



Property Tax Relief

Senate Interim Committee on Finance and Revenue

LRO | Sept. 20, 2017



Outline of Presentation

- Context for discussion
- Existing & past relief programs
- Historical property tax relief programs in Oregon
- Growth trends and ownership/renter costs
- Potential programs
 - Homestead exemption
 - Circuit breaker



Context for Discussion

Property Tax Reform



- Maintain rate based system, with rates applied to real market value of property
- Institute a homestead exemption
 - SJR 3 (2017)

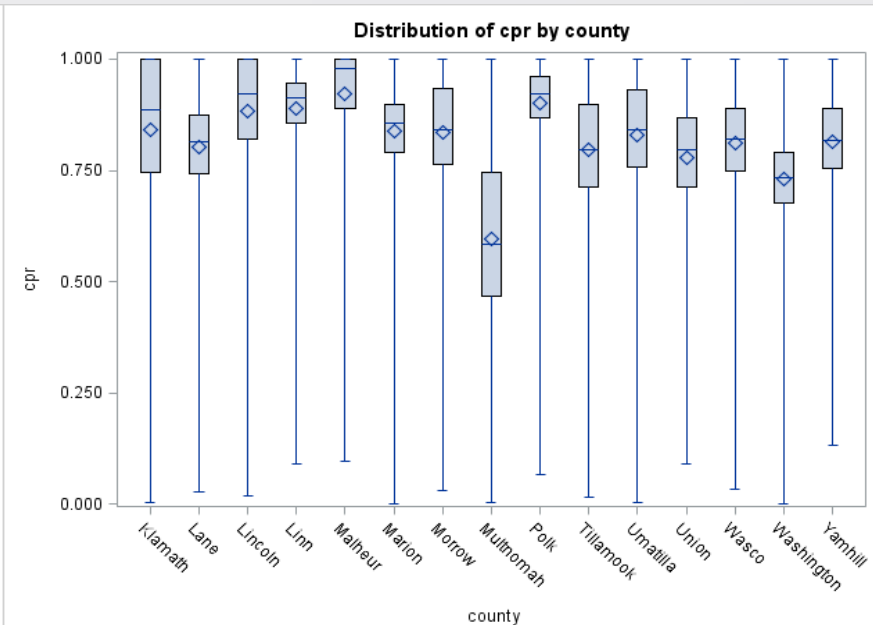
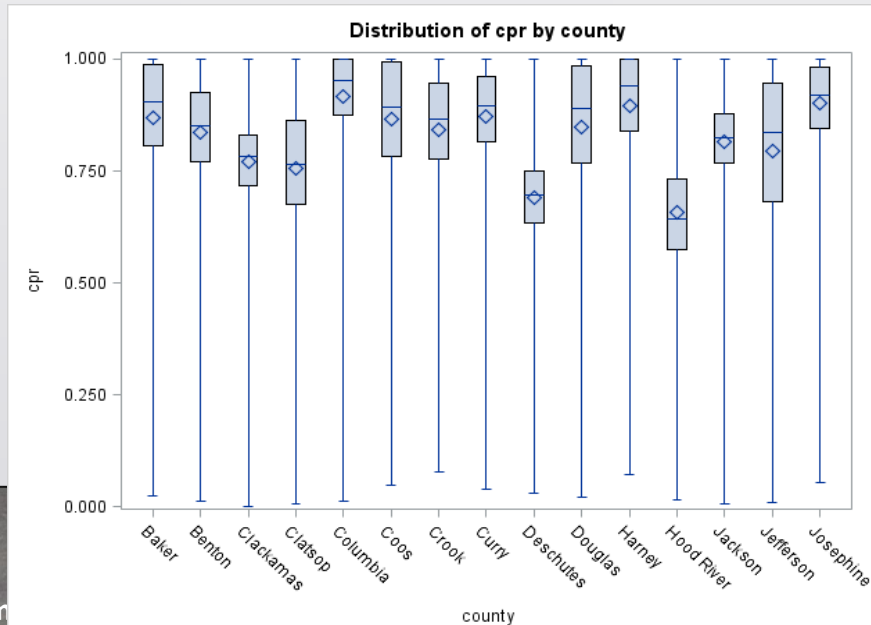
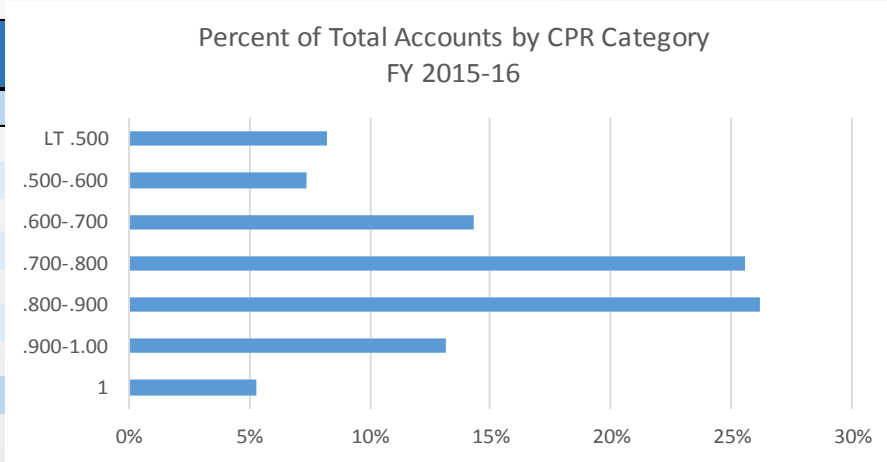
Comparison of Assessed Value and Real Market Value, Class 101 Accounts (Residential Improved)

Comparison of AV and RMV for property tax accounts classed as 101 (residential improved property). Table and charts reflect CPR (ratio of assessed value to real market value) of accounts. Data reflects account values as of January 1, 2015. Source data used for analysis is received from 30 of Oregon's 36 counties. Counties not reporting account for less than 2% of overall statewide value.

For the boxplots, the horizontal line dividing the box represents the median, rhombus the mean and the box of the boxplot the interquartile groups 2 and 3 (i.e. - 50% of accounts have a CPR within box distribution, with remaining 50% of accounts reside in are between box and upper or lower whisker of the boxplot.

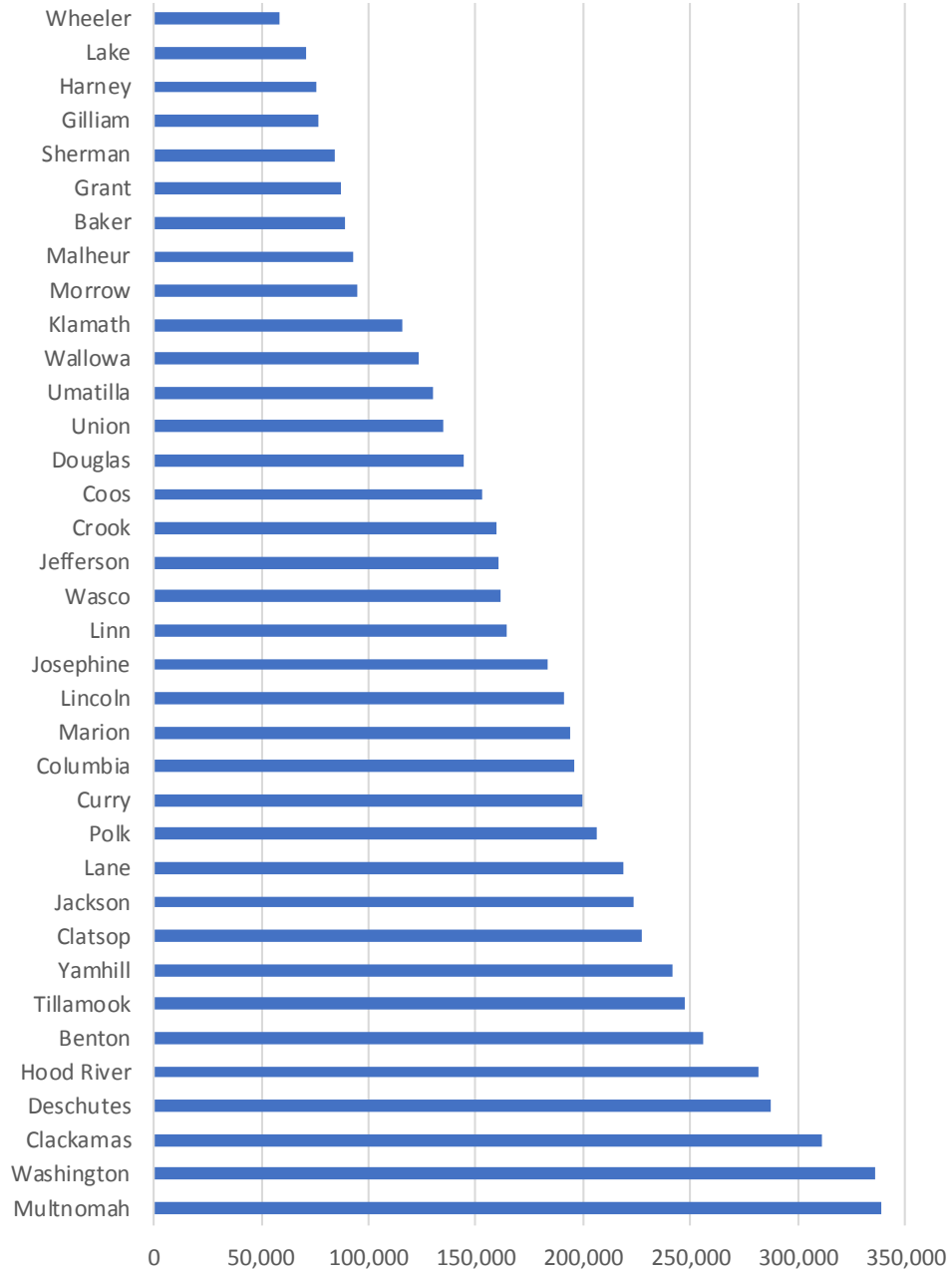
CPR of Residential Improved Accounts FY 2015-16		
CPR Category	# of Accts.	Pct. of Total
1	47,535	5%
.900-1.00	118,471	13%
.800-.900	236,551	26%
.700-.800	230,725	26%
.600-.700	129,375	14%
.500-.600	66,246	7%
LT .500	74,521	8%
Total	903,424	

Note: Underlying data includes 30 of Oregon's 36 counties but nearly 100% of statewide value



County Contrasts

County Median RMV | Residential Improved Accounts | TY 2016-17



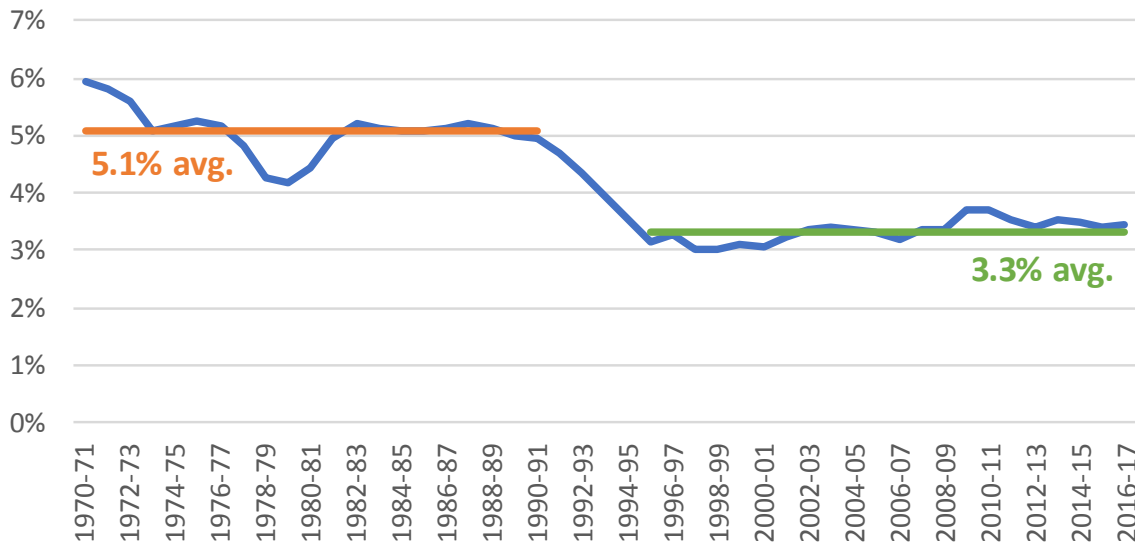


Existing & Past Relief Programs

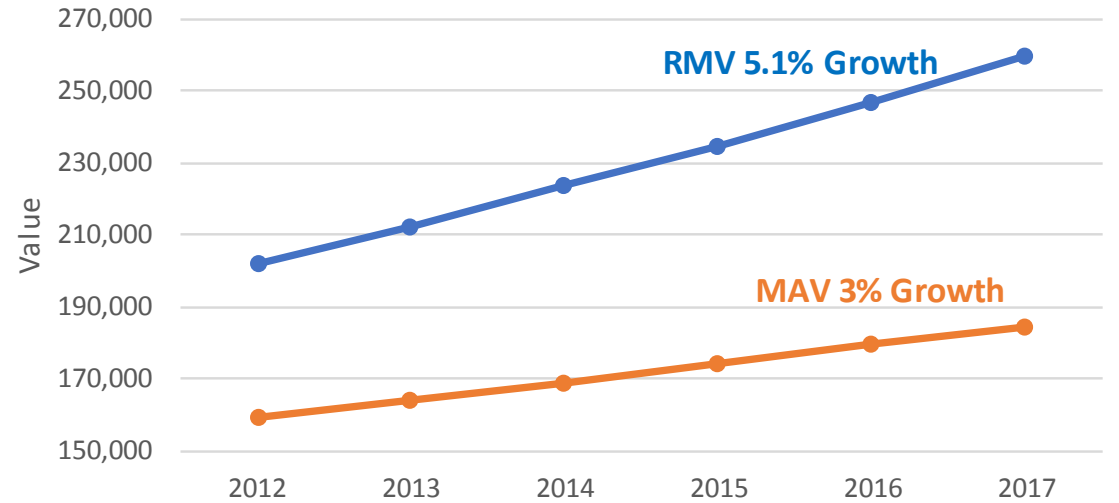
Oregon's Existing Property Tax Base

- Measure 5 Tax Limits
 - \$5 per 1,000 RMV Education
 - \$10 per 1,000 RMV Gen. Gov.
- Measure 50 Growth Limits

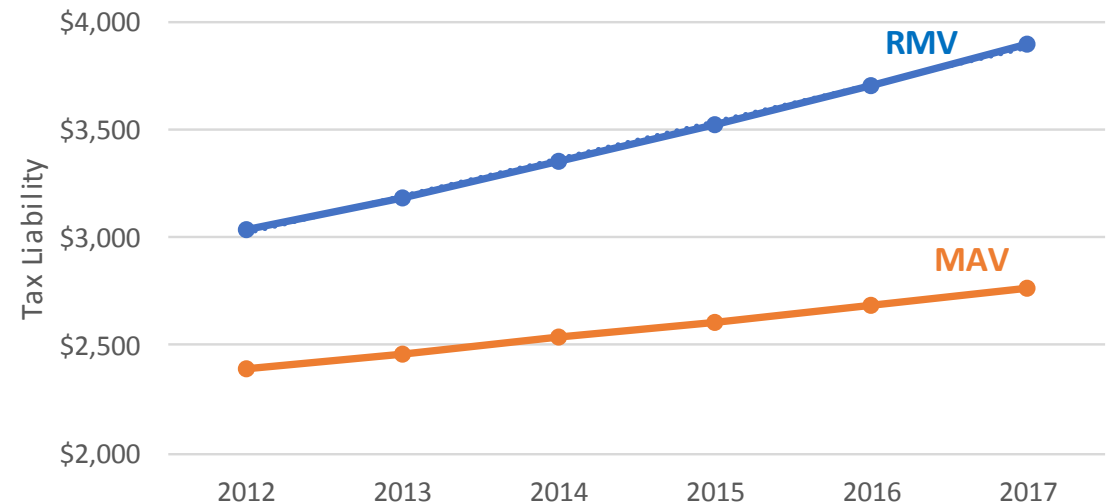
Property Taxes as Pct. of OR Personal Income
1970-2016



Example of RMV and MAV Growth Rates



Example of RMV and Tax Liability



Senior and Disabled Property Tax Deferral

- Allows qualified seniors and peoples with disabilities to defer property taxes on homestead
 - Household income limit of \$43,500 for 2017-18 (indexed to inflation)
 - Net worth limit of \$500,000 (excludes value of home)
 - Deferred amount accrues at 6% interest
 - Deferred amounts repaid when home is sold

Income Tax Housing Related Tax Expenditures

INCOME TAX

	Level	Type	Enacted	(\$M)
1.214 Home Mortgage Interest	Federal	Deduction	1913	\$962.4
1.213 Property Taxes	Federal	Deduction	1913	\$424.9
1.035 Capital Gains on Home Sales	Federal	Exclusion	1997	\$336.1
1.054 Gain on Like-Kind Exchanges	Federal	Exclusion	1921	\$133.6
1.212 Accelerated Depreciation of Rental Housing	Federal	Deduction	1954	\$33.7
1.428 Oregon Affordable Housing Lender's Credit	Oregon	Credit	1989	\$10.2
1.061 Rental Allowances for Clergy Housing	Federal	Exclusion	1921	\$6.2
1.504 Capital Gains from Farm Property	Oregon	Rate	2001	\$2.8
1.429 Agriculture Workforce Housing Construction	Oregon	Credit	1989	\$1.5
1.303 Scholarship Awards Used for Housing Expenses	Oregon	Subtraction	1999	\$1.4
1.022 Cancellation of Debt for Nonfarmers	Federal	Exclusion	Pre-1955	\$0.1
1.313 Mobile Home Park Capital Gain	Oregon	Subtraction	2005	\$0.1
1.314 Mobile Home Tenant Payment	Oregon	Subtraction	2007	\$0.1
1.432 Mobile Home Park Closure	Oregon	Credit	2007	\$0.1

Note: Revenue Impact Estimates are for 2015-17 Biennium and sourced from 2015-17 Governor's Tax Expenditure Report

Income Tax Itemized Deduction – Property Taxes



2013 Personal Income Tax Filers

Income Group of Full-Year Filers	# of Filers Taking Deduction	Avg. Deduction	Total Deducted (\$ millions)	Avg. Revenue Impact	Revenue Impact (\$ millions)	Percent of Revenue Impact by Income Group
< \$12,800	23,500	\$4,650	\$109.2	\$119.15	\$2.8	1%
\$12,800 - \$26,700	32,900	\$2,790	\$91.7	\$103.34	\$3.4	2%
\$26,700 - \$47,600	73,000	\$2,760	\$201.6	\$200.00	\$14.6	8%
\$47,600 - \$84,300	163,000	\$3,000	\$489.3	\$257.67	\$42.0	24%
> \$84,300	267,100	\$4,620	\$1,233.5	\$419.32	\$112.0	64%
All Full-Year Filers	559,500	\$3,800	\$2,125.2	\$312.42	\$174.8	100%

Source: 2017-19 Tax Expenditure Report

Housing Related Property Tax Expenditures (\$'s in Thousands)

Category	Tax Expenditure Name	Enacted	Sunset	Statute	Rev Benefit 2015-17
Education	Leased Student Housing Publicly Owned	1947		307.110(3)(a)	16,100
Education	Academies, Day Care, and Student Housing	1957		307.145	3,800*
Education	Fraternities, Sororities, and Cooperatives	1973		307.471	500
Education	Student Housing Furnishings	1957		307.195	200
Elderly	Nonprofit Elderly Housing State Funded	1977		307.242	3,600
Elderly	Long Term Care Facilities	1999		307.811	100
Elderly	Nonprofit Housing for the Elderly	1969		308.490	100
Low-Income / Charitable	Housing Authority Rental Units	1937		307.092	32,800
Low-Income / Charitable	Nonprofit Low Income Rental Housing	1985	6/30/2027	307.541	22,500
Low-Income / Charitable	Charitable, Literary, and Scientific Organizations	1854	6/30/2022**	307.130	12,000**
Low-Income / Charitable	New Single Unit Housing	1989	6/30/2025	307.664	6,700
Low-Income / Charitable	Multi-Unit Rental Housing	2001		308.704	4,900
Low-Income / Charitable	New Housing for Low Income Rental	1989	12/31/2019	307.517/307.518	2,200
Low-Income / Charitable	Nonprofit Homebuilder Building Low Income Housing	2015	6/30/2021	307.513	400
Low-Income / Charitable	Rehabilitated Housing	1975	12/31/2016	308.459	200
Low-Income / Charitable	Local Government Owned Low Income Housing	2013		307.110(3)(h)	100
Low-Income / Charitable	Low Income Multi-Unit Housing	1999	1/1/2022	307.612	***
Natural Resource	Farm Homesites	1987		308A.253	30,700
Natural Resource	Forest Homesites	1989		308A.253	8,800
Natural Resource	Farm Labor Housing and Day Care Facilities	1973		307.485	700
Veterans & First Responders	Disabled Veterans or Their Surviving Spouses	1921		307.250	29,100
Veterans & First Responders	Veterans in Nonprofit Elderly Housing	1969		307.370	400
Veterans & First Responders	Homestead Exemption for Active Duty Military	2005		307.286	<100
Veterans & First Responders	First Responder Killed in the Line of Duty	2016	6/30/2021	OR Laws 2016, Ch. 56	N/A****
Other	Multi-Family Rental Housing in City Core	1975	1/1/2022	307.612	10,100
Other	Historic Property	1975	6/30/2020	358.505	9,200
Other	Low Value Manufactured Structure in Large County	2010		308.250(2)(b)	2,200
Other	Federal Land Under Summer Homes	1975		307.183/307.184	1,700
Other	Vertical Housing Development Zone	2001	12/31/2025	307.864	1,700*****

*Reflects estimate of portion of revenue benefit related to housing

**Partial exemption in 6/30/2022. Reflects estimate of portion of revenue benefit related to housing.

***Included in estimate of Multi-Family Rental Housing in City Core

****New tax expenditure in 2016, provides county option of providing exemption

*****Vertical housing was scheduled to sunset, was extended in 2015, recent preliminary 2015-17 estimate \$1.7M

Sources: 2015-17 Tax Expenditure Report, LRO Revenue Impact Statements, Oregon Department of Housing

Historical Property Tax Relief Programs



Homeowners and Renters Refund Program (HARRP)

HARRP was created in 1973 and discontinued by the 1991 Legislature. Refunds were phased down in 1991 and then ended. In 1991 HARRP gave property tax refunds to homeowners and renters with household income of less than \$10,000. Assets (excludes homestead, personal property and retirement plans) could not exceed \$25,000 unless age 65 or older. The program refunded property taxes up to a maximum for each income group.

Property Tax Relief Program (PTR)

PTR was enacted in 1979 and repealed by the 1985 Legislature. The program, when originally enacted, refunded 30% of qualifying operating levies up to a maximum of \$800 for each homeowner. Renters were refunded 4.7% of contract rent up to \$400 for each renter.

Elderly Rental Assistance (ERA)

ERA was enacted in 1975. ERA makes payments to renters age 58 and older with annual household income less than \$10,000. Assets (excludes homestead, personal property and retirement plans) must be less than \$25,000 if under age 65. No asset limit exists for participants older than 65. Rent, fuel and utility costs must exceed 20% of participant household income for calculating a payment. The payment is gross rent (including fuel and utilities) up to the \$2,100 limit less 20% of household income, such that the payment reaches the maximum of \$2,100 when income is zero and a minimum payment of \$100 at \$10,000 income. DOR's final program processing and check mailing will take place in July and November 2016. After which, OHCS will integrate the ERA program into existing rent relief programs.



Trends in Growth and Ownership/Renter Costs

Definitions



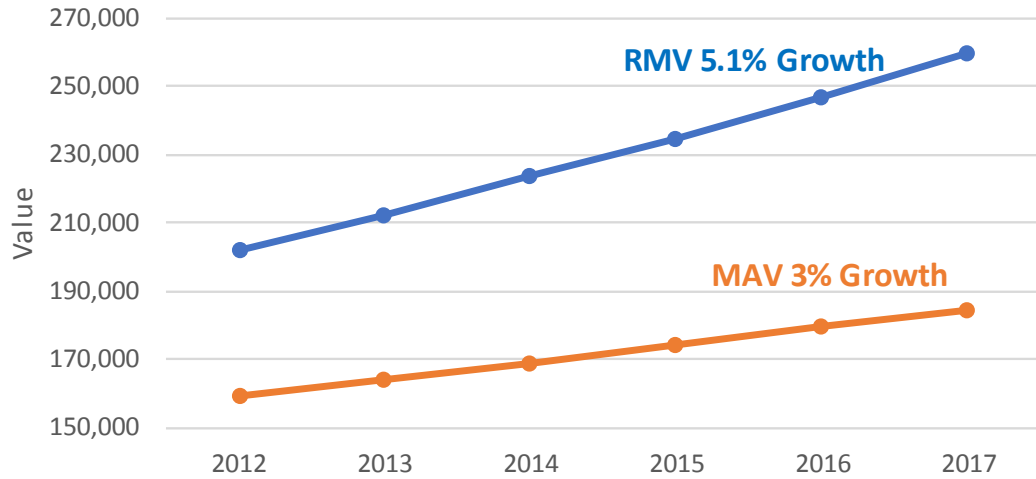
Selected monthly owner costs are calculated from the sum of payment for mortgages, real estate taxes, various insurances, utilities, fuels, mobile home costs, and condominium fees.

Gross rent is the amount of the contract rent plus the estimated average monthly cost of utilities (electricity, gas, and water and sewer) and fuels (oil, coal, kerosene, wood, etc.) if these are paid for by the renter (or paid for the renter by someone else).

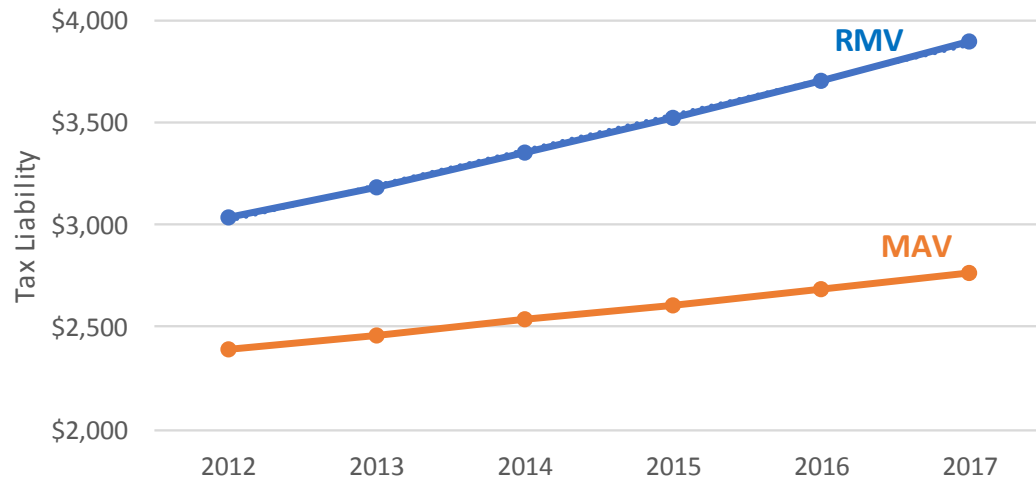
Monthly housing costs are developed from a distribution of "Selected Monthly Owner Costs" for owner-occupied units and "Gross Rent" for renter-occupied units.

Trends in Growth

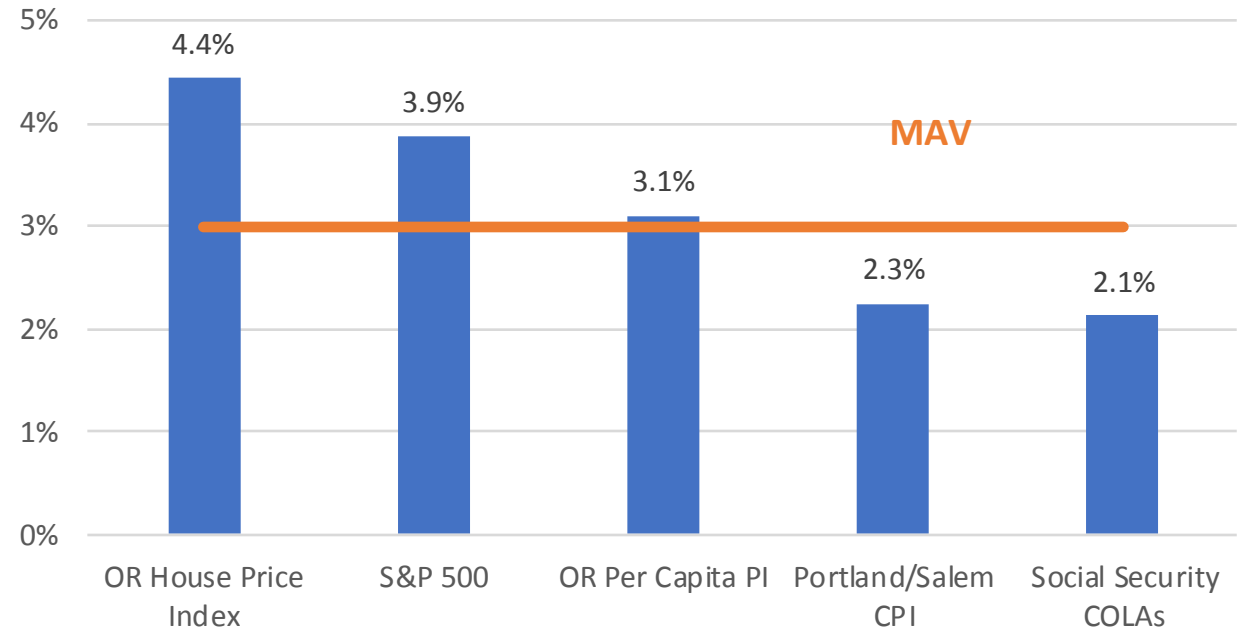
Example of RMV and MAV Growth Rates



Example of RMV and Tax Liability



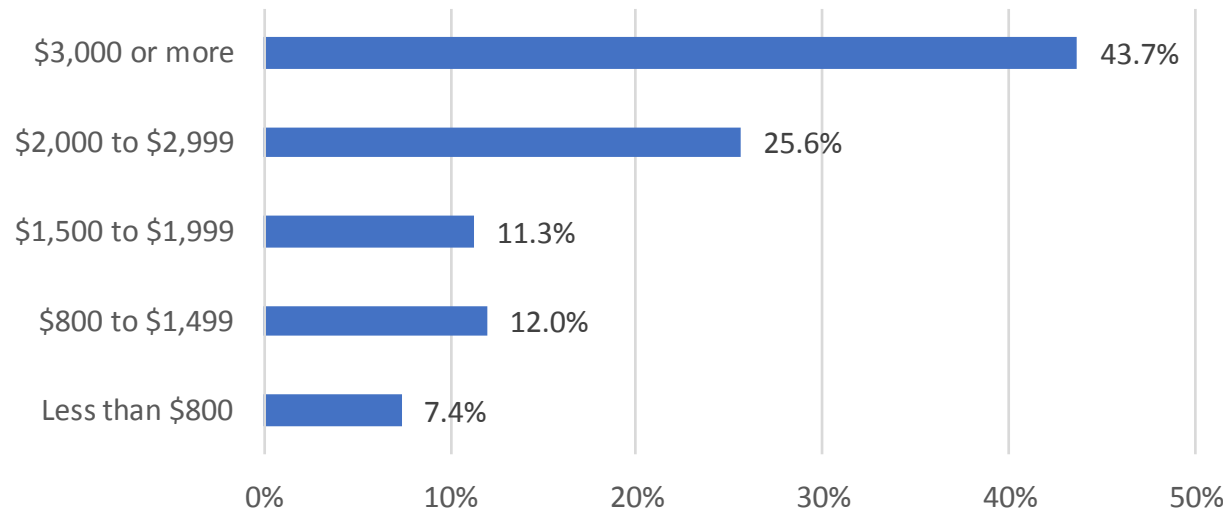
Average Annual Change 1998-2016



Tax Liability, Ownership Costs for Owner Occupied

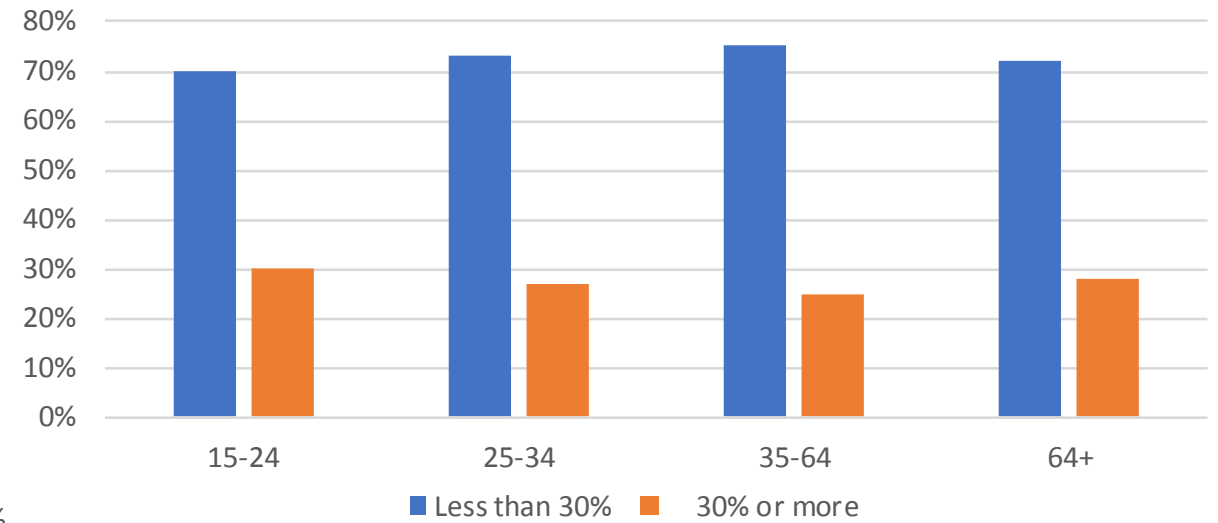


Percent of Owner Occupied Households Paying Specified Property Tax Liability - 2015



Source: 2015 American Community Survey (Census)

Ownership Costs as Percentage of Household Income by Age Category - 2015

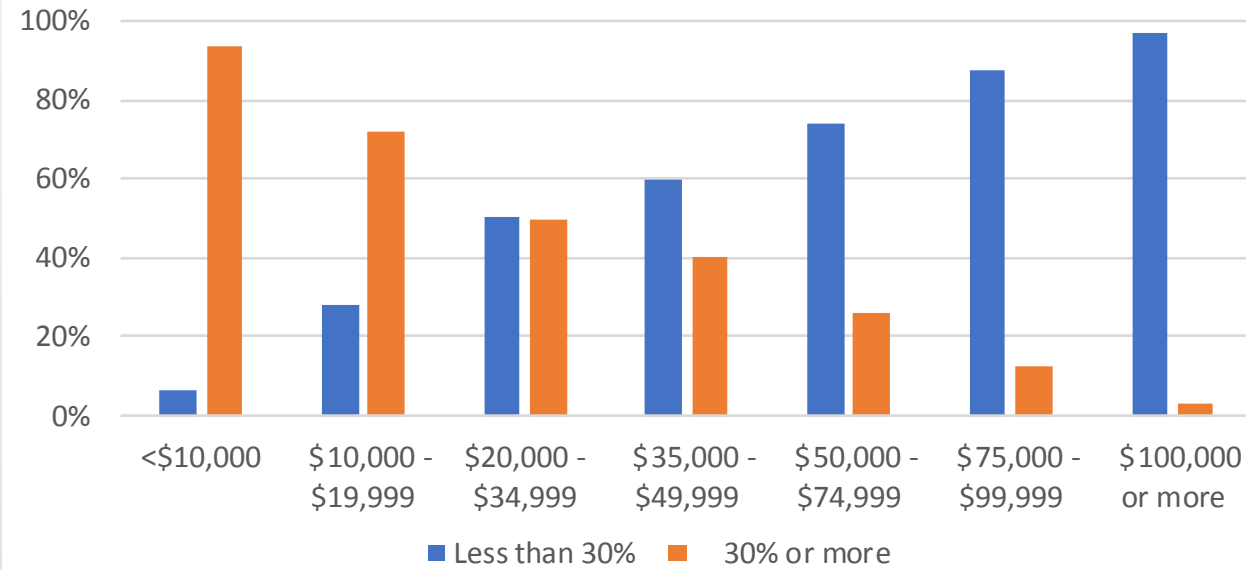


Source: American Community Survey, 2015 (Census)

Ownership Costs and Gross Rent

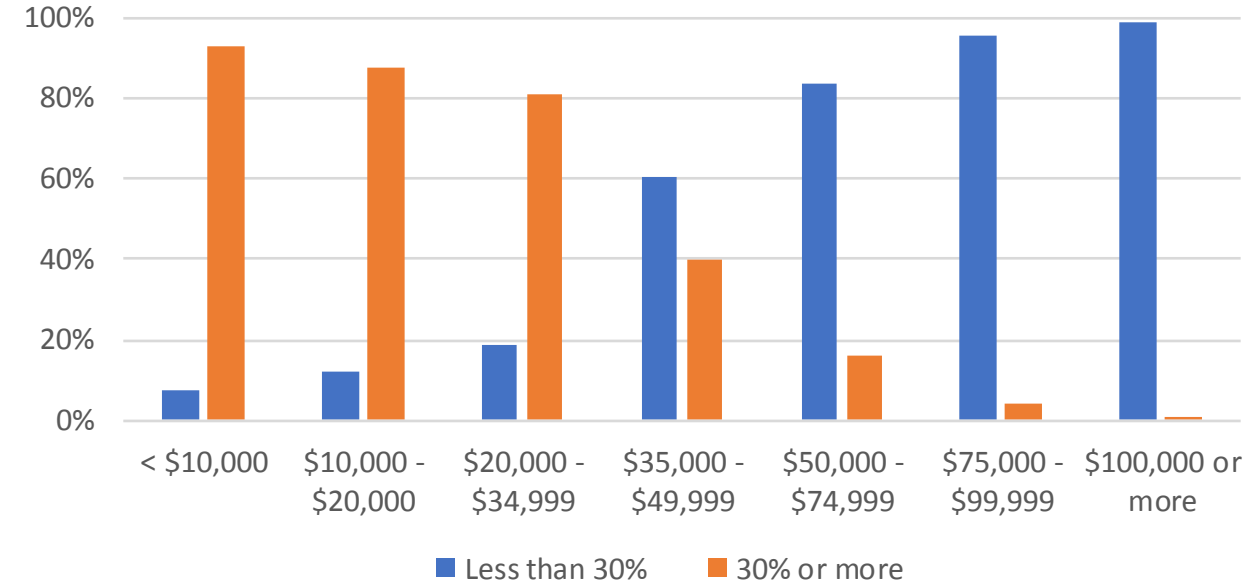


Monthly Ownership Costs as Percentage of Household Income - 2015



Source: American Community Survey, 2015 (Census)

Gross Rent as a Pct. of Household Income - 2015



Source: American Community Survey, 2015 (Census)



Potential Programs

Potential Programs




Homestead Exemption

Homestead exemption allows a portion of the assessed value of person's principal residence to be exempt from tax.

Circuit Breaker

Circuit breakers provide households with property tax relief that generally increases as household income declines or as property tax liability increases as a share of household income.



Homestead credit specifies the relief in terms of a reduction in, or credit based on the homeowner's property tax bill. Can function similar to homestead exemption or circuit breaker

Homestead Exemption



General Structure

- Exempts specified amount or percentage of home's assessed value from taxation
 - Can be tailored to geographic conditions
- May provide exemption from all or specified levies (e.g. – schools)
- Available to owner-occupied property
- Can be targeted to certain groups
 - Lower Income
 - Veterans
 - Elderly
- Administered by county assessors and collectors, may require application process

Circuit Breakers



Threshold Circuit Breakers

- Single-threshold: Tax relief becomes available once property tax liability exceeds specified percentage of income
- Multiple-threshold: Tax relief increases for specified categories of income (generally used to add progressivity)

Sliding Scale Circuit Breakers

- Can use income brackets with tax relief amount dependent upon income bracket of homeowner
- May employ a sliding scale where available tax relief decreases as income increases

- Circuit breakers can be made available to homeowners and renters
- May require new administrative structure
- Eligible recipients may be required to apply for tax relief
- Timing of relief and property tax liability

Homestead and/or Renter Credit

- Similar structure to homestead exemption or can be designed as a circuit breaker
- Differences in administration
 - County assessors and tax collectors
 - Potentially state government administered/financed
 - Rebates to taxpayers or directly reduce property tax bills
- Impacts on local taxing districts
 - May be state financed (rebates, refundable income tax credit)
 - Spread revenue impact out countywide (reduce potential for isolated impacts due to homeowner concentration)

Key Policy Decisions

- Eligible Groups
 - Homeowners, renters, income, age, home longevity, etc.
- Property tax exemption or circuit breaker structure
- Incidence of revenue impact
 - Local taxing districts, state financed
 - Long-term funding of relief program
- Amount of revenue impact
- Context of tax reform

Policies of Other States



- Homestead exemptions
 - Age, income and/or disability based or other (e.g. – disabled veterans)
- Circuit breakers (rebates, credits, etc.)
 - Basic premise: Taxpayers earning below a certain income receive property tax relief when property taxes reach a certain percentage of income (may include provisions related to: age, wealth, home ownership/renter)
 - Often include thresholds/income brackets