

Appendix B

A Recent History of Oregon Property Taxation

To understand the current structure of Oregon's property tax system, it is helpful to view the system in a historical context. Although governments in Oregon began taxing property before statehood, the structure of the tax changed very little until the 1990s, when two statewide ballot measures dramatically altered the system.

Voters passed Measure 5, which introduced tax rate limits, in 1990. It took effect in the 1991–92 tax year. When fully implemented in 1995–96, Measure 5 cut tax rates an average of 51 percent from their 1990–91 levels. Measure 50, passed in 1997, cut taxes, introduced assessed value 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.

This appendix consists of four sections designed to provide a history of Oregon's property tax system within the context of the changes of the 1990s. The first section, *Overview*, consists of a broad look at how the two ballot measures have affected the property tax system. The second section, *Property Tax Administration*, reviews how property assessment, tax calculation, and tax collection have been transformed. The third section, *Urban Renewal Agency Revenue*, describes the changes urban renewal agencies have undergone. The fourth and last section, *Tax Relief*, discusses programs to reduce tax burdens that have existed during the past twenty years.

Overview

One useful way to understand the recent history of the property tax system is to divide the discussion into three distinct periods: Pre-Measure 5, Measure 5, and Measure 50.

Pre-Measure 5

Oregon had a pure levy-based property tax system until 1991–92. Each taxing district calculated its own tax levy based on its budget needs. County assessors estimated the real market values of all property in the state. Generally speaking, the full market value of property was taxable; there was no separate definition of assessed value. The levy for each taxing district was then divided by the total real market value in the district to arrive at a district tax rate. The taxes imposed by each district equaled its tax rate multiplied by its real market value. As a result, there was no difference between taxes imposed and tax levies under this system. Most levies were constitutionally limited to an annual growth rate of 6 percent, and levies that would increase by more than 6 percent required voter approval.

Under this system, the tax rate for an individual property depended on the combination of taxing districts from which it received services. Taxes for each property were calculated by adding the tax rates for the relevant taxing districts to arrive at a consolidated tax rate. That tax rate was multiplied by the assessed value of the property to determine the tax imposed on that property. The annual growth in taxes on an individual property depended on a number of factors, including new or larger levies and the amount of new construction within the district. For example, if new construction did not occur, and property values did not change, then any growth in levies meant taxes increased for individual properties. On the other hand, new construction within the district meant that the levies were distributed across greater value. The tax rate

would fall when the value of the district increased. This growth could result in lower taxes for some individual properties.

Measure 5

Measure 5 introduced limits, starting in 1991–92, on the taxes paid by individual properties. The limits of \$5 per \$1,000 real market value for school taxes and \$10 per \$1,000 real market value for general government taxes apply only to operating taxes, not bonds.² If either the school or general government taxes exceeded its limit, then each corresponding taxing district had its tax rate reduced proportionately until the tax limit was reached. This reduction in taxes to the limits is called “compression.”

Measure 5 resulted in a system that was a hybrid of levy-based and rate-based systems. For properties where the school and general government taxes were below the limits, the process resembled a levy-based system; taxes imposed depended on levies. For properties where the calculated taxes exceeded the limits, and hence the tax rates were fixed at the limits, the process more closely resembled a rate-based system; taxes imposed depended on assessed values.

Measure 50

The 1997 Legislature drafted Measure 50 in response to the passage of citizens’ initiative Measure 47 in November 1996. Measure 47 would have rolled back property taxes (not assessed values) to 90 percent of the 1995–96 level for each property in the state. Measure 47 was repealed by Measure 50. This legislatively referred measure was drafted to correct a number of technical problems with Measure 47 while replicating its tax cuts.

The objective of Measure 50 was to reduce property taxes in 1997–98 and to control their future growth. It achieved these goals by cutting the 1997–98 district tax levies and by making three changes: switching to permanent rates, reducing assessed values, and limiting annual growth of assessed value.

While Measure 5 simply limited the tax rates used to calculate taxes imposed, Measure 50 changed the concepts of both assessed values and tax rates. Assessed value is no longer equal to real market value. For 1997–98, the assessed value of every property was reduced to 90 percent of its 1995–96 assessed value.³ Because growth in value has not been uniform throughout the state, this change had varying impacts. Properties that had experienced the greatest value growth between 1995–96 and 1997–98 received the greatest cuts in assessed value, and consequently in taxes. For new property that did not exist in 1995–96, such as business personal property or improvements, the assessed value was calculated as a percentage of its market value.

For existing property, Measure 50 limited the annual growth in assessed value to 3 percent. This limitation made predicting future assessed values much simpler. For new property (e.g., newly constructed homes), assessed value is calculated by multiplying the new property’s real market value by the ratio of assessed value to real market value of similar property. This approach to assigning values to a new property assures that it is taxed consistently with similar existing properties. Measure 50 also states that assessed value may not exceed real market value. As a result, if the real market value of a property falls below its assessed value, the taxable value will be set at the real market value.

² The limit for school taxes was \$15 per \$1,000 assessed value in 1991–92. It was reduced by \$2.50 each year until it reached a rate of \$5 per \$1,000 assessed value in 1995–96.

³ In 1995–96, assessed and real market value were equal.

Before Measure 50, levies were set by local governments and voters, and tax rates were the result of dividing levies by assessed value. Under Measure 50, most levies were replaced by permanent tax rates, making the permanent rates central to the property tax system.

There are three types of property taxes that taxing districts may impose: taxes from the permanent rates, local option levies, and bond levies.⁴ Only the permanent rates are fixed; they do not change from year to year. Bond levies typically are approved in terms of dollars, and the rates are calculated as the total levy divided by the assessed value in the district. Local option levies may be approved either in rate or dollar terms. If the local option levy is in dollar terms, then rates are calculated in the same way as bond levy rates.

Taxes from the permanent rates, typically referred to as operating taxes, are used to fund the general operating budgets of the taxing districts. They account for the single largest component of property taxes. Strictly speaking, the permanent rates are rate limits, so districts may use any rate up to their permanent rate.

Local option taxes represent the only way taxing districts can raise operating revenue beyond the permanent rate amount. Even so, these taxes are the first to be reduced if the Measure 5 limitations are exceeded. Because voters at the local level must approve these levies, they represent one aspect of local control over the level of property taxes. All districts, except educational service districts (ESDs), are authorized to levy local option taxes. However, community colleges cannot seek local option levies that are greater than the amount of reduction caused by Measure 50 in fiscal year 1997–98. Fiscal year 2000–01 was the first year that school districts were able to use local option levies. Measure 50 requires that local option levies, in elections other than general elections, be approved by a majority of voters with at least 50 percent of all registered voters actually voting.

Bond levies have remained largely unchanged. They are used to pay principal and interest for bonded debt. Under the provisions of Measure 50, new bond levies, like new local option levies, are subject to a 50 percent voter participation requirement if the election is not a general election.

Some taxing districts receive timber tax revenue. This revenue, known as an offset, actually reduces the amount of revenue that districts may raise from their permanent rates. Only county government districts reduce their permanent tax rates when they receive offset payments. When schools receive timber tax payments, it is in addition to what they raise through property taxes.

School District Replacement Revenue

Under Measures 5 and 50, the state was required to compensate schools for losses in tax revenue due to changes in each ballot measure. In both cases, the effects of the requirements were negligible because the Legislature appropriated more than the required amount each biennium. Under Measure 5, losses from tax compression were required to be replaced through 1996, but the state was not required to continue the level of Basic School Support that it had provided to school districts prior to Measure 5. The replacement revenue requirement ended up being partially offset by reductions in other Basic School Support funds that were no longer mandated. Measure 50 also contained a constitutional requirement that the Legislature replace school district revenue lost due to the Measure 5 rate limits. This requirement has had a minimal effect on actual state school funding because the school revenue compression losses under Measure 50's lower tax environment have been smaller than the amount of Basic School Support provided by the Legislature.

⁴ Currently, there also are gap bonds and a pension levy. Gap bonds represent debt obligations that have been funded with the operating taxes of districts. The pension levy represents an ongoing obligation the City of Portland has to its fire and police forces. Both of these eventually will become part of the permanent rate for their respective districts.

Property Tax Administration

The changes to the property tax system brought about by Measures 5 and 50 required significant changes in the way county governments and the state administer the tax.

Property Assessment

The process of identifying and assigning a value to taxable property is called assessment. Most property assessment is administered by the county assessor. The Oregon Department of Revenue assesses some property, including public utilities and large industrial properties. Utility property is placed on a separate assessment roll, which is transferred to the county assessment roll prior to preparation of tax bills. The Department of Revenue appraises large industrial plants, but those properties appear only on the county assessment roll.

Property subject to taxation includes all privately owned real property (land, buildings, and improvements) and business personal property (machinery, office furniture, and equipment). There is no property tax on household furnishings (exempted in 1913), personal belongings, or automobiles (exempted in 1920). These, as well as other property tax exemptions, are detailed in the State of Oregon *Tax Expenditure Report*, a companion document to the Governor's Budget.

Prior to the passage of Measure 5 in 1990, each county assessor prepared an annual assessment roll listing all taxable property as of January 1. For example, the assessed value of a property for the 1989–90 fiscal year was determined as of January 1, 1989. Through 1980, assessed value was set to market value for all classes of property. From 1980 to 1983, taxable property was divided into two categories: homestead and all other. Homestead property consisted of owner-occupied single-family residences. Property was appraised at market value but assessments were limited to 5 percent growth statewide per year for each category. Beginning in 1984–85, the distinctions of homestead and all other property were eliminated and in 1985 the Legislature repealed the 5 percent limit on assessed value increases. Beginning with the 1985–86 tax year, all property again was assessed at 100 percent of full market value.

The legislation to implement Measure 5 made two primary changes in the assessment process. First, it changed the assessment date from January 1 to July 1, effective beginning with the 1991–92 fiscal year. Second, the new legislation set assessed value equal to “real market value,” where real market value was defined as the minimum value the property would sell for during the year.

With Measure 50, property assessment changed dramatically. For 1997–98, the assessed value of a property was set at 90 percent of the property's 1995–96 assessed value. From 1998–99 onward, assessed value growth is limited to 3 percent per year. For new properties, assessed value is calculated by multiplying the ratio of assessed value to real market value for similar property in the county by that property's real market value. For example, if the ratio of assessed value to real market value for residential property in a given county is 0.8, then the assessed value for a new house would be 80 percent of its real market value. Measure 50 also redefined real market value as the value the property would sell for in the market on the assessment date (January 1). This eliminated the concept, adopted under Measure 5, of real market value being the minimum value the property would sell for during the year.

Equalization

The process of maintaining uniformity of values among property owners and among various classes of property is called equalization. Prior to Measure 5, county boards of equalization heard taxpayer appeals and could adjust assessed values up or down to maintain uniformity. Boards of equalization also could adjust values for entire classes of property at the request of the county assessor, again to maintain uniformity in assessments. Measure 5 greatly reduced

the authority of the county boards of equalization, and when Measure 50 took effect, the equalization process became unnecessary.

Measure 5 removed the power of the county boards of equalization to equalize values. Their sole responsibility was changed to hearing petitions for reduction of value from individual taxpayers. At the county level, it was up to assessors to maintain uniformity in values by assessing each property at its real market value. At the state level, the director of the Department of Revenue used information on sale prices and assessed values to adjust county assessment rolls, if needed, to maintain uniformity among property owners and property classes.

Under Measure 50, the mandated calculation of assessed value from a base-year value with the 3 percent annual growth limit meant that equalization became unnecessary.

Assessment Appeals

Appeals to reduce real market value and assessed value and to request a waiver of late filing penalties are heard by the county Boards of Property Tax Appeals (BoPTA) after tax statements are issued.

Prior to Measure 5, property was assessed as of January 1 of each year. Property owners received their assessment notices in the spring, and appeals were settled prior to computing tax rates and mailing tax bills in October.

Two features of Measure 5 required changing the appeal process. First, the assessment date was changed from January 1 to July 1. This meant that as a practical matter there was not enough time to complete the appeal process prior to mailing tax bills. The Legislature fixed this problem by combining the assessment notice and the tax bill and by allowing appeals after tax bills were mailed. Property owners could file appeals between October 25 and December 31 with the County Board of Equalization (BOE). Taxpayers received tax refunds if their appeals were successful.

The second effect Measure 5 had on the appeal process was the definition of assessed value. The assessed value was set to "real market value," defined as the minimum value the property would sell for during the year. This meant that for some properties, the assessed value was not the value on the assessment date (July 1), but on some later date. To allow for adjustments to the assessed value of properties whose value declined after the assessment date, the Legislature provided for a second appeals period. Between July 15 and July 31 following the end of the tax year, property owners who thought the market value of their property declined during the tax year could appeal to the County Board of Ratio Review (BORR). If successful, taxpayers received refunds.

Measure 50 eliminated the BOE and BORR and replaced them with county Boards of Property Tax Appeals (BoPTA). The limitation placed on increases in assessed value has resulted in a large decline in the number of appeals filed at this level. With the assessment date reset to January 1, the second appeals period no longer exists and appeals must be filed between the date the tax statements are issued and December 31.

Tax Calculation

Just as the assessment process changed under Measure 5 and Measure 50, so did the calculation of taxes. Measure 5 imposed tax rate limits, and Measure 50 established permanent tax rates to replace most tax levies that existed under the pre-Measure 5 and Measure 5 systems. This section describes the calculation of taxes and tax rates under the three systems.

Tax Levies

Prior to the passage of Measure 50 in 1997, tax levies played a key role in determining the amount of property taxes raised by local governments. Measure 50 required that most of the tax

levies that existed previously be assigned permanent tax rates. Below we discuss the old levy system and describe how it changed under Measure 50.

Under both the pre-Measure 5 and the Measure 5 systems, tax levies played a key role in determining the amount of property tax revenue local governments received and the amount of tax imposed on each property. The process of calculating and declaring the amount of taxes to be raised from taxpayers was termed “making the levy.” Authority to levy property taxes was held by the governing body of each local government. Each governing body determined the levy for its taxing district before July 15 each year as part of the budget process. Annual budgets for taxing districts are based on a fiscal year that begins July 1 and ends the following June 30.

Constitutional and statutory limits on the amount that a taxing district may levy were:

1. Levy inside the 6 percent limitation (tax-base levy). A local government tax base, approved by a majority of its voters at a state general or primary election, represented a permanent authority to levy a specific dollar amount each year. That dollar amount could not be more than 6 percent larger than the highest amount levied in the three prior years. Tax-base levies could be increased in proportionate amounts for annexed territory. A taxing district was permitted to have only one tax-base levy. Proceeds from the tax-base levy could be expended for any purpose allowed by law for the district except general obligation bonds. Tax-base levies were subject to the Measure 5 tax-rate limits.
2. Levy outside the 6 percent limitation (one-year, serial, safety net, or continuing levies). One-year and serial levies, approved by a majority of voters at a special election, were temporary taxing authorities permitting the levy of a specific dollar amount for one year or for two or more years (serial levies). Safety net levies were available only to school districts and qualifying ESDs and did not require voter approval. The safety net levy was the amount needed to bring the current year’s total tax base and other levies for operating purposes up to the amount of the prior year’s total levy for operating purposes.⁵ Continuing levies were those approved by voters prior to 1953. They were permanent and were limited in amount by the product of the voted tax rate and the assessed value of the taxing district (as opposed to a limit on the levy amount). Starting in 1978, serial levies also could be established using a specified voter-approved tax rate, but the term could not exceed three years. These were sometimes referred to as “rate levies.” The 1989 Legislature (Oregon Laws Chapter 658) increased the limit on fixed-dollar serial levies from three to five years for operating purposes and 10 years for any other purposes. All one-year, serial, safety net, and continuing levies were subject to the Measure 5 tax rate limits.
3. Levy for bonded indebtedness (bond and interest levy). Taxing districts could levy an amount sufficient to pay principal and interest for bonded debt each year. Bond measures to be paid from future tax levies first had to be approved by a majority of those voting, unless otherwise provided by law. Proceeds from a bond levy could not be diverted to another purpose. Bond levies used for capital construction were not subject to the Measure 5 tax rate limits.

Measure 50 converted most of the levies imposed under the pre-Measure 5 and Measure 5 systems to a permanent tax rate. Tax base levies, one-year levies, serial levies, safety net levies, and continuing levies all became part of the permanent rate created by Measure 50. In addition, Measure 50 created a new type of levy known as a local option levy. Local option levies are operating levies that can be passed by local governments to raise revenue beyond the permanent rate amounts. The original Measure 50 language did not allow school districts or ESDs to use local option levies. However, legislation passed in 1999 enabled school districts to use local option levies starting in 2000–01. Levies for bonded indebtedness remain in essentially the same form as prior to Measure 50. Taxes from permanent rates and from local option levies are subject to the Measure 5 rate limits, but taxes from bond levies remain exempt from limits.

⁵ Levies for operating purposes did not include levies for payment of bonded debt, capital construction, or serial levies approved for more than three years (ORS 328.715).

Tax Rates

Measure 50 replaced most tax levies with permanent tax rates. Therefore, the exercise of setting tax rates remains only for local option levies, bond levies, and urban renewal special levies. Under Measure 50, the county assessor computes tax rates for local option levies, bond levies, and urban renewal special levies, then adds those rates to the permanent rates to compute the total rate to be extended to a property. The tax extended to a property is the total tax rate times the assessed value of the property.

Under the pre-Measure 5 and Measure 5 systems, the county assessor extended authorized levies and computed district tax rates for each taxing district. District tax rates were expressed as a dollar amount per \$1,000 of assessed value and were computed by dividing total taxes levied by the total assessed value inside the taxing district boundaries. The total tax extended to a property was the sum of the district tax rates times the assessed value of the property. Under Measure 5, if the tax extended to the property exceeded the Measure 5 limits, the tax going to each local government was reduced proportionally until the limit was reached.

When Measure 50 first took effect in the 1997–98 tax year, permanent tax rates were calculated based on a complicated formula that took into account several factors. These included: a) the amount of taxes that would have been raised in 1997–98 under Measure 47, b) the levies that existed under the Measure 5 system, c) the tax cut required by Measure 50, and d) a variety of special provisions that exempted certain types of levies from the Measure 50 cuts and reduced the amount of the tax cuts for districts with rapid assessed value growth due to new construction.

Property Tax Compression

Compression is the process used to reduce property taxes to the Measure 5 limits. Prior to Measure 5, compression did not exist. Reductions in taxes due to compression are the difference between what taxing districts wish to raise through property taxes (tax extended) and the amount they actually raise (tax imposed).

Measure 5 introduced limits, phased in between 1991–92 and 1995–96, on the taxes paid by individual properties. The limits are \$5 per \$1,000 real market value for school taxes and \$10 per \$1,000 real market value for general government taxes. These limits are applied only to operating taxes, not bonds. For each property, the assessor compares education taxes with the education limit and other governmental taxes with the general government limit. If property taxes exceed the Measure 5 limits, then taxes are compressed in a specific order. First, local option taxes are reduced, possibly to zero. If there are no local option taxes or they have been reduced to zero, the tax rates from the permanent tax rates for each taxing district are reduced proportionately.⁶

It is important to note that while property tax rates under Measure 50 are applied to a property's assessed value, the Measure 5 rate limits apply to real market value. Prior to Measure 50, this distinction was unnecessary because assessed value equaled real market value. While the Measure 5 limits still apply under Measure 50, the effect of the Measure 5 limits is minimal for most properties because Measure 50 greatly reduced property taxes.

Tax Collection

Once the tax rates and Measure 5 tax rate limits are applied to each property, the assessor certifies the assessment roll and turns it over to the tax collector. The tax collector bills and collects all taxes and makes periodic remittances of collections to taxing districts. Tax statements mailed to property owners list the assessed value of property and the taxes extended by each taxing district. They also indicate how much is inside and how much is outside the Measure 5 property tax limits and the amount of taxes actually due after the limits have been applied.

⁶ Gap bonds and pension levies are reduced also, if present.

Taxes are levied and become a lien on property on July 1. Tax payments are due November 15 of the same calendar year. Under the partial payment schedule, the first one-third of taxes are due November 15, the second one-third on February 15, and the remaining one-third on May 15. A discount of 3 percent is allowed if full payment is made by November 15; a 2 percent discount is allowed for a two-thirds payment made by November 15. For late payments, interest accrues at a rate of 1.33 percent per month. If taxes remain unpaid after three years from the tax-due date, counties begin property foreclosure proceedings.

Urban Renewal Agency Revenue

In Oregon, urban renewal agencies receive the bulk of their revenues through a tax increment financing mechanism. When an urban renewal plan is created, the value of the property within its boundaries is locked in time, or frozen, at the amount calculated from the last certified tax roll prior to the plan's approval. The agency then raises revenue in following years from any value growth above the frozen amount. This value growth is referred to as the increment. The tax rate used to calculate taxes imposed for the urban renewal plan is the consolidated tax rate for the taxing districts within the geographic boundaries of the plan. These urban renewal taxes, referred to as "tax off the increment," are calculated as the consolidated tax rate times the value of the increment.

Pre-Measure 5

Prior to Measure 5, urban renewal agencies received taxes that would have been imposed by each taxing district on the excess value of property within each urban renewal plan area (an agency can have more than one plan area). Technically, only the properties within the urban renewal plan area paid taxes to the urban renewal agency. However, in effect all taxpayers in taxing districts overlapping the plan area paid urban renewal taxes because the removal of urban renewal excess value from the tax rate calculation caused tax rates to be slightly higher for everyone in the taxing district.

Measure 5

Measure 5 made a number of changes to tax increment financing in urban renewal areas to create equality among taxpayers. If the Measure 5 tax limits had been imposed under the old urban renewal system where only properties inside the plan areas paid urban renewal taxes, those properties could have paid taxes that were very different from surrounding properties' taxes. If an agency used its revenue to finance bonds outside the limits, the properties in the plan area could pay far higher taxes than similar properties outside the plan area. Likewise, if the agency used the revenue for non-bond purposes, then properties inside the plan area would have relatively more of their taxes subject to the Measure 5 rate limits and could pay far lower taxes than similar properties outside the plan area.

The Legislature attempted to fix this problem by spreading urban renewal taxes over all properties inside the urban renewal agency's boundary for taxing districts overlapping urban renewal plan areas. Urban renewal taxes appeared separately on tax statements, just like those of each taxing district.

In 1992, tax increment financing in urban renewal areas was changed again. The Oregon Supreme Court ruled that all revenue collected by an urban renewal agency to pay for bonds is inside Measure 5 rate limits and therefore subject to the general government limit. This has had a major effect on urban renewal agencies, because a large percentage of their revenues are used to pay for bonds.

Measure 50: 1997–98 to 2001–02

As a rule, urban renewal agencies do not have permanent rates and raise revenue primarily through tax increment financing. Measure 50 returned the structure of urban renewal financing to much the same form it had prior to Measure 5, with one exception; under certain circumstances, urban renewal agencies were allowed to raise additional revenue, beyond what they raised through tax increment financing, via special levies. Starting in 1997–98, if an existing urban renewal plan received less revenue off its increment under Measure 50 than what it would have received under the pre-Measure 50 tax system, the agency could impose a special levy to make up the difference. The special levy is imposed on all properties within the boundaries of the urban renewal agency (either a city or a county), not just on properties in the plan area. New plan areas (established after 1996) receive tax increment financing revenue only; the agency may not impose a special levy for new plan areas.

Measure 50: After 2001-02

Two major changes took effect in 2002–03. One was a result of new legislation in the 2001 session (HB 3215). This established that certain plan areas could not divide taxes from local option or bond levies that were passed by voters after October 6, 2001. These plan areas are either option 1 or option 2 plans (see Glossary), or are new plans that were adopted after October 6, 2001. All other plan areas adopted before October 6, 2001, divide taxes from local option and bond levies as in the past, without regard to when the levies are approved by voters.

The second change that began in 2002–03 is that a court case (Shilo Inn vs. Multnomah County) clarified that all urban renewal revenues must be considered in the general government category for the purpose of meeting the constitutional tax limitations, regardless of what type of district originated the division of tax revenue. Previously, the tax reduction to meet the constitutional limitations was calculated based on the type of district the division of tax came from. If a school district had faced division of tax, the amount of tax divided for urban renewal was reduced with the other education category taxes at the \$5 per thousand limit. The court case changed this so that now the division of tax from the school district would be grouped with all other general government revenue for testing against the \$10 per thousand general government limit.

In order to accommodate both the legislative change and the court decision, the division of tax calculation reverted to some extent back to the method used under Measure 5 before 1997–98, where division of tax was spread across the urban renewal agency. The excess value within each plan area in the district and the district billing rate determine the amount of urban renewal revenue from division of tax. This amount is divided by the value of property that is both within the agency and within the district (shared value) to determine the division of tax rate. The district billing rate is reduced by the division of tax rate for taxpayers in the area of shared value. All revenues from the division of tax rate are considered general government revenues for the purpose of meeting the constitutional tax limitations.

The overall effect of these changes will vary by taxpayer, but education districts in urban renewal agency areas will tend to have less revenue lost to the constitutional limitations than before. General government districts in those areas will tend to see more revenue lost to the constitutional limitations than before.

Tax Relief

During the past 20 years, the Legislature has created six property tax relief programs. Currently, only two of these programs exist: the Elderly Rental Assistance (ERA) and Homestead Deferral programs. The Homestead Deferral program include three components: property tax deferral programs for seniors (62 years and older) and disabled homeowners, and a special assessment deferral program for seniors.

In 1973, the Legislature enacted the Homeowner and Renter Refund Program (HARRP) to provide tax relief to low- and middle-income Oregonians. The program was modified in 1989 and phased out in 1991. While it existed, the program provided property tax refunds to households based on income levels and property taxes paid (for renters, 17 percent of rent was considered to be property tax), up to specified maximum refund amounts. The refunds were initially available to households with incomes less than \$17,500.

Starting in 1989, the Legislature restricted HARRP refunds to households with non-housing assets less than \$25,000. The maximum refund amounts increased as income declined. For homeowners, the maximum refund for the lowest income category was \$750, declining to \$0 as income exceeded \$17,500. The maximum refund amounts for renters were one-half of those for homeowners. The 1991 Legislature phased out HARRP, making the 1990 tax year the last year for refunds. For 1990, the household income limit was reduced to \$10,000; the maximum refund was reduced to \$500 for homeowners, \$250 for renters.

The Elderly Rental Assistance program (ERA) was a companion to HARRP that continued after HARRP was eliminated. It provides tax relief to elderly renters whose rent, fuel, and utility expenses are large in relation to their income. Starting in 1975, ERA refunds were available to persons at least 58 years of age with incomes less than \$5,000. If rent, fuel, and utility expenses were more than 40 percent of household income, renters would receive an ERA refund instead of a HARRP refund if the ERA amount was higher. In 1990, with the phase-out of HARRP, the income limit for ERA was raised to \$10,000, and the rent, fuel, and utility expense limit was reduced to 20 percent of income.

Homeowners 62 years of age or older who meet certain income requirements are able to defer all property taxes. Under the Senior Citizen's Deferral program, the state pays the property taxes of participants and charges the homeowner 6 percent interest on the deferred amount. Homeowners are not required to pay the taxes or interest to the state until they die or sell their homes. Income eligibility requirements have changed many times over the course of the program. For the 2003–04 tax year, the program was open to seniors with household incomes of less than \$33,000 (an increase from \$32,000 in 2002–03). Once approved, senior citizens are eligible for the deferral in years when their federal adjusted gross income for the prior year does not exceed an amount that is adjusted for inflation each year.

A similar program, the Senior Citizen's Special Assessment Deferral program, allows qualifying seniors to defer their special assessment charges for public improvements (e.g. sewer or sidewalk improvement charges). The the qualifying income limit increased from \$32,000 for 2002–03 to \$33,000 for 2003–04, and the limit will adjust for inflation in future years.

The third Homestead Deferral program, the Disabled Citizen's Property Tax Deferral program, began in 2001 for fiscal year 2001–02. It is similar to the Senior Citizen's Deferral program in that the same income limits apply and property taxes are deferred at 6 percent interest. However, this program is for disabled homeowners who are eligible for or receive Social Security disability benefits and are younger than 62.