



Rules Advisory Committee

Property Tax Division

January 18, 2022

Benjamin, McClellan, Shiratori, Thummel

Members

Rules Advisory Committee on AV Exemptions

- Mike Cowles, Assessor, Lane County
- Joe Davidson, President, Oregon State Association of County Assessors
- Jack Dempsey, Oregon State Fire Fighters Council
- Jennifer Donovan, Deputy Director, Oregon Department of Veterans Affairs
- Tess Fields, Harbor of Hope
- Mark Gharst, Lobbyist, League of Oregon Cities
- Tyler Janzen, Association of Oregon Counties
- Scot Langton, Assessor, Deschutes County
- Diane Linn, Proud Ground
- Eric Olson, Washington County Assessors Office
- Taylor Sarman, Oregon State Police Officers Association
- Andy Stevens, Assessor, Linn County
- Nicole Stingh, Oregon Department of Consumer and Housing Services
- Dave Stuckey, Adjutant General Deputy Director, Oregon Military Department
- Michael Vaughn, Assessor, Multnomah County
- Shannon Vilhauer, Habitat for Humanity
- Derrick Wharff, Assessor, Yamhill County
- Jody Wiser, Tax Fairness Oregon

Role and Operating Principles

- **PURPOSE**

- This Rules Advisory Committee (RAC) will help inform and assist the Department of Revenue (DOR) administrative rulemaking to develop rules for county assessors to re-calculate the maximum-assessed value (MAV) of properties when they are newly-eligible for or disqualified from a partial exemption of assessed value (AV). If the RAC indicates that the potential rules will have a significant adverse fiscal impact on small business, the agency will seek the RAC's input on mitigating the cost of compliance.
- Though this RAC is not a voting body, DOR's goal in convening members is to receive individual and group input for administrative rulemaking. The input provided will help DOR to develop draft rules for the Director's consideration.

- **RAC OPERATING PRINCIPLES, GUIDELINES, and EXPECTATIONS**

- This RAC agrees to seek balanced recommendations that comply with legislative intent, align with the statute, and address the needs of the broader constituent group they have been asked to represent, while first and foremost serving the needs of the state as a whole. Members will consider the viewpoints of other participants and conduct themselves in a respectful manner that promotes collaboration.

- **Meeting Preparation and Participation**

- Attend the meeting.
- Prepare for the meeting by reading materials in advance and arriving on time.
- Notify DOR if there is an unavoidable conflict that requires late attendance or absence and provide comments prior to the meeting if unable to attend.

- **Meeting Deliberations**

- Listen carefully and respectfully.
- Encourage respectful, candid, and constructive discussions.
- Focus on the subject at hand and help the group stick to the agenda.
- Allow for a balance of speaking time and respect time limits.
- Seek to resolve differences and find common ground.
- This should be a safe place where specific proposals can be made in open and frank problem-solving conversation.

- **Making Recommendations**

- Recommendations should align with legislative intent and DOR statutory authority.
- Written comments from members unable to attend meetings will be considered.
- Strive to come to consensus on the recommendations - understanding that recommendations are strengthened by high levels of agreement. Consensus is achieved when all members can accept and will support the recommendation. RAC recommendations will be understood as the most viable choice even if it may not be each individual member's personal preference.

- **Accessibility to Public**

- Meetings will be open to the public for observation.
- Members of the public who wish to provide comments to the RAC are encouraged to submit written comments to DOR by emailing Philip.L.McClellan@dor.oregon.gov. All written comments will be distributed to RAC members for consideration.
- Ten minutes will be set aside at each meeting to allow for brief public comments and to share any written comments received.

- **External Communications**

- All official communications regarding the process will be conducted through DOR.
- Members will refrain from mischaracterizing comments or views of the other members.
- Inquiries by the media will be referred to robin.maxey@oregon.gov.
- In communication outside of RAC meetings, members shall clearly state the views they are expressing are their own and not that of the RAC.
- Members will communicate with their stakeholder groups to ensure that they are well informed of the group's discussions and progress and to ensure that issues are identified that need to be communicated to the RAC.
- Members will contact DOR staff regarding suggestions to help future meetings and activities work more effectively.
- Participation in the RAC does not preclude any member from providing public comment on the draft administrative rule in any rulemaking process open for public comment.

Agenda

January 18, 2022,
12:30pm-2:30pm

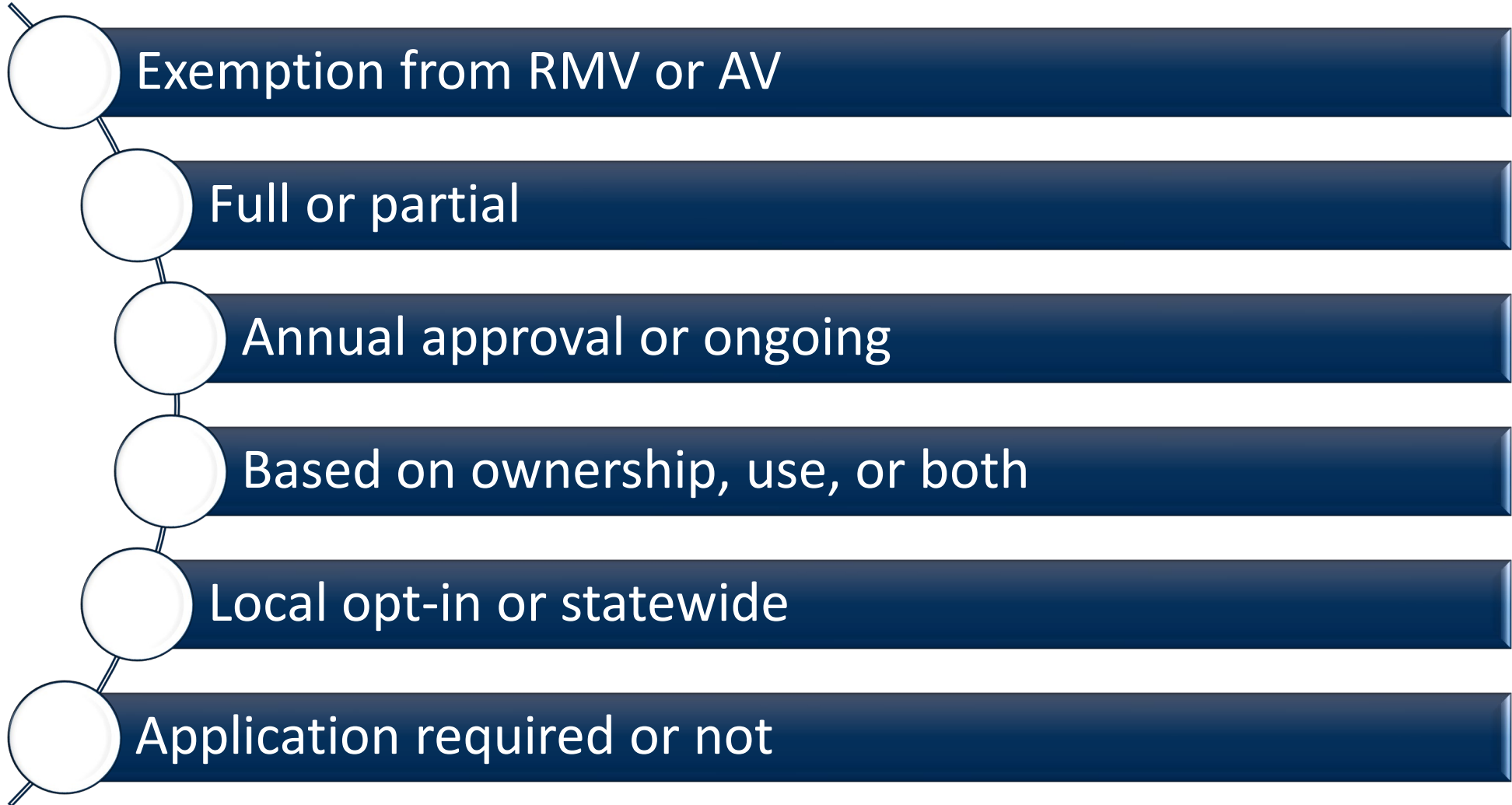
- 1) What is an AV exemption?
- 2) RMV, MAV, AV
- 3) ReMAVs, CPR, and effects on taxpayers
- 4) ReMAVs, practice, and constitution
- 5) Who benefits, who is disadvantaged
- 6) ORS 307.032, ORS 308.156, OAR 150-308-0220
- 7) Initial draft rule language
- 8) Public comment

Exemptions Generally

A legislatively approved program to relieve qualified individuals or organizations from paying all or part of their property taxes.



Exemption Characteristics & Variations



Exemption	ORS / TE	Year Enacted	Duration of Exemption	Annual Exemption Amount
Disabled Veteran & Surviving Spouse of a Veteran	ORS 307.250 / TE 2.111	1921	Ongoing until qualifications no longer met. Surviving Spouse must apply after veterans' death to continue.	TY 2021-22 \$23,370 or \$28,045 3% annual increase
Surviving Spouse of a Public Safety Officer	ORS 307.295 / TE 2.118	2016	Ongoing until qualifications no longer met.	Up to \$250,000 As set by adopting jurisdiction
Active-Duty Military	ORS 307.286 / TE 2.117	2005	Requires annual application for each year deployed under qualified orders.	TY 2021-22 \$96,283
Home Share	Note following ORS 307.548 / TE 2.110	2019	Determined by adopting jurisdiction ordinance.	Up to \$300,000 As set by adopting jurisdiction with annual increase based on CPI
Shared Equity Housing	Oregon Laws 2021, Chapter 466	2021	Ongoing until qualifications no longer met.	27% of AV for qualified condominium units
Low Value Manufactured Structure in high-population county	ORS 308.250(3)(b) / TE 2.071	2019	Determined by adopting jurisdiction ordinance	Amount set by adopting jurisdiction



RMV, MAV and AV

REAL MARKET VALUE (RMV)

- Reasonable sales price as of assessment date
- Assessment date is January 1 preceding the July 1 beginning of a tax year



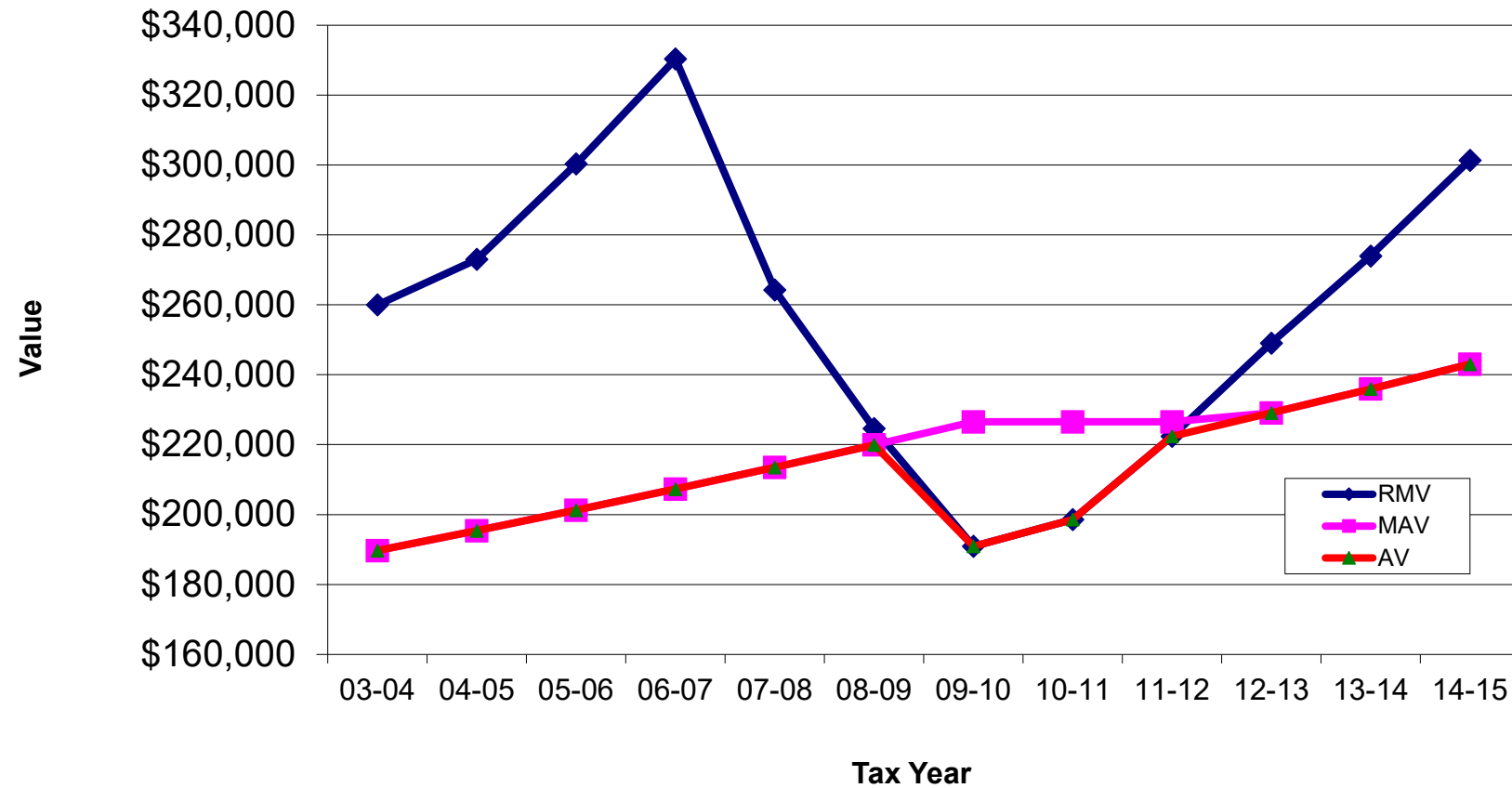
MAXIMUM ASSESSED VALUE (MAV)

- Created by Measure 50
- Constitutional amendment adopted in 1997
- 1995-96 RMV less 10% = New MAV for 1997-98
- MAV growth is limited to 3% per year, for unchanged property
- MAV = greater of 103% prior year AV or 100% prior year MAV

ASSESSED VALUE (AV)

- The value to which the tax rates are applied
- The LESSER of RMV and MAV

RMV, MAV, and AV



Changes to Property aka: Exceptions

- New property or new improvements to property
- Property rezoned and used consistently with the rezoning
- Partitioned or subdivided property
- Omitted property
- Disqualified from exemption, partial exemption or special assessment
- Lot line adjustments

CHANGED PROPERTY RATIO (CPR)

- Provides Measure 50 benefit to changed property
- Average MAV / Average RMV (unchanged property)
- Same property class
- Same area (county, city)

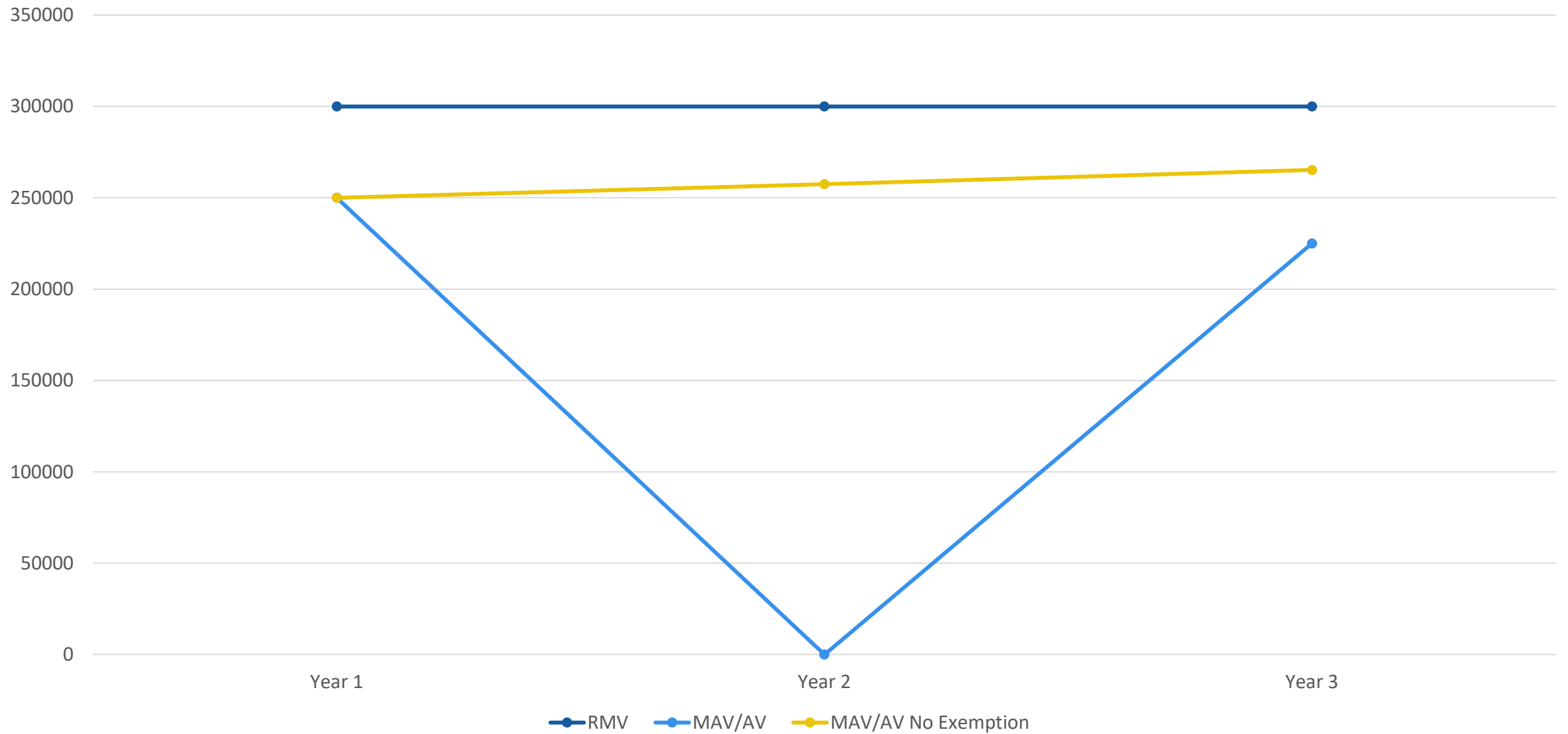
MAV and Uniformity / Effect of CPR

- MAV exempt from uniformity requirements
- Properties with same RMV may have different MAV
- CPR brings exception property to the county or city average ratio of MAV/RMV

Simplified Example 1 - Disqualification from Full Exemption

Tax Year	Year 1	Year 2	Year 3 ReMAV
Tax Status	100% Taxable	100% Exempt	100%Taxable
RMV	\$300,000	\$300,000 (Exempt)	\$300,000
MAV	\$250,000	\$0	\$225,000
AV	\$250,000	\$0	\$225,000
Tax (\$15 per \$1,000)	\$3,750	\$0	\$3,375
Internal MAV/RMV	0.833	0	0.750
CPR	0.748	0.749	0.750

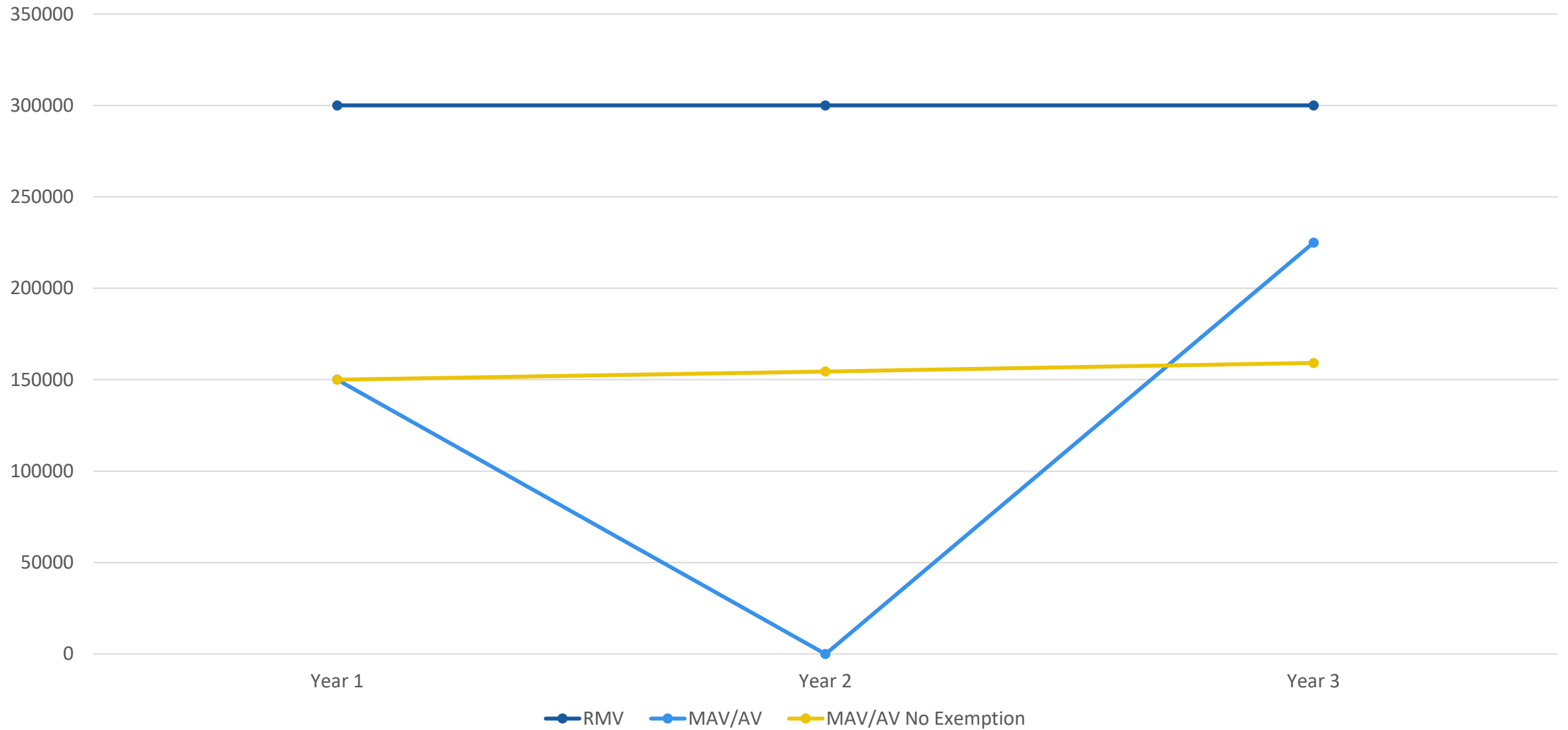
Example 1 – Disqualification from Full Exemption

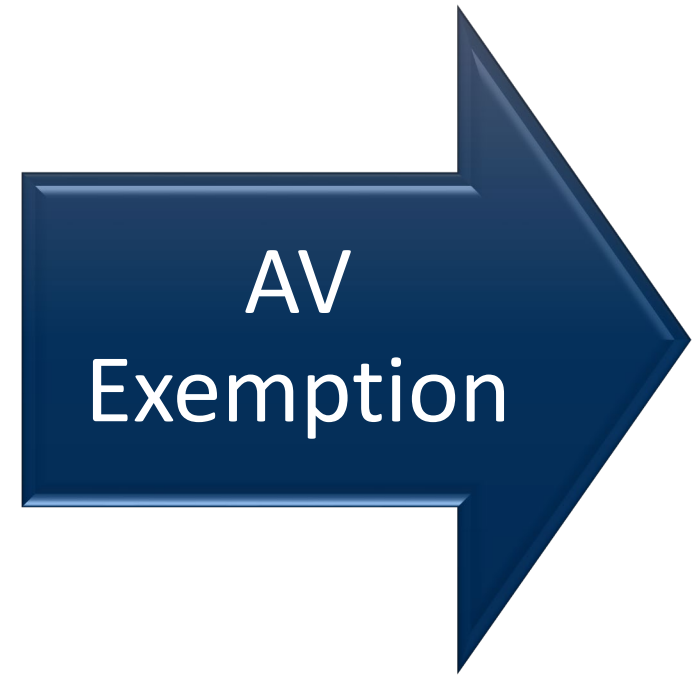
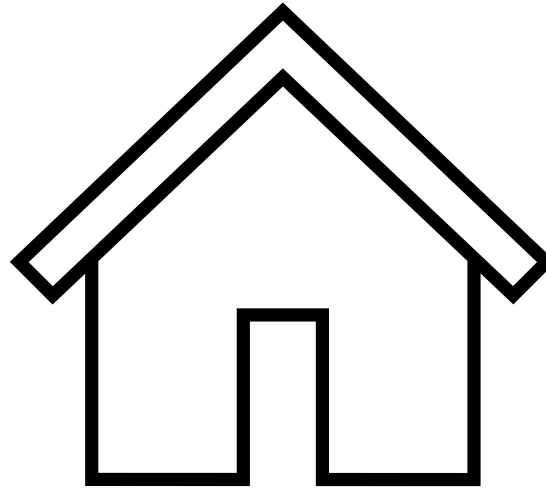


Simplified Example 2 - Disqualification from Full Exemption

Tax Year	Year 1	Year 2	Year 3 ReMAV
Tax Status	100% Taxable	100% Exempt	100%Taxable
RMV	\$300,000	\$300,000 (Exempt)	\$300,000
MAV	\$150,000	\$0	\$225,000
AV	\$150,000	\$0	\$225,000
Tax (\$15 per \$1,000)	\$2,250	\$0	\$3,375
Internal MAV/RMV	0.500	0	0.750
CPR	0.748	0.749	0.750

Example 2 – Disqualification from Full Exemption



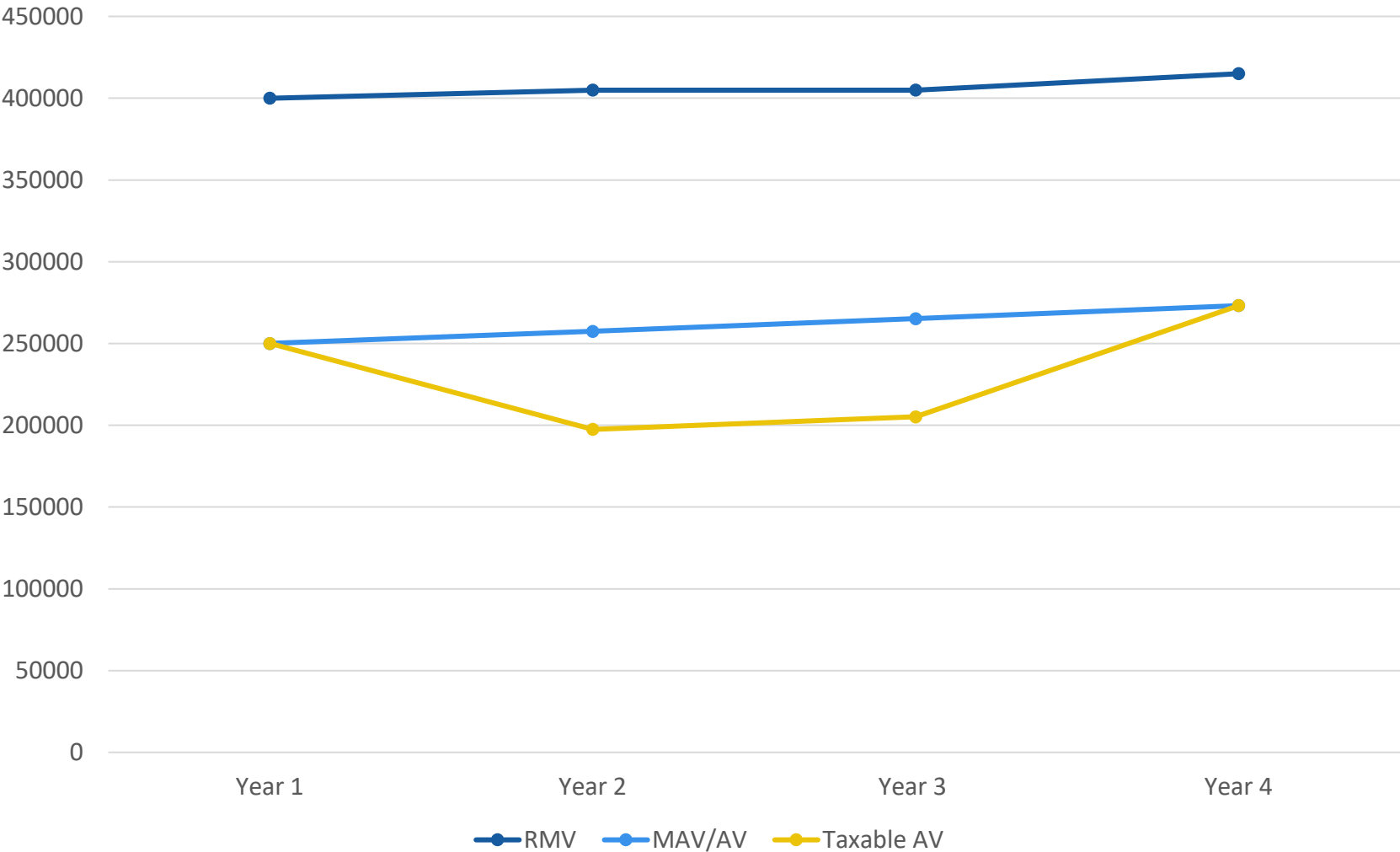


Partial AV Exemption Example – Current Practice

	Year 1	Year 2	Year 3	Year 4
RMV	\$400,000	\$405,000	\$405,000	\$415,000
MAV	\$250,000	\$257,500	\$265,225	\$273,181
AV	\$250,000	\$257,500	\$265,225	\$273,181
AV Exemption	\$ 0	\$ 60,000	\$ 60,000	\$ 0
Taxable AV	\$250,000	\$197,500	\$205,225	\$273,181
Tax (\$15 per \$1000)	\$3,750	2,963	\$3,078	\$4,098

Note: Current practice conflicts with guidance to assessors issued by the department on November 10, 2021, as further explained in this presentation.

Partial AV Exemption Current Practice



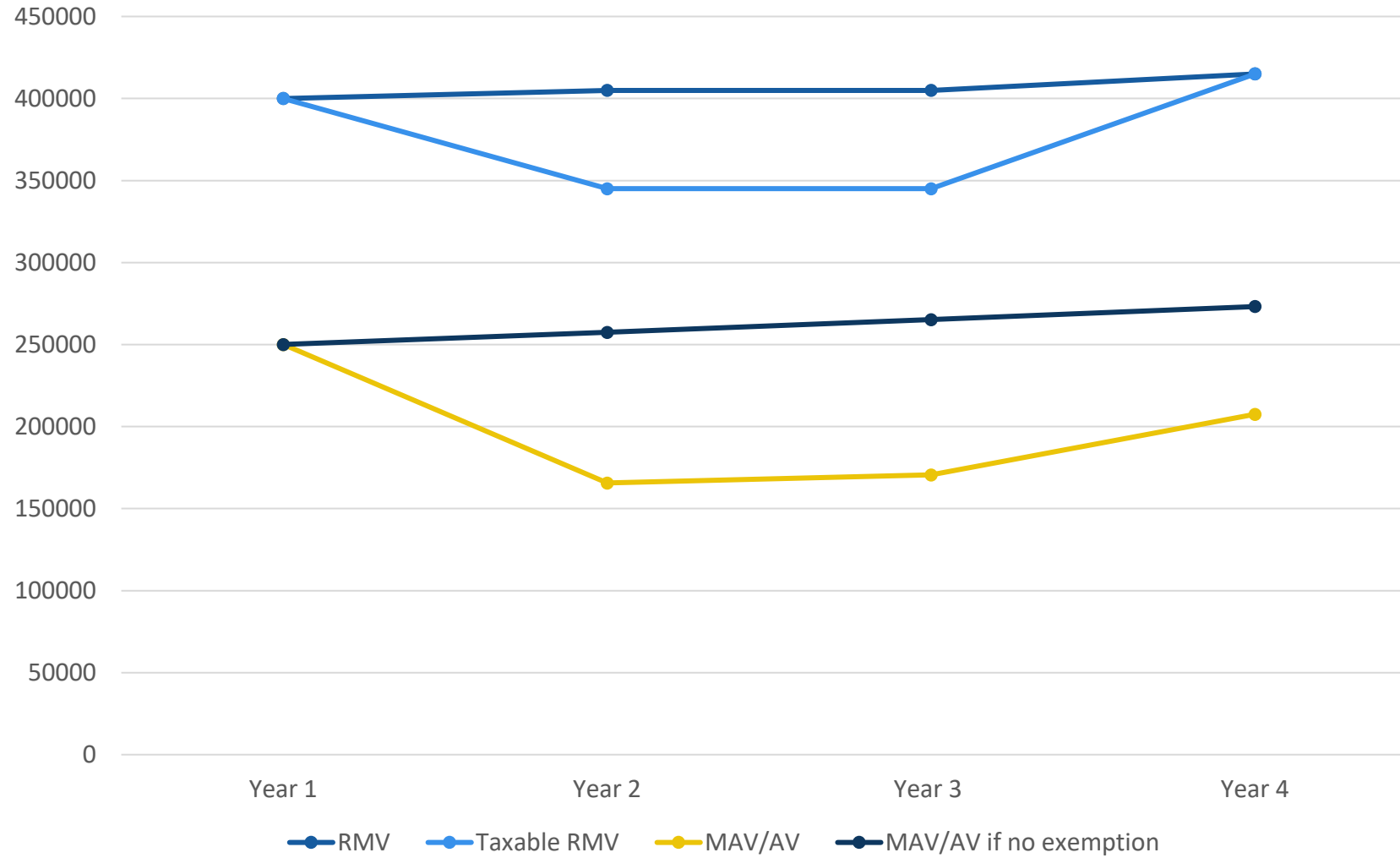
Partial RMV Exemption Example 1

	Year 1	Year 2 ReMAV	Year 3	Year 4 ReMAV
RMV	\$400,000	\$405,000	\$405,000	\$415,000
RMV Exemption	\$ 0	\$ 60,000	\$ 60,000	\$ 0
Taxable RMV	\$400,000	\$345,000	\$345,000	\$415,000
MAV	\$250,000	\$165,600	\$170,568	\$207,500
AV	\$250,000	\$165,600	\$170,568	\$207,500
Tax (\$15 per \$1,000)	\$3,750	\$2,484	\$2,559	\$3,113
Internal MAV/RMV	0.625			0.500
CPR	0.480	0.480	0.490	0.500

Year 2 MAV = \$345,000 X 0.480 = \$165,600

Year 4 MAV = \$415,000 X 0.500 = \$207,500

Partial RMV Exemption Example 1



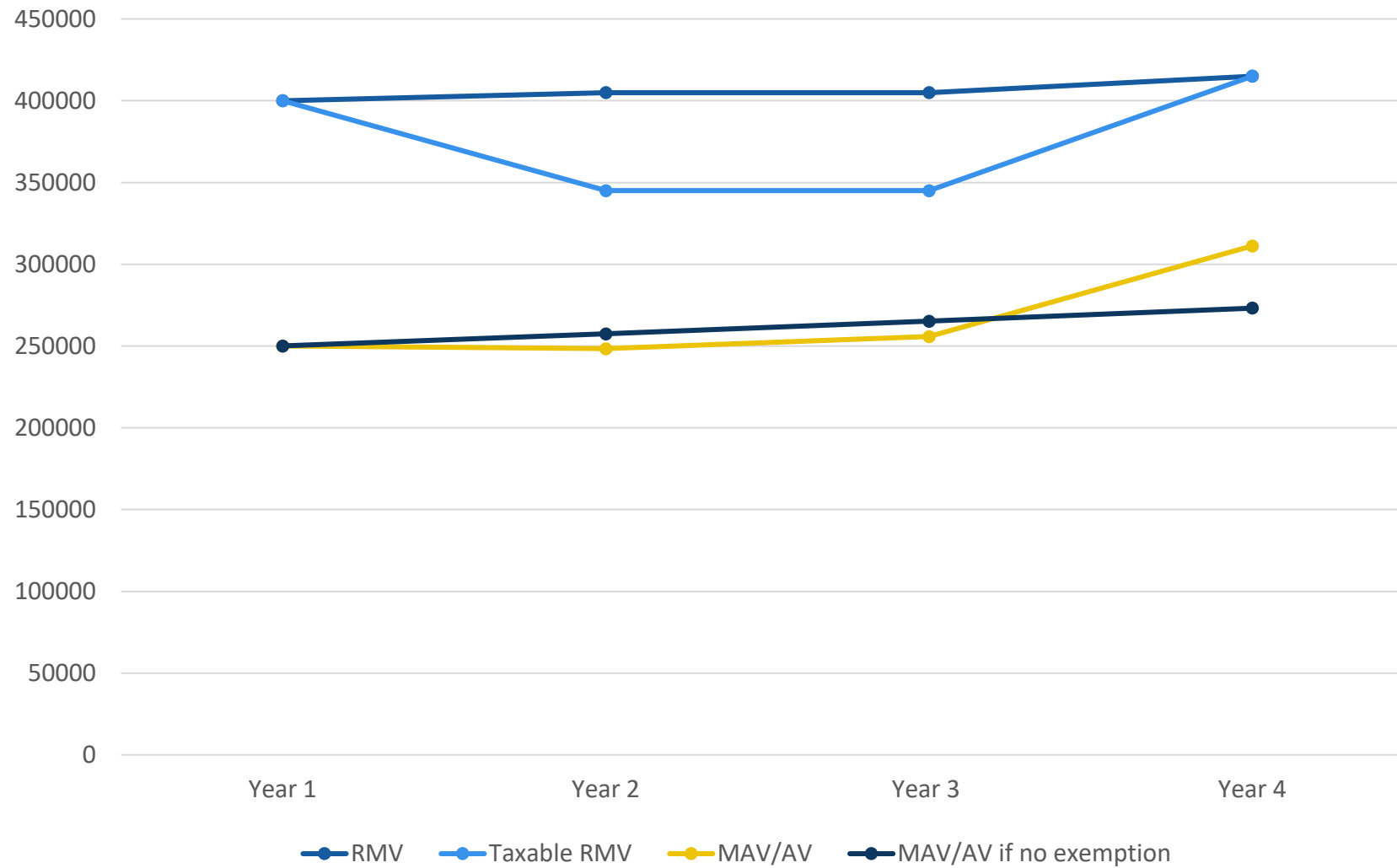
Partial RMV Exemption Example 2

	Year 1	Year 2 ReMAV	Year 3	Year 4 ReMAV
RMV	\$400,000	\$405,000	\$405,000	\$415,000
RMV Exemption	\$ 0	\$ 60,000	\$ 60,000	\$ 0
Taxable RMV	\$400,000	\$345,000	\$345,000	\$415,000
MAV	\$250,000	\$248,400	\$255,852	\$311,250
AV	\$250,000	\$248,400	\$255,852	\$311,250
Tax (\$15 per \$1,000)	\$3,750	\$3,726	\$3,838	\$4,669
Internal MAV/RMV	0.625			0.750
CPR	0.720	0.720	0.730	0.750

Year 2 MAV = \$345,000 X 0.720 = \$248,400

Year 4 MAV = \$415,000 X 0.750 = \$311,250

Partial RMV Exemption Example 2



Oregon Constitution Article XI Section 11 (1) in part

Section 11. Property tax limitations on assessed value and rate of tax; exceptions.

(1)(a) For the tax year beginning July 1, 1997, each unit of property in this state shall have a maximum assessed value for ad valorem property tax purposes that does not exceed the property's real market value for the tax year beginning July 1, 1995, reduced by 10 percent.

(b) For tax years beginning after July 1, 1997, the property's maximum assessed value shall not increase by more than three percent from the previous tax year.

(c) Notwithstanding paragraph (a) or (b) of this subsection, property shall be valued at the ratio of average maximum assessed value to average real market value of property located in the area in which the property is located that is within the same property class, if on or after July 1, 1995:

(A) The property is new property or new improvements to property;

(B) The property is partitioned or subdivided;

(C) The property is rezoned and used consistently with the rezoning;

(D) The property is first taken into account as omitted property;

(E) The property becomes disqualified from exemption, partial exemption or special assessment; or

(F) A lot line adjustment is made with respect to the property, except that the total assessed value of all property affected by a lot line adjustment shall not exceed the total maximum assessed value of the affected property under paragraph (a) or (b) of this subsection.

Oregon Constitution

- Article XI, Section 11
- Subparagraph (1)(c)(E) states property will be valued at the CPR if it becomes “disqualified from ... partial exemption...”
- Does not differentiate between partial RMV or AV exemption

Oregon Constitution Article XI Section 11 (2)

(2) The maximum assessed value of property that is assessed under a partial exemption or special assessment law shall be determined by applying the percentage reduction of paragraph (a) and the limit of paragraph (b) of subsection (1) of this section, or if newly eligible for partial exemption or special assessment, using a ratio developed in a manner consistent with paragraph (c) of subsection (1) of this section to the property's partially exempt or specially assessed value in the manner provided by law. After disqualification from partial exemption or special assessment, any additional taxes authorized by law may be imposed, but in the aggregate may not exceed the amount that would have been imposed under this section had the property not been partially exempt or specially assessed for the years for which the additional taxes are being collected.

Oregon Constitution

- Article XI, Section 11
- Subsection (2) states that when property is “newly eligible for partial exemption” MAV is determined by using “a ratio developed in a manner consistent with” the CPR.
- Does not differentiate between partial RMV or AV exemption

Who Benefits from the ReMAV

Property whose own MAV/RMV
ratio is higher than the changed
property ratio

Who is Disadvantaged by the ReMAV

Property whose own MAV/RMV ratio is lower than the changed property ratio

ORS 307.032 in part

307.032 Maximum assessed value and assessed value of partially exempt property and specially assessed property. (1) Unless determined under a provision of law governing the partial exemption that applies to the property, the maximum assessed value and assessed value of partially exempt property shall be determined as follows:

(a) The maximum assessed value:

(A) For the first tax year in which the property is partially exempt, shall equal the real market value of the property, reduced by the value of the partial exemption, multiplied by the ratio, not greater than 1.00, of the average maximum assessed value over the average real market value for the tax year of property in the same area and property class.

(B) For each tax year after the first tax year in which the property is subject to the same partial exemption, shall equal 103 percent of the property's assessed value for the prior year or 100 percent of the property's maximum assessed value under this paragraph from the prior year, whichever is greater.

ORS
307.032

First tax year of partial exemption:
 $MAV = RMV \text{ “reduced by the value of the partial exemption” } \times CPR$

Possible New Rule

- Interpret ORS 307.032
- Define RMV “reduced by the value of the partial exemption”
- Three options
 - Dollar amount of AV exemption
 - AV exemption / CPR
 - RMV reduced proportionate to AV reduction

ORS 308.156 in part

- (1) If property is subdivided or partitioned...
- (2) If property is rezoned...
- (3) For the first year for which property is added to the property tax account as omitted property...
- (4)(a) If property was subject to exemption, partial exemption or special assessment as of the January 1 assessment date of the preceding assessment year and is disqualified from exemption, partial exemption or special assessment as of the January 1 of the current assessment year, the property's maximum assessed value shall be established under this section. ...
- (5) The property's maximum assessed value shall be the sum of:
 - (a) The maximum assessed value determined under ORS 308.146 that is allocable to that portion of the property not affected by an event described in subsection (1), (2), (3) or (4)(a) of this section; and
 - (b) The product of the real market value of that portion of the property that is affected by an event described in subsection (1), (2), (3) or (4)(a) of this section multiplied by the ratio, not greater than 1.00, of the average maximum assessed value over the average real market value for the assessment year.

ORS 308.156

When disqualified from partial exemption MAV is:

MAV allocable to “portion of property not affected” by disqualification

+

RMV of “portion affected by” disqualification X CPR

OAR 150-308-0220

When an exempt, partially exempt or specially assessed property is disqualified after January 1 of the assessment year preceding the current assessment year and before January 1 of the current assessment year, a new MAV for the account must be calculated. The new MAV total will be the MAV of any unchanged portion and the new MAV of any disqualified portion. The new MAV of the disqualified portion is the RMV multiplied by the appropriate changed property ratio.

OAR 150-308- 0220 Possible amendment

Define “disqualified portion” in terms of value rather than physical portion



Questions?

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Do you have questions or need help?

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