

## Residential Property Values and Taxes: 1990–91 to 1998–99

The past decade has seen two significant changes in Oregon's property tax system. First, starting in 1991–92, Measure 5 mandated that no individual property could be imposed a total property tax bill of more than \$15 per \$1,000 of its real market value: \$5 per \$1,000 real market value for schools and \$10 per \$1,000 real market value for general government. Then, in May 1997, voters approved Measure 50. It mandated that the 1997–98 assessed value of each property would be set at 90% of the property's 1995–96 assessed value. After 1997–98, assessed value would be allowed to grow by no more than 3% per year. Measure 50 also established permanent tax rates at levels that resulted in a one-time average statewide property tax cut of 13.2% per taxing district compared to the property tax revenue taxing districts would have raised under the Measure 5 system.<sup>3</sup>

This section explores the impact these two measures have had on assessed values and taxes paid by typical Oregon homeowners from 1990–91 to 1998–99. The analysis consists of two components. First, we compare the changes in urban versus rural values and taxes. Second, we analyze the trends of both assessed value and taxes imposed over time.

To demonstrate how Measures 5 and 50 affected property taxes imposed on residential property, 23 representative, single-family, residential properties were selected for analysis. These homes are not intended to serve as a statistical sample, so caution should be used when drawing conclusions. They do, however, provide illustrative examples of the effects Measures 5 and 50 had on the taxes of typical residential properties in different areas of the state.

From each of ten counties, one property from an urban area and one from a rural area were chosen. An additional urban property was selected from eastern Multnomah county to provide a contrast to a home in the city of Portland. The other properties were in the following counties: Benton, Coos, Deschutes, Jackson, Klamath, Lane, Lincoln, Marion, Umatilla and Washington. Together, these eleven counties account for over two-thirds of the state's total population, and represent eastern, western, urban, and rural Oregon.

Each urban property was located in the code area that had that county's highest assessed value. (A code area is a geographic area in which all properties pay taxes to the same set of local governments.) For rural properties, care was taken to ensure that each property was in a code area with a large number of residential properties. Also, every property chosen, whether urban or rural, had an assessed value close to the average assessed value for that code area. Consolidated tax rates were then determined for each property by tax year. Taxes imposed for each property were calculated by multiplying the property's assessed value by its consolidated tax rate.

Exhibit 7 contains the detailed data on each of the properties. In general, the two Measures did not have significantly different impacts on urban and rural homes, but there were a few exceptions. During the Measure 5 phase-in, the assessed values for both rural and urban homes grew by roughly 81 percent, but the average reductions in taxes imposed were significantly different. Taxes imposed on the average urban home fell 5.8 percent during this period, but the corresponding figure for rural homes was 15.8 percent.

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<sup>3</sup> The 13.2% cut was an average for all taxing districts. Some districts experienced larger cuts, some smaller cuts.

## Exhibit 7

### Assessed Value and Property Taxes for Selected Residential Properties

1990-91 to 1998-99

County	City	School	1990-91		1995-96		1996-97		1997-98		1998-99		Chng in Tax(\$) 90-91 to 98-99
	(Urban properties)	District	AV (\$)	Tax (\$)									
Benton (U)	Corvallis	Corvallis	63,670	2,151	143,860	2,108	152,810	2,129	129,474	1,888	133,358	1,850	-301
Benton (R)		Corvallis	77,020	2,111	138,110	1,544	147,380	1,562	124,299	1,395	128,028	1,340	-771
Coos(U)	Coos Bay	Coos Bay	47,021	1,425	79,558	1,206	79,558	1,293	71,602	1,267	73,750	1,316	-110
Coos(R)		Bandon	57,800	1,276	98,607	934	104,454	1,070	88,746	980	91,408	1,015	-261
Deschutes(U)	Bend	Bend	70,420	1,530	116,040	1,491	122,770	1,560	104,435	1,530	107,568	1,605	75
Deschutes(R)		Bend	59,415	1,018	104,665	1,049	114,535	1,148	94,200	1,130	97,026	1,209	191
Jackson(U)	Medford	Medford	72,460	1,738	111,110	1,449	113,330	1,558	100,000	1,428	103,000	1,483	-254
Jackson(R)		Medford	53,550	1,082	100,000	908	104,660	1,032	90,000	976	92,700	1,022	-61
Klamath(U)	Klamath Falls	Klamath Co.	44,320	1,069	59,450	913	62,550	963	53,510	858	55,115	891	-179
Klamath(R)		Klamath Co.	51,820	1,080	60,460	681	62,790	703	54,410	792	56,042	650	-430
Lane(U)	Eugene	Eugene	82,340	2,599	134,140	2,103	154,070	2,367	120,726	2,048	124,348	2,017	-582
Lane(R)		Eugene	63,460	1,437	108,700	976	119,680	1,054	97,830	966	100,765	959	-477
Lincoln(U)	Lincoln City	Lincoln Co.	46,830	1,243	119,350	1,762	127,010	1,934	107,420	1,804	110,643	1,888	645
Lincoln(R)		Lincoln Co.	97,860	1,737	219,750	2,259	219,750	2,233	197,780	2,231	203,713	2,367	630
Marion(U)	Salem	Salem	44,010	1,496	105,310	1,856	116,720	1,971	94,779	1,806	97,622	1,810	314
Marion(R)		Salem	61,840	1,637	99,240	1,202	104,450	1,215	89,316	1,136	91,995	1,171	-466
Multnomah(U)	Portland	Portland	67,500	2,261	120,500	1,873	135,000	2,232	108,450	2,147	111,704	2,272	11
Multnomah(U)	Gresham	Reynolds	73,200	2,118	130,200	1,980	140,600	2,169	117,180	1,993	120,695	2,082	-36
Multnomah(R)		Centennial	70,800	2,334	155,500	2,152	161,700	2,217	139,950	2,215	144,149	2,348	15
Umatilla(U)	Pendleton	Pendleton	38,350	1,295	72,750	1,248	82,440	1,404	65,470	1,258	67,434	1,301	7
Umatilla(R)		Hermiston	47,340	1,434	80,850	897	83,870	938	72,760	1,029	74,943	1,022	-412
Washington(U)	Beaverton	Beaverton	91,900	2,455	149,770	2,163	163,090	2,399	134,790	2,204	138,834	2,299	-156
Washington(R)		Beaverton	82,800	2,145	145,840	1,951	160,390	2,124	131,260	1,852	135,198	1,950	-195
Average (U)			61,835	1,782	111,837	1,679	120,829	1,832	100,653	1,686	103,673	1,734	-47
Average (R)			65,791	1,572	119,247	1,323	125,787	1,390	107,323	1,337	110,543	1,368	-203
Average (overall)			63,727	1,681	115,381	1,509	123,200	1,621	103,843	1,519	106,958	1,559	-122

U: Urban Property; R: Rural Property; AV: Assessed Value.

In 1996–97, the average urban home experienced higher growth in both assessed value (8 percent versus 5.5 percent) and taxes imposed (9.1 percent versus 5.1 percent) than rural homes. In 1997–98, when Measure 50 was implemented, assessed value was cut by similar amounts (16.7 percent for the urban and 14.7 percent for the rural homes); however, the taxes imposed on the average urban home were cut 8.0 percent while the average rural home saw a 3.9 percent cut. In 1998–99, the assessed values grew by 3 percent. The growth in taxes imposed for urban and rural homes was 2.9 and 2.4 percent.

Exhibit 8 shows the trends in assessed values and taxes imposed for the 23 homes selected. For all 23 homes together, the average assessed value grew by 81.1 percent from 1990–91 to 1995–96 while taxes imposed fell 10.3 percent. This time period was the Measure 5 phase-in, so tax rate limits were reduced every year until 1995–96. However, Measure 5 contained no limit on assessed value growth. In 1996–97, with the rate limits fully phased-in, taxes imposed grew with assessed value. The average assessed value grew 6.8 percent and the average taxes imposed grew 7.4 percent.

### Exhibit 8

Average Assessed Value and Taxes Imposed for 23 Residential Properties		
1990-91 to 1998-99		
Time Period	Average Assessed Value	Average Taxes Imposed
1990-91 to 1995-96 (Measure 5 phase-in)	Increased by 81.1%	Decreased by 10.3%
1995-96 to 1996-97 (Fully implemented Measure 5)	Increased by 6.8%	Increased by 7.4%
1996-97 to 1997-98 (Measure 50 implementation)	Decreased by 15.7%	Decreased by 6.3%
1997-98 to 1998-99 (Fully implemented Measure 50)	Increased by 3.0%	Increased by 2.7%
<b>Overall, 1990-91 to 1998-99</b>	<b>Increased by 67.8%</b>	<b>Decreased by 7.3%</b>

When Measure 50 was implemented in 1997–98, the average assessed value of these 23 homes was cut 15.7 percent and taxes imposed were cut by 6.3 percent. Note that the 1997–98 assessed value for each of the selected homes was 90 percent of its 1995–96 value. In percentage terms, the cuts in assessed value depended on the value growth between 1995–96 and 1997–98. In the second year of Measure 50, 1998–99, the average assessed value grew by the limit of 3 percent. As expected, the use of fixed rates in conjunction with limited growth in assessed value resulted in a relatively low growth in taxes imposed of 2.7 percent.

Exhibits 9 and 10 provide graphs showing the patterns of assessed values and taxes imposed over the entire eight-year period. Exhibit 9 shows how assessed value rose from 1990–91 to 1996–97. Then in 1997–98, Measure 50 resulted in assessed values being rolled back to 90 percent of 1995–96 values. Assessed values were allowed to grow 3 percent from 1997–98 to 1998–99, again as a result of Measure 50. Overall, assessed values increased an average of 67.8 percent from 1990–91 to 1998–99.

### Exhibit 9

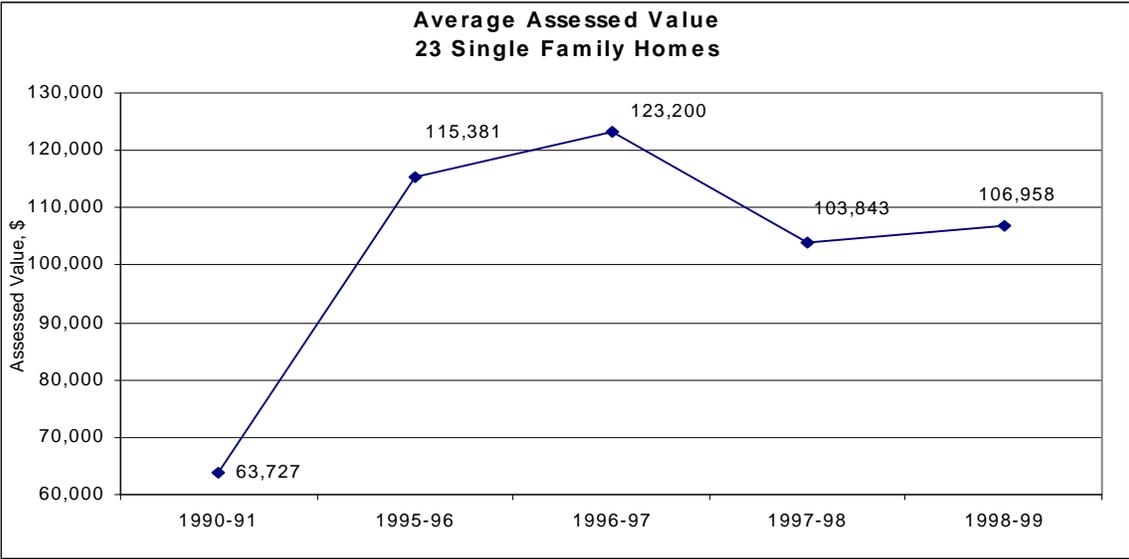
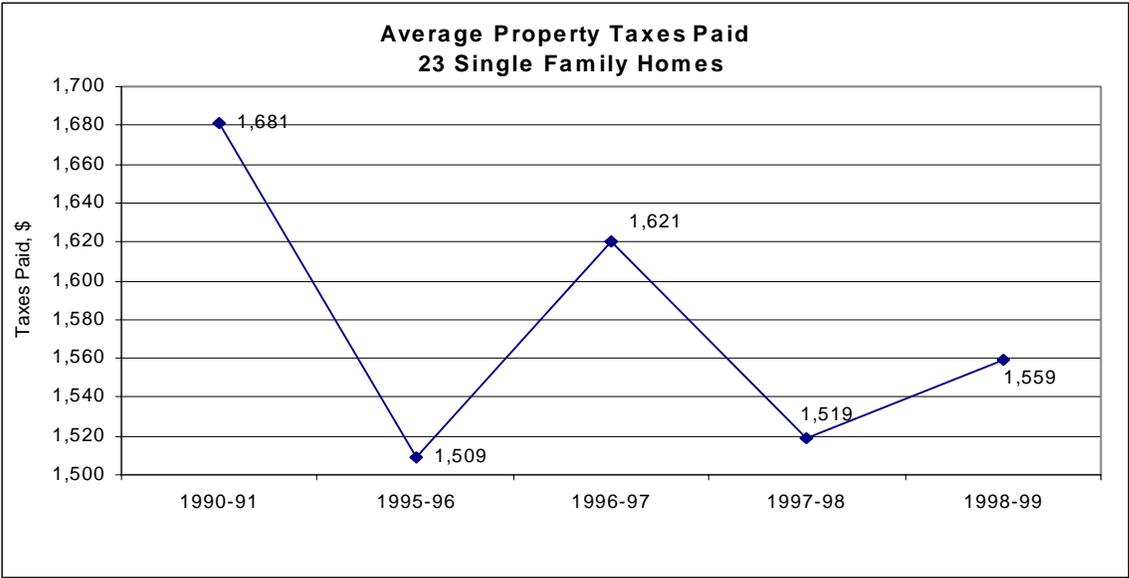


Exhibit 10 shows that the property taxes imposed on the typical property fell from 1990-91 to 1995-96 as a result of the phased-in Measure 5. After Measure 5 was fully phased in, taxes imposed rose from 1995-96 to 1996-97. Then, in 1997-98, Measure 50 resulted in a one-time property tax cut. From 1997-98 to 1998-99, taxes imposed rose because tax rates were fixed, and assessed value of the selected properties grew by the maximum 3 percent allowed by Measure 50. Overall, taxes imposed declined an average of 7.3 percent over the 1990-91 to 1998-99 period.

### Exhibit 10



Because Measures 5 and 50 changed tax rates and the definition of assessed value, it is necessary to look at the actual taxes paid to determine how the two measures affected tax burdens. The overall story seems to be that, for the typical residential property, Measure 5 and Measure 50 have been successful in cutting property tax burdens for residential properties across the state. Our analysis shows that the tax imposed on a typical single family residential property fell by 7.3 percent from 1990–91 (the last year prior to Measure 5) to 1998–99 (the second year of Measure 50). When adjusted for inflation, the changes are even more dramatic. Inflation-adjusted property taxes imposed in 1998–99 are 29.2 percent *below* 1990–91 levels: for every \$100 paid in property taxes in 1990–91, the typical property owner paid only \$70.77 in 1998–99, after adjustments for inflation. Another way of expressing this is to say that inflation-adjusted property taxes in 1990–91 were 41.3 percent *above* today's levels.