NOTICE OF PROPOSED RULEMAKING
INCLUDING STATEMENT OF NEED & FISCAL IMPACT

CHAPTER 150
DEPARTMENT OF REVENUE

FILING CAPTION: Adjustment of Operating Tax Rate Limitation for Gap Bonds

LAST DAY AND TIME TO OFFER COMMENT TO AGENCY: 09/29/2022 5:00 PM

The Agency requests public comment on whether other options should be considered for achieving the rule's substantive goals while reducing negative economic impact of the rule on business.

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Filed By:
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HEARING(S)
Auxiliary aids for persons with disabilities are available upon advance request. Notify the contact listed above.

DATE: 09/29/2022
TIME: 9:00 AM
OFFICER: Phil M McClellan
ADDRESS: Virtual Hearing
955 Center St NE
Salem, OR 97301-2555
SPECIAL INSTRUCTIONS:
Join ZoomGov Meeting
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NEED FOR THE RULE(S)
Currently, there are no more gap bonds outstanding as they are all paid off. Therefore, the rule is now obsolete and
should be repealed.

DOCUMENTS RELIED UPON, AND WHERE THEY ARE AVAILABLE

Article XI, Section 11 (5)(d) of the Oregon constitution states that gap bonds that were levied prior to 1996 require the district's permanent rate to be reset for the tax year after the district has finished paying off the bond debt. Currently, all of those have been paid off.

STATEMENT IDENTIFYING HOW ADOPTION OF RULE(S) WILL AFFECT RACIAL EQUITY IN THIS STATE

None, as this was part of the Oregon Constitution and only applied to "gap bonds" as part of a local districts levy.

FISCAL AND ECONOMIC IMPACT:

None, as all of the bonds levied in 1997-98 have been paid off.

COST OF COMPLIANCE:

(1) Identify any state agencies, units of local government, and members of the public likely to be economically affected by the rule(s). (2) Effect on Small Businesses: (a) Estimate the number and type of small businesses subject to the rule(s); (b) Describe the expected reporting, recordkeeping and administrative activities and cost required to comply with the rule(s); (c) Estimate the cost of professional services, equipment supplies, labor and increased administration required to comply with the rule(s).

(1) None
(2)(a) None
(b) None
(c) None

DESCRIBE HOW SMALL BUSINESSES WERE INVOLVED IN THE DEVELOPMENT OF THESE RULE(S):

Not applicable. (Local governments were involved in the development of the rule as guidance on how to reset the permanent rate once the gap bonds were paid off.)

WAS AN ADMINISTRATIVE RULE ADVISORY COMMITTEE CONSULTED? NO IF NOT, WHY NOT?

Because all of the “gap bonds” have been paid off

REPEAL: 150-310-0010

RULE SUMMARY: OAR 150-310-0010 defines “Gap Bonds” and provides calculation of permanent rate to be reset when bonds are paid off. Currently, all “GAP bonds” are paid off. Therefore, this rule is no longer needed.

CHANGES TO RULE:

150-310-0010
Adjustment of Operating Tax Rate Limitation for Gap Bonds ¶

(1) For purposes of this rule the following definitions apply: ¶
(a) A “Qualifying Taxing District Obligation,” also known as “Gap Bond,” means any portion of a local taxing district 1997-98 levy that was used to repay: ¶
(A) Principal and interest for any bond issued before December 5, 1996, and secured by a pledge or explicit commitment of ad valorem property taxes or a covenant to levy or collect ad valorem property taxes; ¶
(B) Principal and interest for any other formal, written borrowing of moneys executed before December 5, 1996, for which ad valorem property tax revenues have been pledged or explicitly committed, or that are secured by a covenant to levy or collect ad valorem property taxes; ¶
(C) Principal and interest for any bond issued to refund an obligation described in paragraph (A) or (B) of this
section.

(b) “Operating Tax Rate Limit” means the maximum rate of operating taxes certified by the Department of Revenue that a district may impose.

(c) “Operating Taxes” means ad valorem property taxes that are subject to a permanent rate limit under section 11, Article XI of the Oregon Constitution, or statutory rate limit under ORS 310.236(4), if applicable.

(2) Any taxing district whose Operating Tax Rate Limit was established in 1997-98 and whose operating levy certification for 1997-98 included levy amounts for Gap Bonds which were part of a tax base or other permanent continuing levy authority must have its Operating Tax Rate Limit increased for the tax year following the repayment of the debt obligation as outlined in this rule.

(3) In the year in which the Gap Bond debt is repaid the district must send a letter at least 30 days prior to the end of the fiscal year to the county assessor of each county in which the district imposes taxes with a copy directed to the:

Property Tax Division
Oregon Department of Revenue
PO Box 14380
Salem Oregon 97309-5075

At a minimum, the letter must include the following information:

(a) Name of the taxing district
(b) Levy amount identified as Gap Bonds on the 1997-98 M-50 Form
(c) Amount of Gap Bond debt paid by that levy which has been retired during the current tax year

(4) Within 30 days of receipt of its copy, the Department of Revenue must send a letter to the district and a copy of the letter to the county assessor(s). The letter must include the following information:

(a) The name of the district
(b) The Operating Tax Rate Limit before recalculation
(c) The new Operating Tax Rate Limit increase after recalculation
(d) The tax year for which the new Operating Tax Rate Limit increase will first apply

(5) The Department of Revenue must calculate the increase in the Operating Tax Rate Limit for the district by:

(a) Calculating the percentage the Measure 5 operating tax was reduced in the Measure 50 calculations to arrive at the Measure 50 tax without compression.
(b) Applying the reduction percentage in subsection (a) above to the Gap Bond or portion of Gap Bond authority.
(c) Adding the resulting amount remaining after the reduction calculation in (b) above to the Measure 50 (M50) tax without compression.
(d) Dividing the new total amount calculated in subsection (c) by the 1997-98 assessed value used to calculate the operating rate limit of the taxing district to arrive at the new Operating Tax Rate Limit. The rate will be carried out seven places and truncated.

(6) The final Operating Tax Rate Limits after all Gap Bond debt is repaid and the calculations, as done by the Department of Revenue, are shown in the following table: [Table not included. See ED. NOTE.]

Statutory/Other Authority: ORS 305.100
Statutes/Other Implemented: ORS 310.055