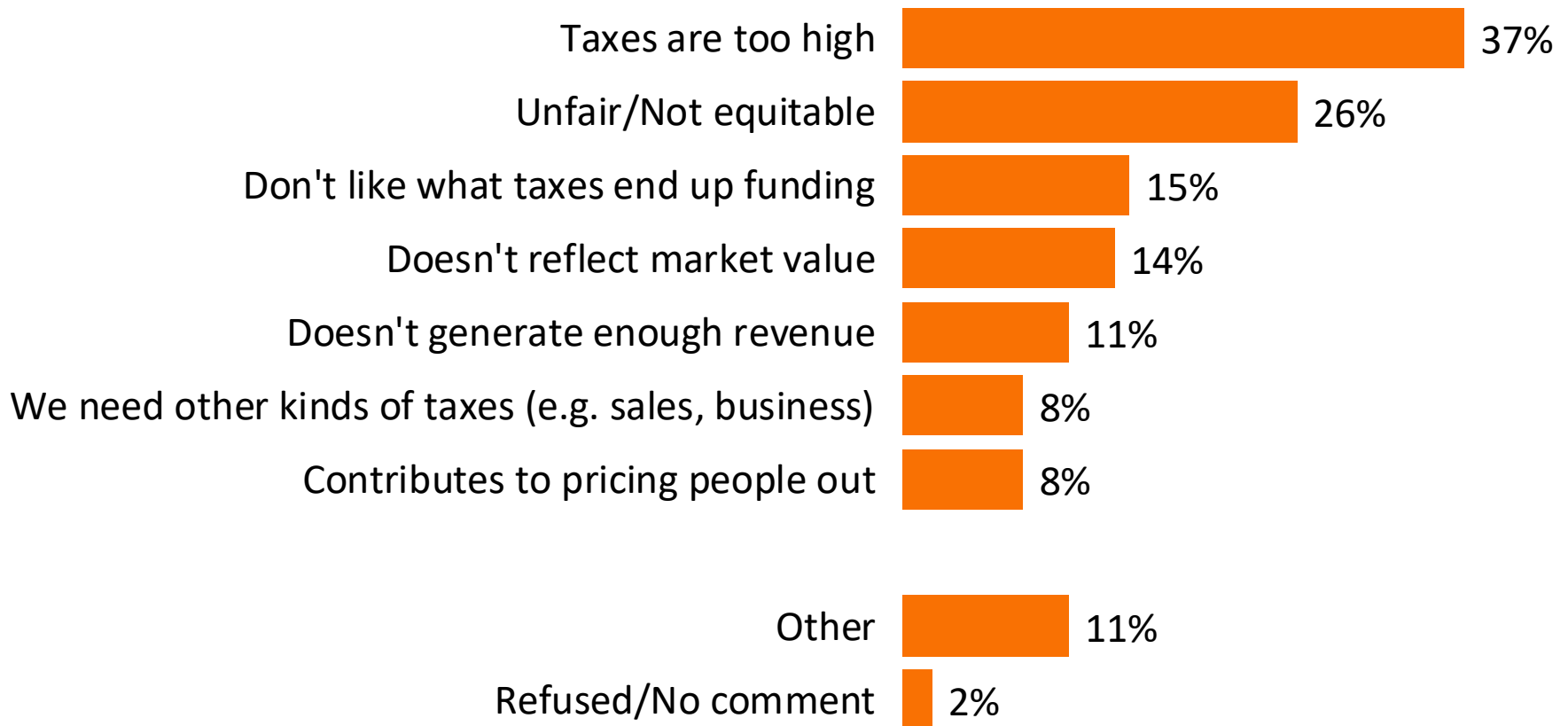
Given this description, a majority of Oregonians approves of the property tax system.

Generally speaking, do you approve or disapprove of Oregon's property tax system as it is today?



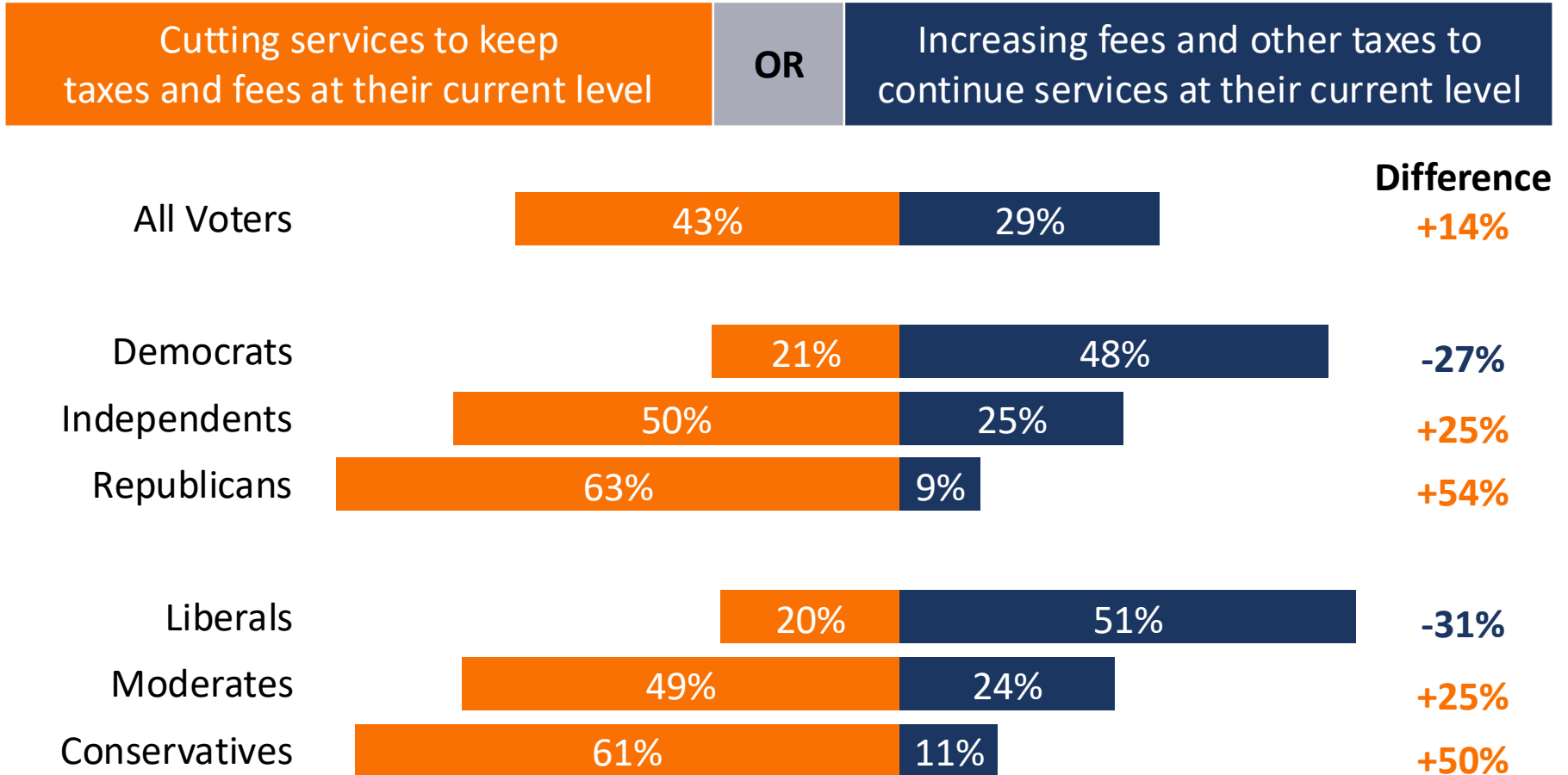
Those who disapprove believe their taxes are too high, or that it seems generally unfair.

*In a few words of your own, why do you **DISAPPROVE** of this property tax system?
(Open-ended; Asked of Those Who Disapprove Only, n=233)*



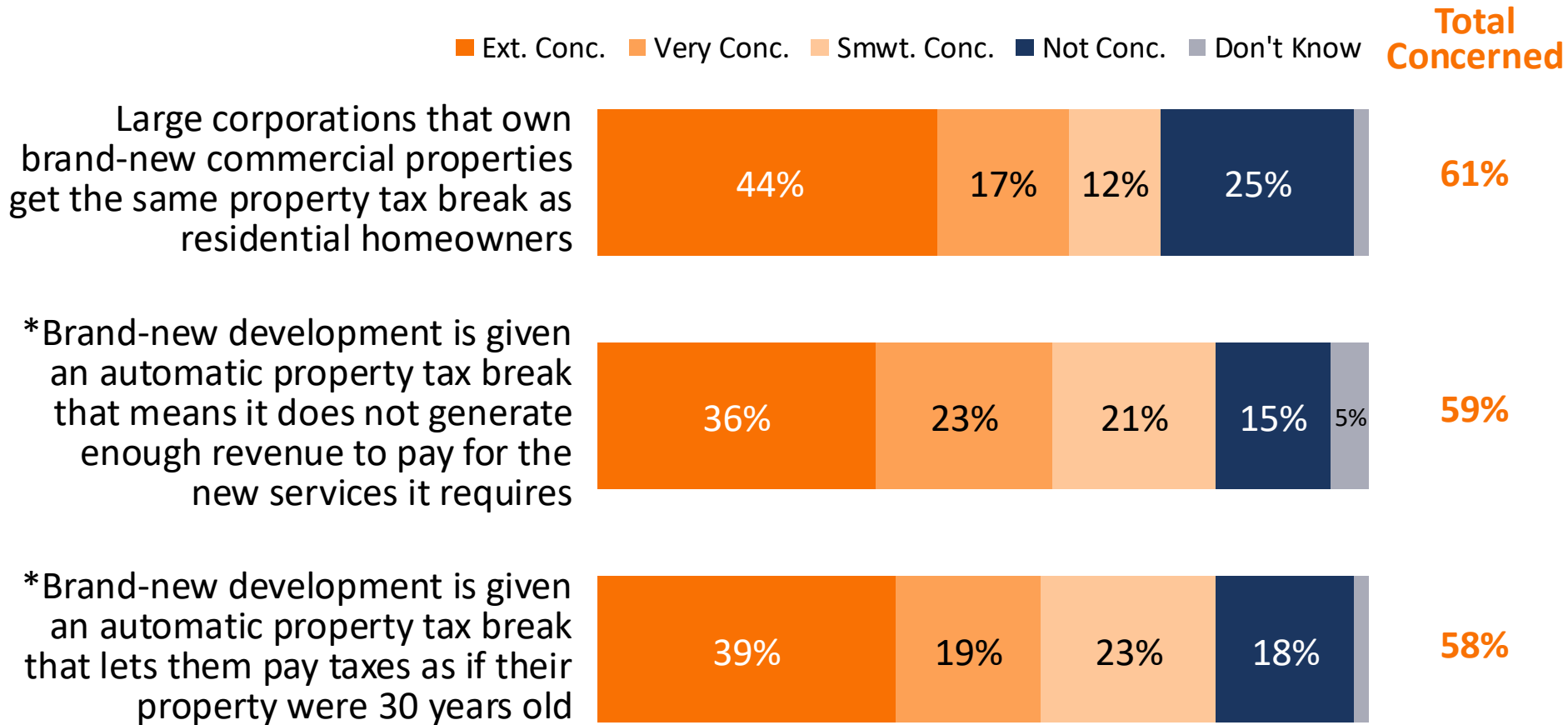
Stepping back, voters prefer service cuts (in principle) to increased fees and taxes.

Which of the following approaches would you prefer your City government take to address the fact that the cost of providing services is increasing, while property tax revenue is largely unchanged?



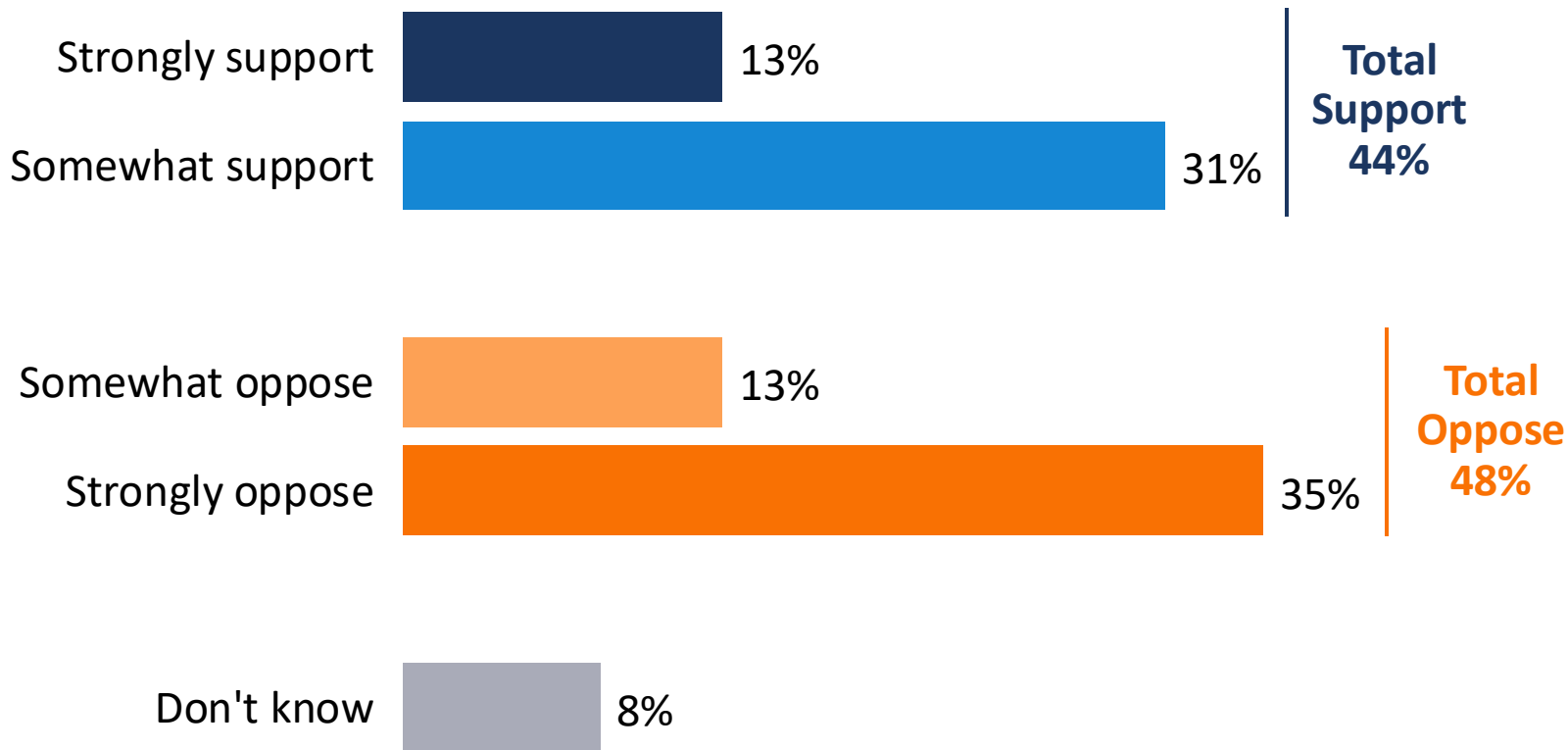
Tax breaks for corporations and new development are concerning impacts of the tax system.

Here is a list of some of the impacts that Oregon's property tax system has. Please indicate whether you find each one to be extremely concerning, very concerning, somewhat concerning, or not concerning.



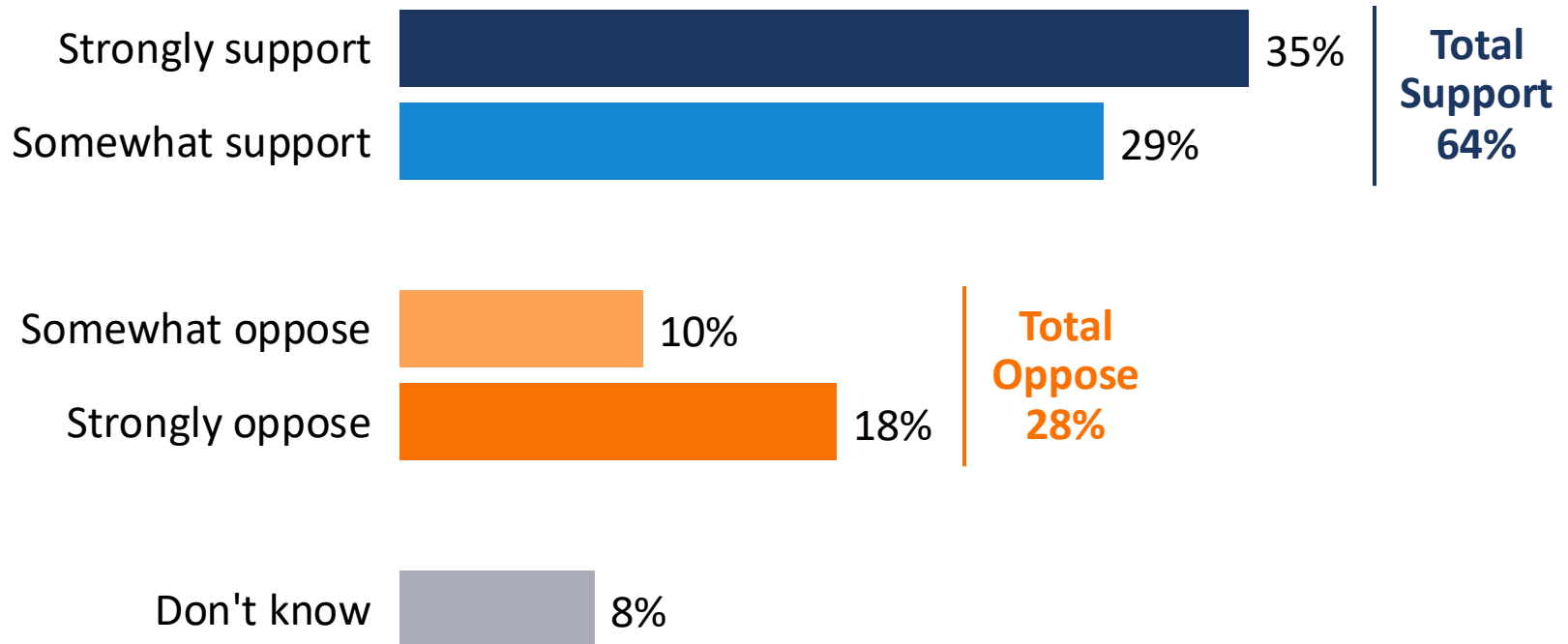
Voters are split on reset at sale – but opponents are much surer of their opinion.

As a reminder, currently property owners pay property taxes based on what their property was worth in 1997, rather than its current market value. Some people have proposed re-setting the assessed value of properties to match their market value each time the property is sold. Do you support or oppose this idea?



Nearly two-thirds support addressing the Changed Property Ratio given a brief description.

Currently, the law requires that when new development is built, the government has to discount its assessed value as if it had been built in 1995, and then charge property taxes based on that lower assessed value. On average, this means new development is given a 40% to 60% discount on its property taxes relative to the actual market value of the property. Some people have said that instead, new development should pay property taxes based on the actual market value of the property when it is built.



**What's
next?**

