

# Overview and Highlights

## Statewide Taxes Imposed and Property Values

Property taxes imposed in Oregon totaled \$3.61 billion in fiscal year 2003–04, an increase of 5.8 percent from the year before. This follows an increase of 5 percent for fiscal year 2002-03, and 7.9 percent for fiscal year 2001-02.

The increase in 2003–04 can be attributed primarily to growth in property values and new local option and bond taxes. An additional factor that influenced the growth of taxes imposed for some districts was a change in urban renewal calculations. See Appendix B for a description of the urban renewal changes.

Statewide, the real market value of property slightly exceeded \$305 billion, an increase of 6.3 percent since last year. Not only does this growth rate continue the trend of increasing property values, it reflects a marked change from the recent pattern of declining growth rates that has existed since 1999-00. Although real market value grew at a faster pace, such is not the case for total assessed value, the value of property subject to tax. It increased from \$219.9 billion in fiscal year 2002–03 to \$227.9, an increase of 3.6 percent. Assessed values generally are limited to 3 percent growth per year, so this increase indicates that additional value from property improvements and other exceptions more than offset the effect of properties with assessed values that declined. See the “Historical Context” description on page 6 for more on assessed value.

Statewide, the ratio of assessed value to market value continued to decline (by 1.9 percent) to 74.6 percent for 2003–04. For a discussion of the differences between assessed and market value, see *Appendix B: A Recent History of Oregon Property Taxation*.

### Exhibit 1

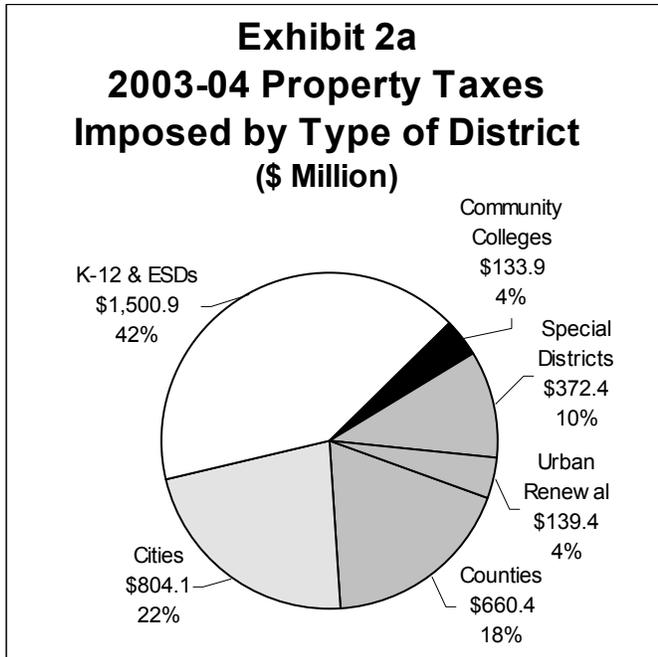
#### SUMMARY OF OREGON PROPERTY VALUES AND TAXES IMPOSED (\$ million)

	2002-03	2003-04	Percent Change
Real Market Value*	\$287,260.0	\$305,351.4	6.3%
Total Assessed Value*	\$219,877.9	\$227,879.4	3.6%
Net Assessed Value*	\$213,998.4	\$221,584.0	3.5%
Operating Taxes	\$2,775.2	\$2,947.9	6.2%
Bond Taxes	\$504.9	\$523.8	3.7%
Total District Taxes	\$3,280.1	\$3,471.7	5.8%
Urban Renewal Taxes	\$134.5	\$139.4	3.6%
Total, all Taxes	\$3,414.6	\$3,611.2	5.8%

\* An additional \$19.7 million assessed value of unallocated utility property is taxed by the state and the tax is then distributed back to counties. See glossary for a description of net and total assessed value.

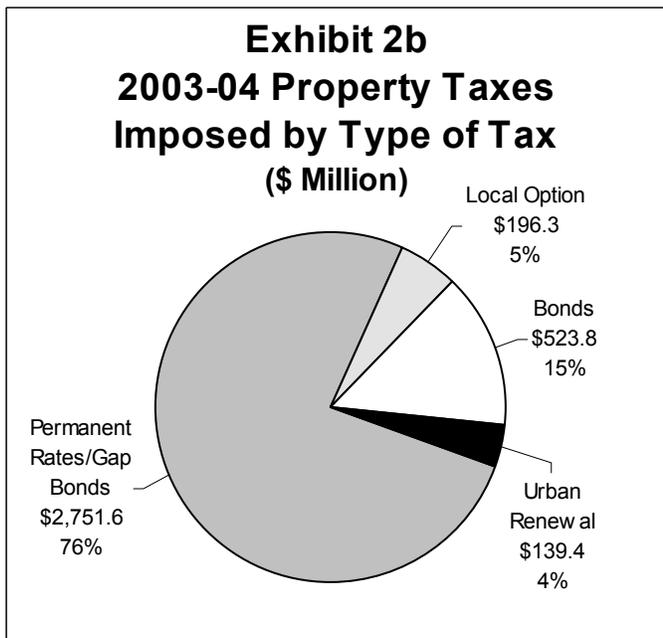
## Taxes by Type of District and by Type of Tax

The accompanying charts illustrate the composition of taxes imposed for 2003–04 by type of district and by type of property tax. Please refer to the Glossary for definitions of terms.



### Type of District

Approximately 1,500 districts impose property taxes in Oregon. The accompanying chart illustrates the relative share of property taxes that each type of government imposes, with schools receiving the largest share of property tax revenue (42 percent of the total). Cities (22 percent) and counties (18 percent) are the next largest district categories. Special districts, such as fire, road, water, hospital, park, and port districts represent the largest number of districts, but they only imposed 10 percent of the taxes.



### Type of Tax

Property taxes are composed of four primary parts: 1) permanent rate and gap bond levies, 2) local option levies, 3) bond levies, and 4) urban renewal revenues. Taxes from permanent rate and gap bond levies comprise the most significant portion of property taxes, representing 76 percent of all property taxes imposed. The share of taxes by type of levy did not change much from last year. Local option levies grew from four percent to five percent of total property taxes imposed, while the share of taxes from permanent rate and gap bond levies decreased from 77 percent to 76 percent. The shares corresponding to bonds and urban renewal revenues remained unchanged from the

previous year.

**Exhibit 3**  
**Type of Property Taxes Imposed, 2002-03 and 2003-04**  
**By Type of District (Millions of Dollars)**

TYPE OF DISTRICT	Permanent Rate/Gap			Local Option			Bond			Total		
	2002-03	2003-04	% Ch	2002-03	2003-04	% Ch	2002-03	2003-04	% Ch	2002-03	2003-04	% Ch
Counties	538.0	554.1	3.0%	58.9	63.7	8.1%	41.6	42.6	2.6%	638.5	660.4	3.4%
Cities	661.0	700.7	6.0%	21.1	53.9	156.1%	51.5	49.5	-4.0%	733.6	804.1	9.6%
K-12 & ESDs	1,058.1	1,094.9	3.5%	36.9	58.5	58.3%	329.7	347.4	5.4%	1,424.7	1,500.9	5.3%
Community Colleges	96.3	100.0	3.8%	NA	NA	NA	31.9	34.0	6.5%	128.2	133.9	4.4%
Special Districts	288.5	302.0	4.7%	16.3	20.2	23.8%	50.2	50.2	0.1%	355.0	372.4	4.9%
Total District Taxes	2,641.9	2,751.6	4.2%	133.2	196.3	47.3%	504.9	523.8	3.7%	3,280.1	3,471.7	5.8%
Urban Renewal Agencies										134.5	139.4	3.6%
TOTAL										3,414.6	3,611.2	5.8%

Exhibit 3 summarizes some of the changes in property taxes in fiscal year 2003-04. These include:

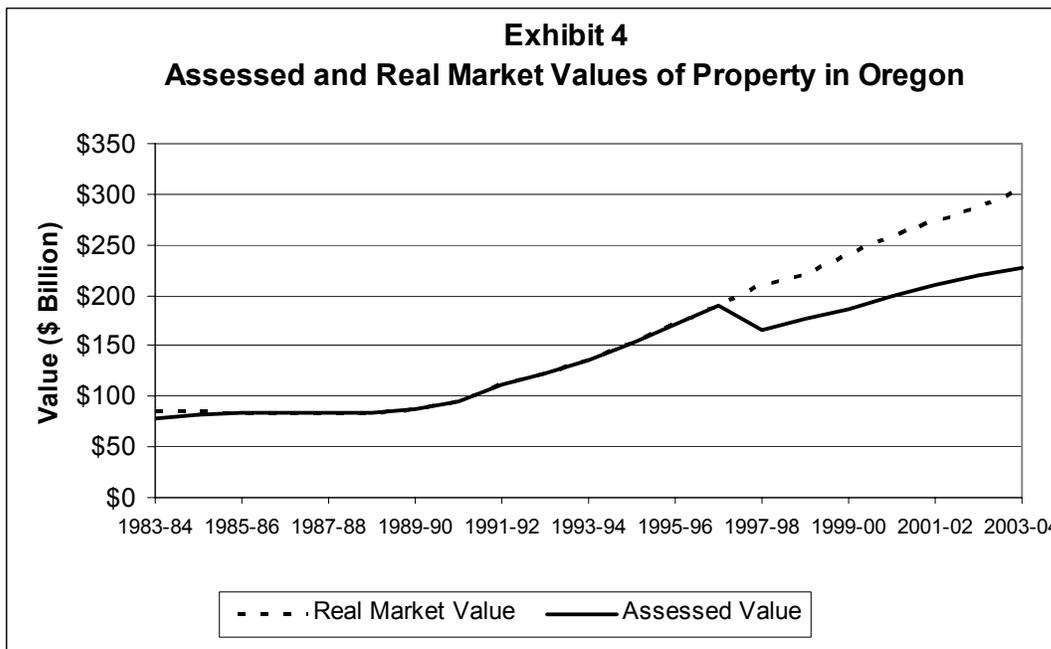
- Total property taxes grew by 5.8 percent in fiscal year 2003-04, a faster rate than last year's 5 percent growth.
- Combined taxes from permanent rates and gap bond levies grew by 4.2 percent in fiscal year 2003-04.
- Local option taxes grew by 47 percent over last year, with city local option taxes increasing fastest. Much of this growth resulted from new levies. In fact, 11 cities that had not done so in 2002-03 used local option levies. Six school districts also imposed new local option levies.
- Bonds, the primary taxing vehicle for funding long-term capital projects, increased by 3.7 percent. This is significantly lower than the prior year's increase of 5.1 percent. While city bond revenue fell by 3.9 percent, both schools and community college districts experienced large increases in bond revenue.
- Taxes for urban renewal increased 3.6 percent this year after increasing by 6.4 percent in 2003-04. Most urban renewal agencies increased the amount of revenue they received through property taxes. However, 13 agencies raised less revenue than in 2002-03. Five new plan areas were added in 2003-04. The new plan areas are located in Clatsop, Curry, Jackson, Jefferson, and Lane counties. See tables F.1 and F.2 for information about specific plan areas.

One important point to consider is that statewide figures result from a wide range of individual district characteristics. For example, 169 of the 1,452 districts in fiscal year 2003-04 did not impose taxes. These were mostly road, water, sanitary, or service districts. Of

the districts that did impose taxes in fiscal year 2003–04, approximately 70 percent increased taxes at a rate no faster than the growth rate of their assessed value. When large districts have substantial changes in their taxes, they can noticeably impact the statewide numbers. The largest 25 districts account for roughly half of all district property taxes imposed in fiscal year 2003–04. Information about specific districts is available in the the 2003–04 edition of the *Oregon Property Tax Statistics Supplement*.

### Historical Context

Prior to 1997–98, the assessed, or taxable, value of a property in Oregon was equal to its real market value, except for a brief period in the early 1980s.<sup>1</sup> For 1997–98, Ballot Measure 50 redefined each property’s assessed value as 90 percent of the property’s 1995–96 assessed value, thus separating the assessed and real market value for every property. In addition, the assessed value of a property now is limited to a maximum of 3 percent growth per year. Exhibit 4 shows total assessed value growth from 1982–83 to 2003–04. After relatively modest growth through most of the 1980s, property values grew rapidly from 1989–90 through 1996–97. In fact, values during this period grew by an average annual rate of 11.6 percent.



The passage of Measure 50 in 1997 redefined assessed value. Consequently, 1997–98 total assessed value fell 12.5 percent below the prior year and 21 percent below the 1997–98 real market value. Since 1997–98, statewide assessed value has been increasing gradually each year, but not as fast as real market value. From 2002–03 to 2003–04, assessed value has fallen from 76.5 to 74.6 percent of statewide real market value.

To fully understand the growth in total assessed value, it is important to know the two possible sources of that growth: existing property and new property. The growth in assessed value for existing property is the value subject to the limit; for every property that existed in 1997–98 and remained unchanged through 2003–04, the assessed value could increase by no more than 3 percent per year. On the other hand, some properties can experience a decline in assessed value, such as business personal property that depreciates.

<sup>1</sup> For the years 1980 through 1984, assessed values differed from market values because the Legislature set the assessment ratio at a level below 100 percent. The ratio returned to 100 percent in 1985.

New property, such as a newly constructed home, represents a new source of assessed value. Some other sources of new value include improvements, where an addition to a house significantly increases the home's value, or rezoned property, where a change in zoning laws could increase the value of a property more than 3 percent in the year that the change took place.

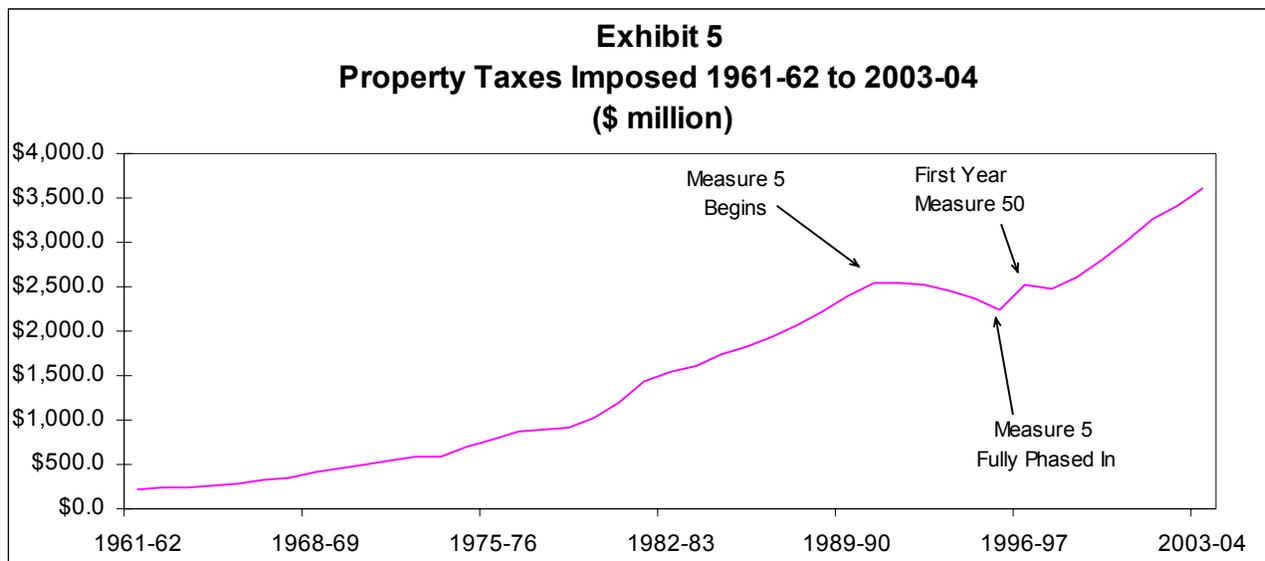
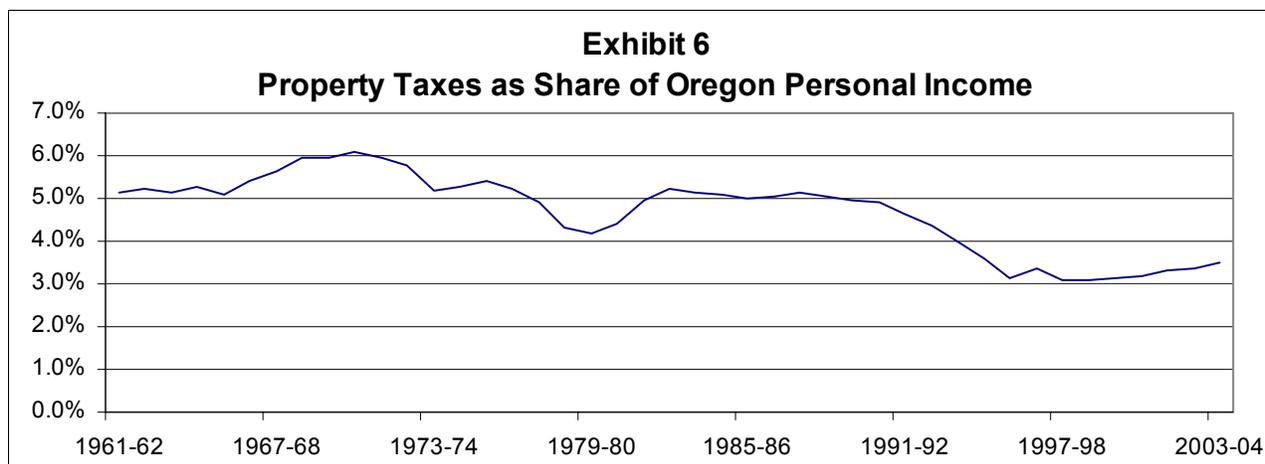


Exhibit 5 displays the growth of Oregon property taxes during the past 44 years. The chart illustrates several distinct periods. After modestly increasing up to the mid-1970s, property taxes grew more rapidly through the early 1990s. In 1990, voters passed Measure 5, which enacted constitutional tax rate limitations. These limitations resulted in annual declines in taxes imposed through 1995–96. Taxes in 1996–97 increased with assessed values but continued to be restricted by the Measure 5 limitations. Measure 50's limits caused imposed taxes to fall again in fiscal year 1997–98. Since 1997–98, taxes imposed have been increasing, but are at lower levels than they would have been without the limitations.



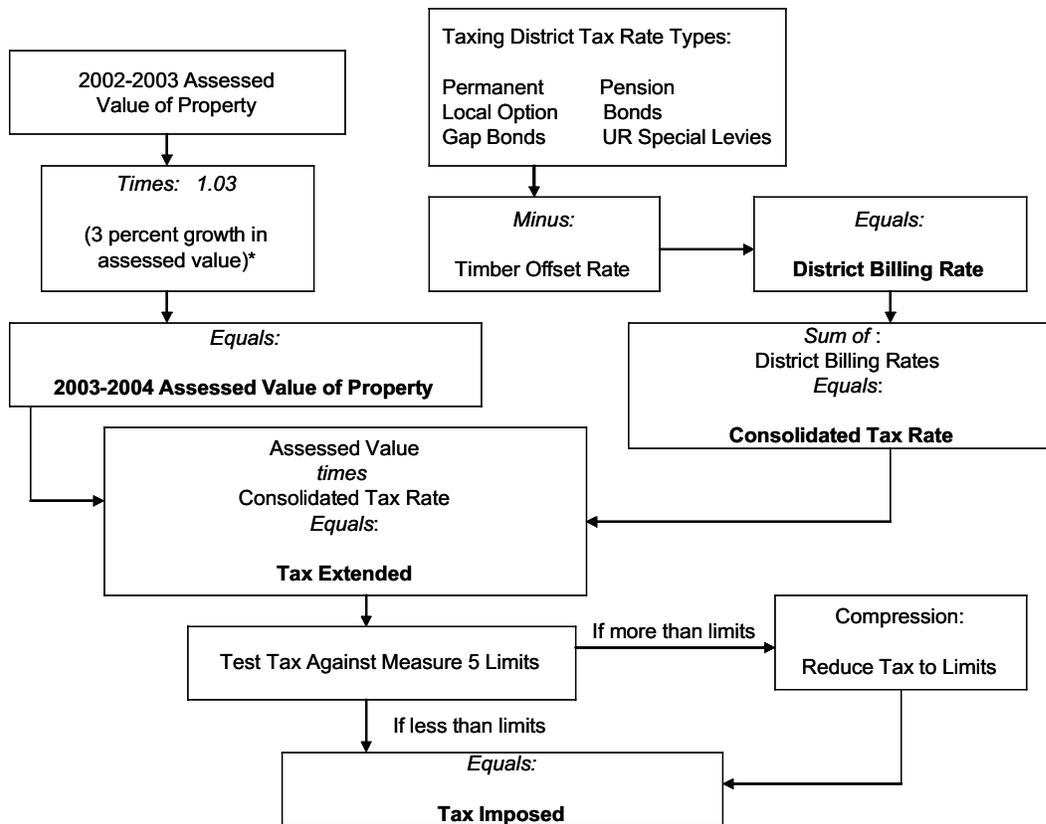
To appreciate the burden of property taxes on taxpayers, it is helpful to look at taxes in relation to personal income, which is a broad-based measure of statewide economic activity. Exhibit 6 shows the share of Oregon personal income that property taxes represent. The combination of increasing personal income during the 1990s and restrictions on property taxes brought about by the two ballot measures resulted in a decline in the share of income represented by property taxes. This percentage decreased from over 5

percent in the 1980s to approximately 3 percent in the late 1990s. The gradual increase since 1999–00 is due to much slower income growth and continuing increases in property taxes.

### How Property Taxes are Determined for an Individual Property

Exhibit 7 shows the process used to determine the property tax bill for an individual property. Note that the steps for calculating the billing rate are done for each taxing district in which a property is located. For example, a home may be located within six taxing districts: a county, a city, a K–12 school district, an education service district, a community college district, and a cemetery district. Each of these districts will have a billing rate, and their sum will equal the consolidated tax rate for the home. The assessed value of the home multiplied by the consolidated tax rate results in the tax extended. The nonbond taxes paid to the K–12, education service, and community college districts are subject to the Measure 5 school limit, while the nonbond taxes paid to the county, city, and cemetery are subject to the Measure 5 general government limit. If either the school or general government tax-extended amount is greater than the respective Measure 5 limit allows, then the tax is reduced to the limit. In reducing the nonbond tax, the tax for each district is reduced first by reducing local option taxes to zero and then reducing nonbond taxes proportionately. The final tax (nonbond tax plus bond tax) is referred to as the tax imposed, and this is the amount the property owner must pay.

**Exhibit 7: Property Tax Calculation for an Individual Property**



\*If improvements were made to the property during 2003, then the assessed value could grow more than 3 percent. Assessed value calculation above is for property with real market value greater than assessed value.