



Rules Advisory Committee

Property Tax Division

March 28, 2022

Benjamin, Brimmer, 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
- 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
- Michelle Lovejoy, Deputy Director, Oregon Department of Veterans Affairs
- 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.

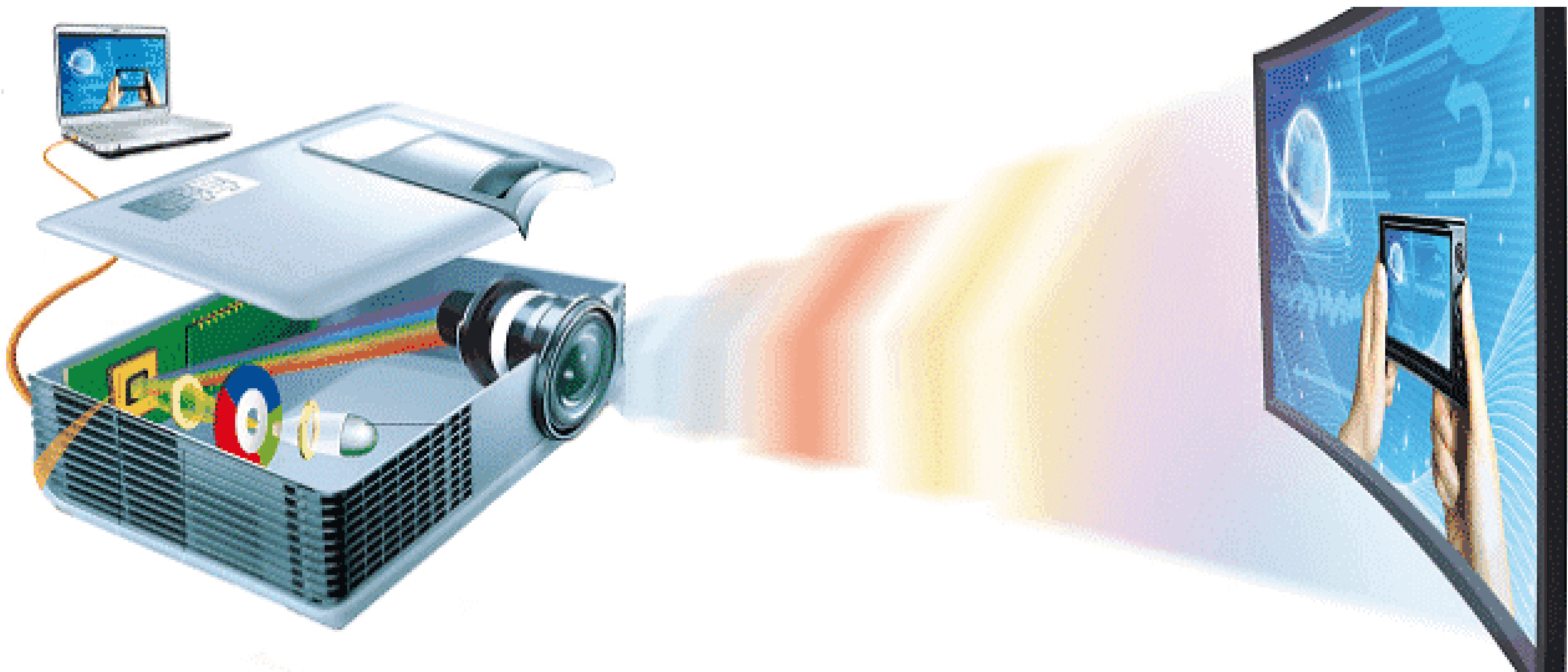
- **External Communications**

- 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

March 28, 2022,
10:30am-12:30pm

1. Roll call
2. Introductory comments
3. Options for draft rule language on ORS 307.032
4. Possible rule language to amend OAR 150-308-0220
5. Data on accounts affected by common AV exemptions
6. Examples for rule options
7. Public comment



ORS
307.032

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

Possible new rules under ORS 307.032

Option 1: For the purposes of ORS 307.032, in the case of a partial exemption of assessed value, "the value of the partial exemption" means the dollar amount of assessed value exempted.

$$MAV = (RMV - Exempt AV) * CPR$$

Option 2: For the purposes of ORS 307.032, in the case of a partial exemption of assessed value, "the value of the partial exemption" means the dollar amount of assessed value exempted divided by the changed property ratio (CPR).

$$MAV = \left(RMV - \frac{Exempt AV}{CPR} \right) * CPR$$

Option 3: For the purposes of ORS 307.032, in the case of a partial exemption of assessed value, "the value of the partial exemption" means the dollar amount of assessed value exempted multiplied by the ratio of the RMV to the assessed value of the property as though not eligible for exemption.

$$MAV = \left(RMV - Exempt AV * \frac{RMV}{AV^*} \right) * CPR$$

AV* is what the AV would be if there was no exemption

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 Possible Amendment*

- (1) In the case of a partial exemption of assessed value “the disqualified portion” means the value of the partial exemption as defined in OAR 150-308-XXXX.**
- (2) In the case of a partial exemption of assessed value the “MAV of any unchanged portion” means the greater of the prior year’s AV prior to subtracting the exemption multiplied by 103 percent or the prior year’s MAV multiplied by 100 percent.**
- (3)** 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.

*Boldface text is new.

OAR 150-308-0220 Amendment Considerations

- Departs from definition of affected and unaffected property for other exceptions to the 3% growth limitation on MAV, which include:
 - New property or new improvements to property
 - Property is partitioned or subdivided
 - Property is rezoned and used consistently with the rezoning
 - Property is first taken into account as omitted property
 - Property becomes disqualified from exemption, partial exemption or special assessment
 - A lot line adjustment is made
- Definitions limited to partial exemptions of AV to avoid affecting partial exemptions of RMV, such as vertical housing.

Overview/Theory- ORS 307.032 Rule Options

- Of the three options under ORS 307.032, Option 1 is strictly worse than Options 2 and 3 for taxpayers
 - This also means it is strictly best for taxing districts
 - Option 1 has the smallest “double-dip” impact
 - Option 1 is the closest to the status quo on average
- Option 2 and Option 3 are similar, but each will benefit different properties
 - Option 2 is better for any taxpayer who has $\frac{AV^*}{RMV} > CPR$
 - AV^* is the assessed value as if there was no exemption
 - Option 3 would benefit properties that have historically grown faster than other properties in their county
- All of these options will leave some portion of taxpayers with higher tax bills if they were to receive the exemption vs. no exemption at all

Data

- Individual property tax account records for all accounts with AV exemptions in various counties
- Fields requested: FY 2020-21 code area, total RMV, total AV, MAV, exempt AV, CPR
 - Joined this with tax rate data compiled from FY 2020-21 SAL tables
- 27,514 rows of data across 21 counties
 - After cleaning, there are 22,405 rows across 18 counties
 - Removed accounts that may have RMV exemptions or special assessments
- This data only allows for us to see the simulated impact in the first year of the exemption

Percentage of accounts above and below CPR

	Clackamas	Columbia	Coos	Crook	Deschutes	Gilliam	Harney	Jackson	Jefferson	Klamath	Lake	Linn	Morrow	Multnomah	Polk	Tillamook	Umatilla	Washington	Grand Total
Under CPR	57%	70%	59%	85%	70%	48%	41%	36%	40%	35%	55%	78%	52%	55%	68%	30%	53%	63%	56%
Over CPR	43%	30%	41%	15%	30%	52%	59%	64%	60%	65%	45%	22%	48%	45%	32%	70%	47%	37%	44%

Across dataset:

- 56% of impacted accounts have MAV/RMV less than CPR
- 44% have MAV/RMV greater than CPR for their class

Simulation

- Suppose that all taxpayers in dataset were to become exempt today
- Re-MAV the properties using each of the options
- Compare to “status-quo” or option 0

Option 1 Simulation

- Simulated effect of Re-MAV at onset, using $MAV = (RMV - Exempt AV) * CPR$
- Double dip effect vs. Re-MAV effect

County	Tax Decrease	Tax Increase	No Impact on Tax	Total Accounts	% of Taxpayers With Decreased Tax Bills	% Change in Imposed Tax
Clackamas	2,162	1,217	23	3,402	64%	-3%
Columbia	323	248	1	572	56%	0%
Coos	705	381	0	1,086	65%	-7%
Crook	127	230	3	360	35%	7%
Deschutes	874	1,140	0	2,014	43%	5%
Gilliam	25	4	0	29	86%	-29%
Harney	91	3	0	94	97%	-29%
Jackson	2,358	420	3	2,781	85%	-15%
Jefferson	259	100	1	360	72%	-13%
Klamath	1,086	166	12	1,264	86%	-19%
Lake	131	21	13	165	79%	-17%
Linn	660	701	0	1,361	48%	2%
Morrow	95	12	1	108	88%	-22%
Multnomah	1,990	1,522	1	3,513	57%	-2%
Polk	497	282	0	779	64%	-3%
Tillamook	430	74	0	504	85%	-18%
Umatilla	514	173	0	687	75%	-11%
Washington	1,938	1,344	44	3,326	58%	-2%
Grand Total	14,265	8,038	102	22,405	64%	-4%

Option 1 Simulation Cont.

- 16% of accounts in dataset would have higher taxes after receiving an exemption than with no exemption at all
- Typically higher value homes that have MAV/RMV lower than CPR
 - Exemption is smaller portion of overall value, so the “double dip” benefit is overpowered by the effect of Re-MAVing the whole account

County	Tax With Exemption After Re-MAV is Lower Than Tax With No Exemption	Tax With Exemption After Re-MAV is Higher Than With No Exemption	Total Accounts	Proportion of Accounts with Higher Tax After Exemption
Clackamas	2,859	543	3,402	16%
Columbia	459	113	572	20%
Coos	957	129	1,086	12%
Crook	259	101	360	28%
Deschutes	1,385	629	2,014	31%
Gilliam	29	0	29	0%
Harney	94	0	94	0%
Jackson	2,626	155	2,781	6%
Jefferson	328	32	360	9%
Klamath	1,201	63	1,264	5%
Lake	160	5	165	3%
Linn	1,098	263	1,361	19%
Morrow	108	0	108	0%
Multnomah	2,610	903	3,513	26%
Polk	700	79	779	10%
Tillamook	481	23	504	5%
Umatilla	634	53	687	8%
Washington	2,836	490	3,326	15%
Grand Total	18,824	3,581	22,405	16%

Option 2 Simulation

- Simulated effect of Re-MAV at onset, using

$$MAV = \left(RMV - \frac{\text{Exempt AV}}{CPR} \right) * CPR$$

County	Tax Decrease	Tax Increase	No Impact on Tax	Total Accounts	% of Taxpayers With Decreased Tax Bills	% Change in Imposed Tax
Clackamas	2,444	936	22	3,402	72%	-7%
Columbia	394	177	1	572	69%	-5%
Coos	809	277	0	1,086	74%	-13%
Crook	199	157	4	360	55%	0%
Deschutes	1,126	886	2	2,014	56%	-1%
Gilliam	28	1	0	29	97%	-37%
Harney	91	3	0	94	97%	-33%
Jackson	2,490	288	3	2,781	90%	-19%
Jefferson	294	65	1	360	82%	-23%
Klamath	1,126	126	12	1,264	89%	-25%
Lake	135	17	13	165	82%	-24%
Linn	879	482	0	1,361	65%	-5%
Morrow	105	2	1	108	97%	-32%
Multnomah	2,323	1,189	1	3,513	66%	-8%
Polk	601	178	0	779	77%	-7%
Tillamook	452	52	0	504	90%	-22%
Umatilla	559	127	1	687	81%	-17%
Washington	2,346	934	46	3,326	71%	-6%
Grand Total	16,401	5,897	107	22,405	73%	-9%

Option 2 Simulation Cont.

- 12% of accounts in dataset would have higher taxes after receiving an exemption than with no exemption at all

County	Tax With Exemption After Re-MAV is Lower Than Tax With No Exemption	Tax With Exemption After Re-MAV is Higher Than With No Exemption	Total Accounts	Proportion of Accounts with Higher Tax After Exemption
Clackamas	2,991	411	3,402	12%
Columbia	486	86	572	15%
Coos	1,005	81	1,086	7%
Crook	295	65	360	18%
Deschutes	1,576	438	2,014	22%
Gilliam	29	0	29	0%
Harney	94	0	94	0%
Jackson	2,666	115	2,781	4%
Jefferson	342	18	360	5%
Klamath	1,213	51	1,264	4%
Lake	163	2	165	1%
Linn	1,173	188	1,361	14%
Morrow	108	0	108	0%
Multnomah	2,822	691	3,513	20%
Polk	724	55	779	7%
Tillamook	489	15	504	3%
Umatilla	652	35	687	5%
Washington	2,976	350	3,326	11%
Grand Total	19,804	2,601	22,405	12%

Option 3 Simulation

- Simulated effect of Re-MAV at onset, using

$$MAV = \left(RMV - Exempt AV * \frac{RMV}{AV^*} \right) * CPR$$

- AV* is what the AV would be if there was no exemption

County	Tax Decrease	Tax Increase	No Impact on Tax	Total Accounts	% of Taxpayers With Decreased Tax Bills	% Change in Imposed Tax
Clackamas	2,536	844	22	3,402	75%	-7%
Columbia	411	160	1	572	72%	-6%
Coos	888	198	0	1,086	82%	-14%
Crook	226	130	4	360	63%	-4%
Deschutes	1,234	778	2	2,014	61%	-3%
Gilliam	29	0	0	29	100%	-37%
Harney	92	2	0	94	98%	-33%
Jackson	2,540	238	3	2,781	91%	-19%
Jefferson	311	48	1	360	86%	-23%
Klamath	1,164	88	12	1,264	92%	-25%
Lake	143	9	13	165	87%	-25%
Linn	981	380	0	1,361	72%	-7%
Morrow	107	0	1	108	99%	-31%
Multnomah	2,409	1,103	1	3,513	69%	-9%
Polk	642	137	0	779	82%	-8%
Tillamook	463	41	0	504	92%	-21%
Umatilla	596	90	1	687	87%	-18%
Washington	2,483	798	45	3,326	75%	-7%
Grand Total	17,255	5,044	106	22,405	77%	-10%

Option 3 Simulation Cont.

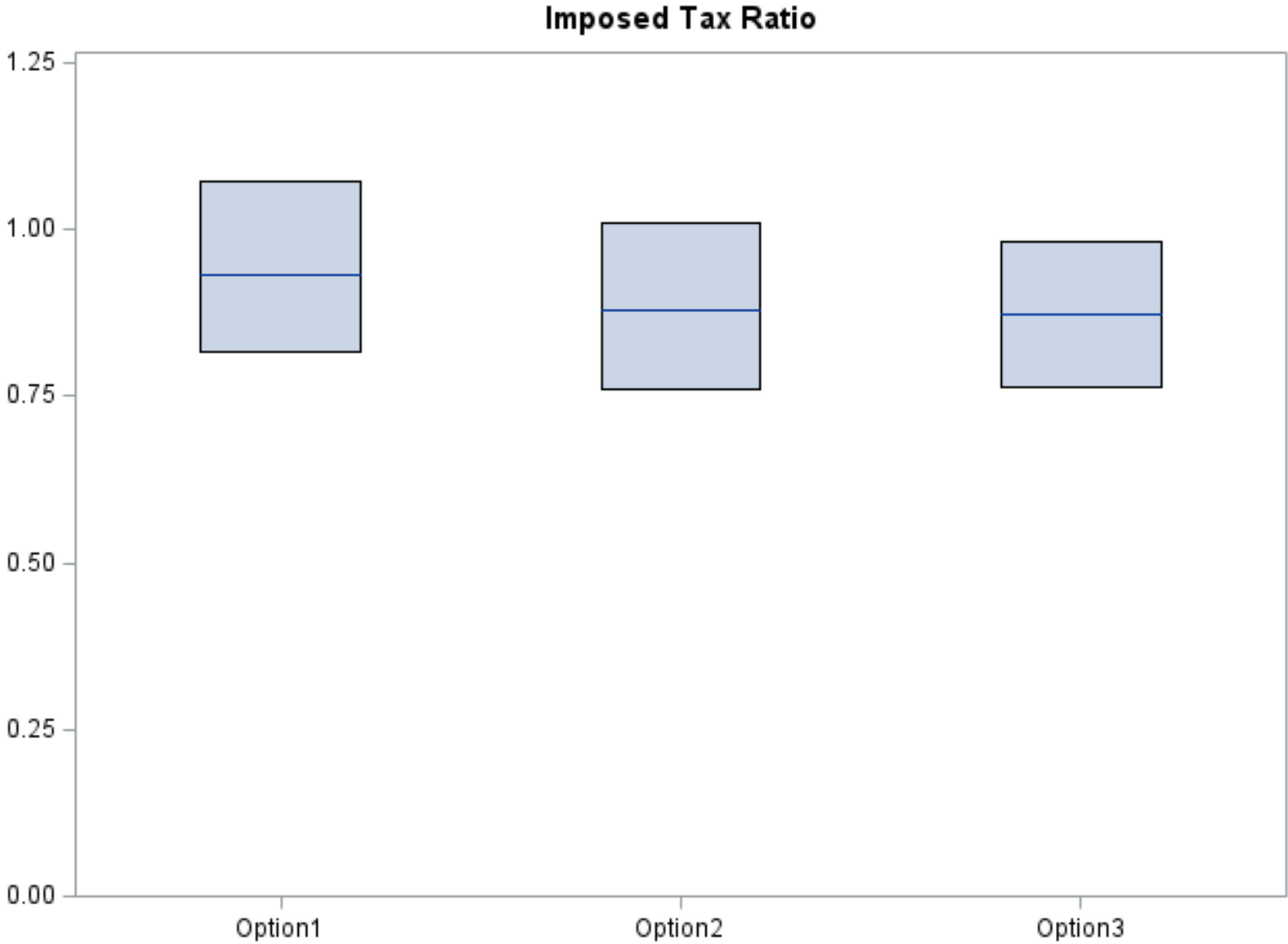
- 9% of accounts in dataset would have higher taxes after receiving an exemption than with no exemption at all

County	Tax With Exemption After Re-MAV is Lower Than Tax With No Exemption	Tax With Exemption After Re-MAV is Higher Than With No Exemption	Total Accounts	Percentage of Accounts with Higher Tax After Exemption
Clackamas	3,066	336	3,402	10%
Columbia	502	70	572	12%
Coos	1,045	41	1,086	4%
Crook	319	41	360	11%
Deschutes	1,667	347	2,014	17%
Gilliam	29	0	29	0%
Harney	94	0	94	0%
Jackson	2,690	91	2,781	3%
Jefferson	349	11	360	3%
Klamath	1,226	38	1,264	3%
Lake	165	0	165	0%
Linn	1,240	121	1,361	9%
Morrow	108	0	108	0%
Multnomah	2,942	571	3,513	16%
Polk	748	31	779	4%
Tillamook	495	9	504	2%
Umatilla	666	21	687	3%
Washington	3,037	289	3,326	9%
Grand Total	20,388	2,017	22,405	9%

Comparing the Options- Statewide

Simulation	Compared to Option 0 "status-quo"		Compared To No Exemption
	Percentage of Taxpayers With Decreased Tax bills	Percentage Change in Tax	Percentage of Taxpayers With Increased Tax Bills
Option 1	64%	-4%	16%
Option 2	73%	-9%	12%
Option 3	77%	-10%	9%

- Imposed Tax from each option divided by Imposed Tax in status quo
- 25% of accounts are above and another 25% are below each box



- Limit to only accounts receiving \$28,045 exemption (9,543) [ORS 307.250(3)]
- Compare “true exemption value” to the statutory exemption
- “True exemption value” is $AV^* - Taxable\ AV$ under each option
- AV^* is what the AV would be if there was no exemption



General Conclusions

- Regardless of option chosen, there is wide variability in the impact of Re-MAVing properties
 - Some taxpayers will no longer benefit from these exemptions
- Tension between trying to aim for the status-quo and the number of taxpayers who would no longer benefit from the exemption
 - We can change the average impact with different options, but cannot mitigate the variation inherent in Re-MAVing property
- Option 3 is likely to be most beneficial for taxpayers
 - And cost the most for taxing districts
 - Option 2 is very similar on average
 - Option 3 benefits properties that have historically grown faster than other properties included in their CPR relative to Option 2

Specific Property Examples

- Five actual properties, role values, CPRs
 - None have any exemptions
 - Assume qualification for \$60,000 partial AV Exemption in year 2
 - Assume disqualification from partial AV exemption in year 4
- One actual property with a veteran's exemption
 - Qualified in year 2
 - Assume disqualification in year 6



Questions?

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Do you have questions or need help?

www.oregon.gov/dor

503-378-4988 or 800-356-4222

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Contact us for ADA accommodations or assistance in other languages.