

Real Property Return Processing Procedures Manual

2000

Oregon Department of Revenue



Real Property Return Processing Procedures

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Overview

The following procedures are meant to provide guidance to local assessing officials in Oregon for the annual maintenance of assessed values for county responsibility industrial properties that are sent real and personal property return(s) under the authority of ORS 308.290. ORS 308.290 in summary states that every person and the managing agent or officer of any firm, corporation, or association owning or in possession of taxable real property and/or having in possession or under control taxable personal property shall make a return(s) of the property for ad valorem tax purposes to the assessor of the county in which such property is situated.

These procedures are intended to supplement Oregon Statutes and Oregon Administrative Rules (OAR). They are not meant to replace those references nor the use of acceptable appraisal methods and/or techniques. It is recommended that these procedures be adapted to function with each county's specific program.

For additional resources, up-to-date publications, forms, etc., check the Department of Revenue's Web site at www.dor.state.or.us/ptd.html.

County Industrial Return Processing Timeline

Prior to December 31	Obtain listing of all accounts which are to receive a real and/or personal property return. Have mailing labels made for all accounts on listing. Order an adequate number real property return forms (150-301-031) and personal property return forms (150-553-004) from the Department of Revenue. Prepare returns for mailing. Mail returns to taxpayer.
March	On or before March 1, taxpayers file real and personal return(s). On or before March 1, taxpayers request extensions for filing. Assessor begins processing returns for industrial accounts.
April	On or before April 15, taxpayers with extensions file.
September 25	No further changes to assessment roll except as provided by ORS 308.242 and 311.205–311.215.
On or before December 31	Assessor may make changes or stipulate valuation judgment if it results in reduction in value. See ORS 308.242 and 311.205–311.215.
Prior to convening of BOPTA	Assessor may stipulate to a change in valuation judgement that results in a reduction at any time up until the convening of the Board of Property Tax Appeals. See ORS 308.242.

Authority

Oregon law directs that every person and the managing agent or officer of any firm corporation or association owning or having in possession or under control **taxable personal property** shall make a return of the property for ad valorem tax purposes to the assessor of the county in which such property is located.

Oregon law directs that every person and the managing agent or officer of any firm corporation or association owning or having in possession or under control **taxable real property** shall make a return of the property for ad valorem tax purposes when so requested by the assessor of the county in which such property is located.

Oregon law directs every person and the managing agent or officer of any firm corporation or association owning or having in possession or under control **taxable real and personal property** that is either principal or secondary industrial property as defined by ORS 306.126 and is appraised by the Department of Revenue shall file a combined return of the real and personal property for ad valorem tax purposes to the department.

The authority for the assessors and the Department of Revenue to require the filings of returns for real and personal property can be found in the following Oregon Revised Statutes and Administrative Laws:

Taxpayer Required to Furnish Listing of all Taxable Real and Personal Property	308.285
Filing of Returns	308.290
Penalty for Failure to File	308.295 & 308.296
Penalty for Intent to Evade	308.300
Taxation, Refuses, or Neglects False Statement of a Material Fact	307.990

Disclosure

It is the policy of the county to safeguard the confidentiality of taxpayer information and the taxpayer's right to privacy. This is accomplished by maintaining a high disclosure awareness and knowledge level.

Definitions

Disclosure: Divulging or making known in any manner the particulars of any return or supporting data required to be filed with the county or the Oregon Department of Revenue. When information is learned in the course of data collection, appraisal or audit, disclosure rules and regulations also cover it.

Return: Any personal or real property return and supporting documentation, schedules, or attachments relating to or attachments filed with the return. Any amendments or supplements filed by or on behalf of the taxpayer are also part of the return.

What is Confidential?

All personal, real, and industrial property returns filed under ORS 308.290 are confidential records of the office in which they are filed. ORS 308.413 further states that any information furnished to the county or the Department of Revenue under ORS 308.411 that is obtained upon the condition that it be kept confidential shall be confidential records of the office in which it is kept with limited exceptions. Some of these records may include cost data, farm and commercial income statements, rental and expense data, sales information, and original costs.

Confidentiality of information also may depend on how the information was gathered. If it is not subject to a specific provision of law, it may not have to be treated as confidential or it may be exempt from disclosure under the Oregon Public Records Law. If the information was gathered with an expressed or implied assurance of confidentiality, then it should be treated as such in the manner outlined in ORS 192.410–505.

Authorization to Disclose

The law protects all returns from unauthorized disclosure and provides severe penalties to safeguard against unauthorized disclosure. Taxpayers, however, may authorize the disclosure of all or part of their records to certain individuals.

The best way for the taxpayer to authorize disclosure is to submit a signed letter that includes the name, address, and phone number of the represented taxpayer. It should also include the name, address, and phone number of the person being authorized. The letter should specify which tax program and tax years to which the authorization applies.

Even if the taxpayer doesn't provide a direct authorization, implied consent is permitted under certain circumstances. If an attorney, tax practitioner, or knowledgeable employee of the taxpayer calls regarding a billing that was sent to the taxpayer, you generally can assume that the taxpayer asked them to help resolve the issue. Copies of confidential tax returns or reports should not be provided without written authorization. If it appears the intent of the caller is not clearly for authorized purposes, you should request a signed authorization and written request. When in doubt, employees should consult with a supervisor.

Secrecy Laws Certificate

You must sign the secrecy laws certificate if you have access to confidential information. Your signature means that you have read and understand the attached disclosure statutes, and that you are aware

of the penalties for unauthorized disclosure. People working for the county under a contract who are not employees must sign the certificate if they work where confidential records are accessible.

Even after an employee has signed a secrecy clause, he or she does not have automatic access to confidential material. As in all cases, a “need to know” must be present to gain access.

Penalties

Be careful! Revealing confidential information to the wrong person is serious. Improper disclosure of certain confidential tax information could result in criminal penalties. See ORS 305.990 and 308.990(3). You could be fined up to \$10,000 or imprisoned for not more than one year in jail or both. You also may be liable for civil damages (which are not limited by statute) and dismissed from county service.

Public Records

Every person has the right to inspect any public record of a public body unless otherwise prohibited by law. The disclosure laws prohibit county and state responsibility industrial property records that are maintained by a return and personal property records from being examined by unauthorized persons.

Disposal of Confidential Materials

Any letters, documents, notes, printouts, microfiche, or carbons containing confidential taxpayer information must be disposed of separately from normal trash. Even notes containing nothing more than a taxpayer’s name, address, or Social Security number are considered confidential. These materials must be disposed of according to county procedures. Work areas should have specially marked containers where these materials are accumulated before being disposed of correctly.

Questions to consider when someone requests confidential information:

- Does the request appear to have a lawful and legitimate purpose?
- Is it reasonable that this person would request this type of information?
- Has the requester provided enough information to justify making the request?
- Does the requester have a copy of the billing or notice?
- Has this person represented this taxpayer in the past?

The following statutes and corresponding rules should be reviewed:

Nondisclosure upon request	ORS 192.445(1)
Public records exempt from disclosure	ORS 192.501(1) and (5)
Confidential returns	ORS 308.290(7)
Confidential Appraisal Information	ORS 308.413
Penalty	ORS 308.990

Disclosure Authorization Tables

Note: These tables are currently being revised. The Department of Revenue will provide updated tables when they are complete. Please contact DOR Property Tax Division staff if you have questions about a specific disclosure issue.

Person, agency, or public official	May obtain:	Required documentation	Reference	Notes
Accountant	See: "Tax preparer"			
Adult and Family Services	The source of information isn't limited for support cases.	Requests must be in writing. Signed secrecy certificates	ORS 25.620(6) 308.290(7) 418.135	Information is used to assist in support enforcement.
Archivist	May examine and receive any information for storage purposes.	Signed secrecy certificates	ORS 357.875	Archivist must protect confidentiality of information.
Assessor	See: "County assessor"			
Attorney General Charitable Trust Section	Applications for tax exemption filed by charitable corporations and trusts.	Signed secrecy certificates	ORS 128.650 128.730	May have other information to establish and maintain a register of such entities.
Attorney General Tax Section	Any information necessary to advise and represent the department.	Signed secrecy certificates	ORS 305.120	
Authorized representative	See: "Taxpayer's authorized representative"			

Disclosure Authorization Tables, continued

Person, agency, or public official	May obtain:	Required documentation	Reference	Notes
Bankruptcy Court/trustee	Information required for filing a claim. Includes tax, interest, and tax year.	Notification of bankruptcy	ORS 308.290 311.480	A trustee is the legal custodian of a bankrupt estate, and has responsibility and authority to pay claims.
Board of Property Tax Appeals	Industrial property tax information. Personal and real property return information.	Signed secrecy certificates.	ORS 308.290	
Bookkeeper	See: "Tax preparer"			
Consumer Credit Counseling	No information from returns without written authorization.	Written authorization		
Corporation officer	Information from the return, utility assessments, and property appraisals.		ORS 308.290	Information may be provided to a current corporate officer for any tax year of the corporation.
County assessor	Industrial property tax information. Personal and real property return information.	Signed secrecy certificates	ORS 308.413 308.290 OAR 150-308.413	
Department employees	Any return information required for the administration of the tax laws.	Signed secrecy certificates	ORS 305.260 306.115	All information is provided on a strict need-to-know basis.

Disclosure Authorization Tables, continued

Person, agency, or public official	May obtain:	Required documentation	Reference	Notes
District attorney	Location, income, and property of parents who abandon or fail to support children receiving public assistance. Also, information on fraud and forgery cases.	Signed secrecy certificates	ORS 305.120 305.225 418.135(1)	Information to be used for the administration of public assistance for children. Information to be used for criminal prosecution of tax laws.
Husband or wife	Information from a personal property return.	Proper ID	ORS 308.290	A spouse cannot have information from a separately filed tax return.
Individual taxpayer	Information from his or her own return.	Proper ID	ORS 192.420 192.501	See: "Husband or wife" See: "Corporate officer" See: "Partner" See: "Taxpayer's authorized representative"
Informant	No information. Not even whether or not the information provided was useful.			
Internal Revenue Service	Information on Oregon property tax.	Must be authorized to request information	ORS 308.290(7)	Information may be exchanged only through the Department of Revenue.
Justice Dept.	See: "Attorney General" or "Support and enforcement"		ORS 308.290(7)	

Disclosure Authorization Tables, continued

Person, agency, or public official	May obtain:	Required documentation	Reference	Notes
Legislative Revenue Officer	Information needed for revenue research and estimates.	Signed secrecy certificates and written request	ORS 173.850 308.290	Information revealing a taxpayer's identity may not be removed from the department.
News reporter	See: "Reporter"			
Oregon State Bar	Name and address of law practitioner and taxpayer if the county believes laws covering return preparation are not being followed.		ORS 9.565	Complaints to the Bar should be made through the Oregon Department of Revenue Disclosure Officer.
Partner	Information from the return, utility assessments, and property appraisals.		ORS 308.290	Individual must have been a partner during any part of the requested tax year. Must state reason and how information will be used.
Receiver (court appointed)	See: "Bankruptcy Trustee"	Authorization to represent		A nonbankruptcy court appointed receiver does not "stand in the taxpayer's shoes."
Reporter	General information only. May not have any specific taxpayer information.			Refer reporter questions to the Communications office.

Disclosure Authorization Tables, continued

Person, agency, or public official	May obtain:	Required documentation	Reference	Notes
Revenue employees	See: “Department employee”			
Secretary of State	Information necessary for audit of the county or the Department of Revenue.	Signed secrecy certificates	ORS 297.060 308.290(7)	IRS must be notified if the Secretary of State auditors make federal tax records a part of the state audit workpapers.
Spouse	See: “Husband/wife”			
State archivist	See: “Archivist”			
Stockholder/ Shareholder	See: “Corporation Officer” notes section			
Support Enforcement Division	Location, income, and property of parents who abandon or fail to support children receiving public assistance.	Signed secrecy certificates	ORS 180.320 308.290(7) 418.135(1)	
Tax Collector	Information needed to collect delinquent personal property taxes.		ORS 308.290(7)	

Disclosure Authorization Tables, continued

Person, agency, or public official	May obtain:	Required documentation	Reference	Notes
Tax Court	Records submitted as evidence in a court case. Once entered, the information normally loses its confidentiality.		ORS 305.430(2)	Certain records can retain confidentiality if prior arrangements are made with the court.
Tax preparer	No information from a return without prior written authorization.		See: "Taxpayer's authorized representative"	Written authorization must include tax years, type of information, and the taxpayer's original signature.
Taxpayer	See: "Individual taxpayer"			
Taxpayer's authorized representative	Information from a tax return excluding any restricted third party information obtained after the return was filed or in the course of an investigation.		ORS 305.230	An associate or employee of the representative may have information only if the authorization is broad enough to include that person.
Title/Escrow companies	No information from returns without written authorization.	Written authorization		Information may be disclosed from a recorded Warrant.
Welfare	See: "Adult and Family Services"			
Wife	See: "Husband/wife"			

Files

A comprehensive filing system must be developed and maintained for county and state responsibility industrial properties using personal, real, and industrial returns as prescribed by ORS 308.290.

Because of the confidential nature of the information required for these properties, account folders must be kept separate from public accessible files in a secured space in a locked, fire-resistant file cabinet.

Each property should contain separate folders for:

- All confidential appraisal data for the property.
- Real property returns (RPR) or industrial property returns (IPR) since last reappraisal including value transmittal sheets or value computation sheets.
- Correspondence.
- Personal property returns for property.

Note: For state responsibility accounts, not all folders will be needed.

In addition, general files should be set up for procedures including appraisal, processing returns, annual trends, and depreciation factors.

The information maintained in each folder should be filed by assessment year with the most current information on top.

Selection of Accounts

County responsibility industrial accounts maintained by the assessor by means of a property return should be reviewed for appropriate classification as an industrial account. Selected accounts should be those that exhibit combinations of buildings, structures, machinery, and equipment that make these properties inappropriate for mass appraisal processes typically used for other income-producing properties.

By understanding the definition of an industrial plant and the difference between county and state responsibility accounts, the county assessor can properly classify county industrial property that should be maintained by means of an annual property return. Some properties not receiving returns may need to be added to the county's list while others may need to be removed.

Definition of an Industrial Plant

ORS 308.408 defines an "industrial plant" as used in ORS 192.501 to 192.505, 305.190, 305.420, 305.430, 308.408 to 308.413, and 308.990 (5) to be:

- (1) The land, buildings, structures and improvements, and the tangible personal property, including but not limited to machinery, equipment and office machines, and equipment that make up the property or complex of properties used for industrial or manufacturing purposes; and
- (2) Any industrial real or personal property eligible for appraisal under ORS 306.126 and the rules of the Department of Revenue.

OAR 150.306.126 further defines industrials as to county and state responsibility as:

- (1) Principal Industrial Property means any unit of industrial property having a Real Market Value of the improvements on the assessment roll for the preceding year of over \$5 million.
- (2) Secondary Industrial Property means any unit of industrial property having a Real Market Value of the improvements on the assessment roll for the preceding year of more than \$1 million but of \$5 million or less.

- (3) A Unit of Industrial Property means a single facility or an integrated complex currently engaged in manufacturing or processing operations, which may also be an improvement only account. Examples include but are not limited to:
- (A) Sawmills, plywood and veneer plants.
 - (B) Paper and pulp mills.
 - (C) Food processing facilities, bakeries, and flour mills.
 - (D) Chemical processing operations and refineries.
 - (E) Breweries and bottling operations.
 - (F) Machine shops, metal rolling mills, metal fabrication facilities, and smelters.
 - (G) Printing and publishing operations.
 - (H) Seed processing (that includes all of the following operations: drying, cleaning, mixing, and bagging).
 - (I) Permanent sand and gravel operations.
 - (J) Electronic and high technology manufacturing operations.
- (4) Commercial and service type properties are to be County Appraisal Responsibility Accounts. Examples include but are not limited to: truck scales, office buildings, repair shops, distribution and receiving facilities, automated storage facilities, cold storage facilities, storage facilities, bulk oil and tank farms, grain storage facilities, seed storage facilities, seed cleaning and bulk shipping operations, laundry cleaning operations, photo and film developing operations, mobile sand and gravel equipment, and mobile asphalt and concrete batch plants.
- (5) Improvements or Real Property Improvements include yard improvements, buildings, structures, real property machinery, and equipment. Specifically excluded from the improvements or real property improvements are land, site development, and personal property.
- (A) Yard Improvements include but are not limited to: paving, exterior lighting, log ponds, underground fire systems, utilities, fences, access roads, and roadways and railroad sidings.
 - (B) Site Developments are improvements to the land that become so intertwined with the land as to become inseparable. Examples include but are not limited to: fill, grading and leveling, cost of developer's activities and profit that accrues to the land, including but not limited to: permits, advertising, sales commissions, developer's profit and overhead, insurance coverage, and any other improvements to the land.

Determination of Responsibility

The procedure for determining the appraisal responsibility for the unit of industrial property is as follows:

1. The department and the county shall jointly analyze principal and secondary industrial properties to determine classification and appraisal responsibility, with the department having final authority;
2. The department shall appraise principal and secondary industrial property.

The valuation of the land component of industrial properties as defined in ORS 307.010 is the responsibility of the county assessor in whose county the property is located. This responsibility extends to both county and state responsibility accounts. The department often includes advisories to the county assessor of land development costs reported by taxpayers for individual accounts. These advisories are made on the appraisal and/or the value transmittal sheets. The county assessor should consider reported land development costs in determining the property's land value.

Forms

The following forms are approved to use for the annual maintenance of industrial property values:

Name	Form Number	Use
Real Property Return (RPR)	150-301-031	Used by counties to maintain county industrial real property accounts.
Personal Property Return	150-553-004	Used by the counties to maintain county personal property accounts.
Industrial Property Return (IPR)	150-301-032	Used by the Department of Revenue to maintain state responsibility industrial real and personal property accounts.
Extension Request	150-301-015	Used by taxpayers who are principal or secondary industrial accounts or taxpayers with reporting requirements in more than one county. Form must be filed with the Department of Revenue.
Industrial Account Transfer Form	150-301-033	Used by the counties to transfer county responsibility accounts to state responsibility. <i>(Note: This form is currently being revised.)</i>

The IPR form used for state responsibility accounts is a combined form on which the taxpayer reports changes to both real and personal property. Typically, the taxpayer receives one form for each account located at each site. The taxpayer is directed to fill out and file the appropriate schedules for each account located at a particular site.

The RPR form, used for county responsibility accounts, is mailed along with a personal property return form, when appropriate, to each county responsibility account. The taxpayer is directed to file each return sent by the assessor.

Note: Some forms may be available at the Department of Revenue's Web site: www.dor.state.or.us/ptd.html.

Exemptions

There are three exemptions with which the person processing returns for industrial properties must be familiar. They include the following:

Oregon Enterprise Zone Tax Exemption ORS 285B.650 to 285B.728

This program was enacted by the 1985 Legislature to promote business development in economically lagging areas of the state. The Enterprise Zones located throughout Oregon are designated for a 10-year period. Up to 48 zones may exist during a given period. Qualifying companies may be exempted from local property tax liability on new capital investments for at least three years and up to five years.

Qualifying Investment

- At least \$25,000.
- New building or addition, or modification to an existing building.
- Real property machinery or equipment.
- Any single item of personal property that has a cost of at least \$1,000 if the property is used exclusively for producing tangible goods, **or** has a cost of \$50,000.
- The property may be owned or leased.
- The equipment may be new or newly transferred into the zone from outside the county in which the zone is located.

Note: Mobile equipment is not allowed an exemption.

Points to Review

- A business that is qualified and precertified seeking an exemption under this statute shall file Form 150-310-075, entitled “Oregon Enterprise Zone Tax Application” as per OAR 150-285.615. The application shall be filed with the county assessor after January 1 and no later than April 1 of the assessment year the exemption is being requested. Applications for exemption of principal or secondary industrial accounts may be timely filed with the Oregon Department of Revenue or the county assessor.
- Late filing of application can be made anytime on or before June 1 with a late filing fee. The fee is the greater of \$200 or $\frac{1}{10}$ of one percent of the Real Market Value (RMV) of the property.
- Is there an “Enterprise Zone Potential Additional Tax” notation on the assessment and tax rolls?
- Is there a notation on the assessment and tax rolls of the amount of additional taxes that would be due if the property were not exempt?

Commercial Facilities Under Construction Exemption ORS 307.330 to 307.340

This program was enacted by the Legislature in 1959. The exemption applies to new income-producing buildings or structures, or additions to existing building or structures. The exemption also applies to any machinery or equipment located at the site on January 1, which is or will be installed in or affixed to the buildings or structures. It provides for an exemption of up to two years if:

- The facility is in the process of construction on January 1.
- The facility is not in use or occupied on January 1.
- The facility has not been in use or occupied at any time prior to January 1.

- The facility is being constructed in the furtherance of producing income.
- In the case of non-manufacturing facilities, such as a motel, the structure cannot be used or occupied for at least one year from the time construction begins.

Construction does not begin until after any demolition occurs, if necessary. The exemption does not apply to land or to land preparation costs. If the exemption is claimed for two consecutive years, a separate application must be filed for each year. Frequently, this exemption is used in conjunction with the Enterprise Zone exemption.

Points to Review

- A business that is qualified and seeking an exemption under this statute shall file Form 150-310-020, “Commercial Facilities Under Construction.”
- The application must be filed with the county assessor on or before April 1. Applications for principal or secondary industrial properties may file with the Department of Revenue.
- An application must be made for each year for which an exemption is desired. The exemption is for a maximum of two years.
- Was the facility under construction on January 1?
- The new construction has not been in use or occupied for its intended use at any time on or prior to January 1.
- If it is a non-manufacturing facility, will it be in use or occupancy in less than one year from the time construction begins?
- Was the facility built to produce income?

Pollution Control Facilities Exemption ORS 307.405 to 307.430

This program was enacted by the 1976 Legislature. The program is meant to help offset the cost of government-imposed requirements for reducing pollution, and to further encourage voluntary reduction when not required.

Pollution Control Facility (ORS 468.155) means any land, structure, building, installation, excavation, machinery, equipment, or device, or any addition to, reconstruction or improvement of, land, or an existing structure, building, installation, excavation, machinery, equipment or device reasonably used, erected, constructed, or installed by any person if:

- The purpose of the investment is to comply with a requirement imposed by the Department of Environmental Quality, the Federal Environmental Protection Agency, or a regional air pollution authority to prevent, control, or reduce air, water, or noise pollution, or solid or hazardous waste, or to recycle or provide for the appropriate disposal of waste oil,

and

- At the taxpayer’s initiative, the sole purpose of the investment is to prevent, control, or reduce a substantial quantity of air, water, or noise pollution or solid or hazardous waste, or to recycle or provide for the appropriate disposal of used oil.

The 1995 legislature established a 12/31/2003 sunset date for application for certification subsequent to construction/installation (ORS 468.165).

Qualification

- Only nonprofit corporations or cooperative associations can claim property tax relief. These corporations or associations must be organized under ORS Chapter 62 or 65. This change was made by the 1983 Legislature.
- ORS 307.405 states that a pollution control facility that has been constructed in accordance with the requirements of ORS 468.165, and has been certified by the Environmental Quality Commission, is exempt to the extent of the highest percentage figure of the actual cost properly allocated to the prevention, control, or reduction of pollution.
- The assessor can exempt the claimed value only if:
 1. The claimant uses the facility in a business that claimant conducts on Oregon soil.
 2. The business is owned or leased by the claimant.
 3. The claimant pays the property taxes on this business.
- A facility that qualifies can be exempt from property tax for 20 years. However, if the property is sold, exchanged, or disposed of, it shall have its certificate revoked by the Environmental Quality Commission. The purchaser may apply for a new certificate that is limited to the original qualification period.
- The company must file an “Annual Statement of Compliance” by April 1 with the county assessor or the Department of Revenue for state responsibility accounts, stating the ownership and use of the property included in the certificate have not changed for the assessment year for which the exemption is sought. The required Department of Revenue form is Form 150-310-059.

Points to Review

- Is there an application?
- Is the ownership the same as reported on the application?
- Has the exemption exceeded the time limit provided by law for the exemption?
- Has the company been filing annual statements of compliance?
- Is the investment located at the site?
- Is the investment being primarily operated for the purpose of preventing, controlling, or reducing air, water, or noise pollution or solid waste, hazardous wastes, or used oil as specified in the certification application?
- What is its current RMV?
- Apply the certification percentage to the RMV of the pollution control investment to calculate the exempted value.
- No notation of the exemption is required by this program.

Real Versus Personal Property

Why Classify Property?

Oregon law defines real property and personal property for property tax purposes in Oregon Revised Statutes 307.010 and ORS 307.020. The Oregon Tax Court has also decreed that real property must be assessed as real property and personal property assessed as personal property (*First National Bank v. Marion County*—169 Oregon 595).

Classification Procedures

Classification of property as either real or personal is based on ORS 307.010 and 307.020. The Oregon Department of Revenue is responsible for clarifying those statutes, when necessary, with Oregon Administrative Rules (OAR). The rules that clarify the above-mentioned statutes are OAR 150-307.010 and OAR 150-307.020.

The Oregon Tax Court ruling in *Seven-Up Bottling Co. of Salem Inc. v. Oregon Department of Revenue* (case #2398, 3/87) provides a guide for determining real and personal property, as defined in ORS 307.010 and ORS 307.020. Based on this case, the test for real versus personal property for assessment purposes is actually a test of affixed or erected upon versus moveable.

The court stated that if the item of property is “affixed to” or “erected upon” land or buildings and is not “readily moveable,” it is real property. Conversely, if it is not “affixed to” or “erected upon” land or buildings and is “moveable,” it is personal property. According to the Tax Court opinion in the *Seven-Up Bottling Co.* case, “...As a general rule, the Assessor is not required to consider the intention of the parties or the adaptability of the property.”

Defining the Terms

Affixed or Erected Upon. Items of machinery and equipment that are bolted to, screwed to, nailed to, or attached to the building or land in a permanent manner or are, by virtue of their weight, rendered immovable, are considered real property. A free-standing, walk-in cooler in a convenience store is not considered moveable because of its weight. A service counter or gondola in the same store may be screwed, glued, nailed, or otherwise attached to the land or building and, therefore, classed as real property. On the other hand, these items may be readily moveable and, therefore, classed as personal property.

Moveable. Items of property that can be and are readily moved are considered moveable. A desk, though heavy, is generally considered moveable. A chair with casters is obviously moveable. A 14” Delta Wood Cutting Bandsaw is moveable. A 36” Ferrari Double Band Resaw is not considered moveable because of its weight.

Assessment Process

In an 1891 Oregon Supreme Court case, *Helm v. Gilroy* (20 Oregon 517), the court stated that the line between real property and personal property is so fine that no rule can fit all cases. A century later, the statement is still accurate. For every clear-cut case there is an exception.

Judgments between real and personal property must be made with cooperation between the real and personal property sections in the assessor’s office. This is so that assessable property is not overlooked or double assessed. Arriving at accurate assessments and providing equitable treatment is the primary goal.

To Where and to Whom it is Assessed

Personal Property (ORS 308.105)

“Except as otherwise specifically provided, all personal property shall be assessed for taxation each year at its situs as of the day and hour of assessment prescribed by law.

Personal property may be assessed in the name of the owner or of any person having possession or control thereof. Where two or more persons jointly are in possession or have control of any personal property, in trust or otherwise, it may be assessed to any one or all of such persons.”

Real Property (ORS 308.115)

“Whenever any building, structure, improvement, machinery, equipment, or fixture is owned separately and apart from the land or real property whereon it stands or to which it is affixed, such building, structure, improvement, machinery, equipment, or fixture shall be assessed and taxed in the name of the owner thereof.”

For more references about how property is assessed, review ORS 308.105 and ORS 308.115.

Trends and Depreciation Factors

Since 1991, the Department of Revenue, in cooperation with some counties, has applied either general use or special use categorization to all principal and secondary industrial properties as described by ORS 306.126. More than one-third of these accounts have building types that are predominantly general use. These properties have been identified in order to assist the department and the counties in valuing and annually adjusting them uniformly within their respective market areas.

Starting with the 1999 values, the department conducts its own ratio studies to determine appropriate adjustment factors for general use industrials. Because individual counties typically have limited numbers of industrial sales and even fewer large general use structure sales, the department's study looks at these properties on a regional basis. By combining counties into economic regions, more sales can be used in each study array. Currently, this study is used for simple trending and will only show the results from the combination of time, physical, and function depreciation. *Additional depreciation should not be applied* to the trend established by this report. The department publishes the report under the title "Ratio Report for General Use Structures." The counties are under no obligation to use the trends suggested by the department's ratio report.

It is recommended that each county responsibility industrial account be evaluated and classified as either general use or special use. Once classified, the appropriate annual adjustment factor can then be applied, helping to ensure that similar properties with similar potential uses are being treated in a fair and equitable manner.

Categorization

Special Use

The special use category refers to unique properties that will likely respond to trends and depreciation specific to the tenant industry. The buildings for these properties typically exhibit some special design characteristics and/or location that makes it difficult to be utilized for other uses without considerable reconstruction or market concessions. Market conditions affecting special use properties are usually unrelated to the broader market for general use industrial space. Examples of special use properties include major wood products, mining, and specialized food processing properties.

When an improved site consists of several accounts, each account must be reviewed to determine if it is functionally dependent on the adjacent special use structures. Where this interdependence exists, the related accounts will also be categorized as special use.

Currently, the Department of Revenue develops the trend factors for special use buildings and structures (B&S) in addition to those for machinery and equipment (M&E) from the *Marshall Valuation Service's* Comparative Cost Indexes.

General Use

General use industrial buildings and structures are all those that are **not** special use. Their features and location make them attractive to a wide variety of potential users outside of the tenant industry. The market factors that affect these properties reflect local market conditions such as supply and demand, sales, rent levels, and lease terms rather than those specific to the tenant industry. General use properties tend to exhibit the following features:

- Are typically constructed using steel frame, pre-fab steel, wood structure, concrete tilt-up, or concrete block methods.
- Are located where more than one potential user exists such as in Wilsonville, Oregon, along the I-5 Corridor.

- Are readily adapted to alternative uses.
- Have limited unique design features.

The trend and depreciation factors applied to the machinery and equipment located in general use buildings are typically selected from the trend factors developed by the Department of Revenue. They may also be developed by the county from the equipment indexes from *Marshall Valuation Service* or other national cost services.

Depreciation

Appraisers traditionally think of depreciation as a loss in value resulting from three general causes: physical deterioration, functional obsolescence, and economic obsolescence or externalities.

Physical Deterioration

Physical deterioration refers to the wear and tear from regular use and the impact of the elements. Physical deterioration for industrial properties usually can be estimated. A building and its components wear out. An appraiser can estimate the rate at which they wear out. For example, when an asset is halfway through its economic life, it is capable of producing about one-half of the total income it will ever produce. Normally, an asset's physical life is longer than its economic life. This is due to a combination of functional and economic factors. Thus, an asset's age can be used to estimate normal physical deterioration and some functional obsolescence.

Functional Obsolescence

"Functional inutility is an impairment of the functional capacity of a property or building according to market tastes and standards. It becomes equivalent to functional obsolescence when ongoing change, caused by technological advances and economic and aesthetic trends, renders building layouts and features obsolete."¹ Industry standards as well as usefulness dictate functional obsolescence to the user. **Functional obsolescence** is a loss in value that may be due to a superadequacy or inadequacy of function such as construction, size, shape, and height for buildings, or layout and capacity for machinery and equipment. Those conditions that can be cured economically by management are referred to as curable. **Incurable functional obsolescence** occurs when the cost of correcting the condition exceeds the increase in value. Appraisers often quantify functional obsolescence by comparing the subject with a state-of-the-art replacement to estimate the cost to cure, or by capitalizing the reduced return or income loss.

Economic Obsolescence

Externalities are a change in value caused by forces outside the property, such as government regulations or market conditions. When there is a loss in value, it is referred to as **economic obsolescence**. Economic obsolescence is usually not curable. It can be industry-wide (i.e., increase in timber prices) or affect only the subject property (i.e., zoning regulations). Economic obsolescence often is a result of changes in the highest and best use of a property due to market shifts or government acquisitions. While an undesirable location can affect both land and improvement values, the effects should be separated because land values, calculated from the market, already reflect this influence. Economic obsolescence is applied after all evidence of physical and functional obsolescence has been recognized. Economic obsolescence can be estimated by comparing the subject property with a comparable property not subject to the same economic obsolescence. It may also be possible to measure and capitalize the loss of income due to the economic factor. However, economic obsolescence is often difficult to estimate.

¹ *The Appraisal of Real Estate*, Eleventh Ed., page 279.

Economic obsolescence is normally a short-term occurrence. If the adverse conditions continue longer than a normal cycle, the market levels for the affected properties will adjust to the new lower level that the market can support. Once the market consistently reflects the lower value level, the new level becomes the “typical market level” for those properties affected.

Excess Obsolescence

The department’s annual *Real Property Computation Supplement* provides guidance and suggested trends and depreciation factors for adjusting special use B&S, as well as for machinery and equipment. These suggested trends and depreciation factors **should not** be used with general use B&S. Normal physical deterioration and some functional obsolescence are reflected in the department’s trends and depreciation factors. Normal depreciation can be expected to affect most industrial plants of the same age and type in a similar manner. The factors do not reflect any excess physical or functional obsolescence, nor do they reflect external obsolescence (externalities). Some examples of situations where a property may have obsolescence beyond that reflected in the department’s factors are:

- Additional physical deterioration—caused by operating for some time above capacity or having received less than normal maintenance.
- Excess capacity or inadequate capacity—caused by faulty engineering or design or mismatched equipment.
- Physical configuration—Poor plant layout that results in excess costs.
- Externalities or economic obsolescence such as: (1) Changing costs or availability of the agents of production—if a relative shift occurs between the factors of production; land, labor, capital, entrepreneurial profit, the plant may still be technologically efficient, but is no longer economically efficient. (2) Falling demand/market conditions—industrial property values are a result of derived demand. When demand for a plant’s product changes, the plant’s profitability and value change also.

If the owner of an industrial plant requests consideration for **excess obsolescence**, they must provide enough information to justify a reduction in value. While the market approach may provide the most accurate means of measuring obsolescence, the lack of comparable sales, especially for special use properties, usually makes this approach unworkable. The income approach is an effective way to measure excess obsolescence if the appropriate data is available. Excess obsolescence should not be deducted from an income approach or market approach if the forms of obsolescence displayed in the subject equally affect the comparable properties. The market has already reflected it in those estimates. Any adjustments for excess obsolescence should be reviewed annually.

The Department of Revenue conducts ongoing analyses of various industry types for which there are indications of loss of revenue caused by economic obsolescence. Together with the *Real Property Return Computation Supplement*, the department issues advisory supplements to the county assessors informing them which industries should receive an additional adjustment for economic obsolescence, along with the recommended percentage adjustment. Industries affected by economic obsolescence in the last several years include sawmills, softwood veneer, softwood plywood, and fish processing. The department’s economic adjustment percentage should be used unless the appraiser has more supportable data.

Points to Review

Each county should review and classify county responsibility industrial accounts as either special use or general use. Typically, smaller industrial tenants will locate in buildings that reflect general use characteristics. These properties should be adjusted using the department’s general use trends or locally developed trending factors. This process helps ensure that potentially competing properties are uniformly assessed and taxed.

When selecting depreciation factors, first determine whether the property fits the general use or special use category. For buildings and structures, if the property is general use, a depreciation factor of 1.00 is always selected, because general use trends consider both appreciation and depreciation.

If the buildings and structures are special use, or when selecting factors for the machinery and equipment, follow the recommendations set out in the department's annual *Real Property Return Computation Supplement*.

As always, if you have information that validates the use of other trends and depreciation factors than those discussed, it is appropriate to use them as long as you document how the factors were derived and the reason for their use.

Extensions

Two administrative rules based on ORS 308.290 allow extension of the deadline for filing property returns. The rules give authority to the assessor and to the Department of Revenue to grant extensions.

Extension Requests to the Assessor for Filing Property Returns

Oregon Administrative Rule (OAR) 150-308.290(3)(1) states that for those accounts that are the responsibility of the assessor, the assessor may extend the due date of real and personal property returns to April 15 for **good cause** or for **administrative need**.

Good Cause

“Good cause” is defined as an extraordinary circumstance beyond the control of the taxpayer, or the taxpayer’s agent or representative.

Extraordinary circumstances are described in OAR 150-307.475 and may include, but are not limited to:

- (a) A delay caused by the unavoidable absence of the person who is solely responsible for filing the return.
- (b) A delay caused by the destruction by fire, natural disaster, or other casualty of the taxpayer’s records needed to prepare the return.

An extension granted for “good cause” is only valid for the year it is approved.

Administrative Need

“Administrative need” is defined as circumstances that occur under which the taxpayer’s accounting period information cannot be accurately reflected by the required filing date of March 1 (postmark), due to the volume of information necessary to file a return or fiscal year end requirements.

The administrative extension may be granted as a permanent extension if the taxpayer so desires. This extension will continue for future years until the assessor or taxpayer chooses to cancel it. The assessor may cancel the permanent extension in cases where the taxpayer consistently fails to meet the additional filing requirements noted below.

The Extension Request

The extension request must be in writing to the appropriate assessor’s office and postmarked on or before March 1. The request must be signed by the taxpayer, an officer of the taxpayer, or a representative authorized by the taxpayer. The request must include the taxpayer’s name, the name of the business (“doing business as”), situs address, and account number if known by the person requesting the extension. The request must contain all of the facts needed to justify the extension.

If the request is denied, the taxpayer shall have 10 days from the date of denial, or March 1, whichever is later, to mail a complete return and have it considered timely filed.

If the request for extension is approved, the assessor sends the taxpayer instructions for completing the return. The instructions include trending and depreciation factors where applicable. Computer media transfer instructions may also be provided.

Filing the Return

When the return is filed, it must have appropriate valuation factors applied to all property according to schedules supplied by the county. The asset listing, which must be included, may be a complete listing

describing each item of real and/or personal property or, if agreed to by the assessor, a summary by classification of assets with specific real and/or personal property additions and retirements for the current year. The filing must include all assets in the possession and control of the taxpayer including those items that are fully depreciated for income tax purposes. A copy of the letter granting the extension should also be included with the filed return.

If the taxpayer receiving the extension is a leasing company, the company must have sole responsibility for payment of taxes charged to all property items reported. The equipment listing must identify the situs of the property for both real and personal property reported.

All returns with extensions must be postmarked on or before April 15 to be considered timely filed as described in ORS 305.820. The return may also be hand-delivered on or before the April 15 filing deadline.

Note: Whenever any writing or remittance is required by law to be filed or made on a weekend or on any legal holiday, the date and time specified is extended to include the next business day. See ORS 305.820(2).

Verification of Taxpayer Information

Returns approved for extension of the filing deadline are subject to correction of errors made by the taxpayer in:

- (a) The age/life classification of each item of property.
- (b) The application of the valuation factors to the items reported, including calculation errors.
- (c) The accurate listing of all assessable property (omissions).

There is no time limit in either statute or administrative rule on the period of time that self-assessed personal property accounts may be subject to audit and correction.

Extension Requests to the Department for Filing Property Returns

The Department of Revenue may extend the due date for mailing real, personal, and combined returns to April 15 for “good cause” or for administrative needs. OAR 150-308.290(5) explains the department policy regarding extension requests. The request must be in writing to the department and postmarked on or before March 1, and must contain the facts explaining the need for the extension.

The “good cause” definition in this rule is the same as noted above. It applies only to state appraised principal or secondary industrial accounts. An extension granted for “good cause” is only applicable to the current year’s return.

To receive an extension for administrative need, the taxpayer must meet the following criteria:

- (a) The taxpayer is a principal or secondary industrial account as described in ORS 306.126, or the taxpayer has reporting requirements for property in more than one county;
- (b) Accounting period information cannot be accurately reflected by the required filing date due to volume of information necessary to file a return or fiscal year-end requirements;
- (c) The taxpayer can demonstrate the ability to comply with certain format requirements;
- (d) The lessor must have sole responsibility for payment of taxes charged to property items if a leasing company is reporting the real or personal property.

An extension granted for administrative reasons continues for subsequent tax years unless canceled by the taxpayer or revoked by the department.

Additional Information

If the request is denied, the taxpayer shall have 10 days from the date of denial, or March 1, whichever is later, to file the completed return(s) with the department or the assessor's office, whichever has responsibility for the account.

Filing requirements for returns granted an extended deadline are outlined in OAR 150-308.290(5)(6) and are similar to the filing requirements listed above.

Here, too, a copy of the letter granting the request should be included with the return when it is filed.

These returns are also subject to correction of errors in classification, trending, and depreciation and omission of property.

Measure 50, Exceptions, and Maximum Assessed Value

Measure 50

To understand the current structure of Oregon's property tax system, it is helpful to look at the system from a historical perspective. The structure of the property tax system had changed little since before statehood until the 1990s when two statewide ballot measures dramatically altered the system.

Oregon had a pure levy-based property tax system until 1991–92. Each taxing district calculated its own tax levy based on its budget needs. County assessors estimated the Real Market Value (RMV) of all property in their county. Generally, speaking, the full RMV of property was taxable and there was no separate definition of Assessed Value (AV). The levy for each taxing district was then divided by the total RMV in the district to arrive at a district tax rate. There was no difference between taxes imposed and tax levies under this system, so taxes imposed grew as levies increased. Most levies were constitutionally limited to an annual growth rate of 6 percent without voter approval.

Starting in 1991–92, Measure 5 (M5) introduced limits on the tax rates paid by individual properties. The tax rate limits of \$5 per \$1,000 of RMV for schools and \$10 per \$1,000 of RMV for general government, not including bonded indebtedness, were imposed. M5 resulted in a system that was a hybrid levy-based and rate-based system.

The 1997 legislature drafted Measure 50 (M50) in response to the passage of Measure 47 (M47), which was a citizen's initiative placed on the ballot. The objective of M47 was to reduce property taxes in 1997–98 and control their future growth. The passage of M50 achieved those goals by cutting the 1997–98 district tax levies and making the following three changes: the switch to permanent rates, the reduction of assessed values, and a limitation placed on yearly Maximum Assessed Value growth.

With the passage of M50, the property assessment process changed dramatically. For 1997–98, the concept of **Maximum Assessed Value (MAV)** was introduced. A property's MAV is the taxable value limitation established for each property in existence in 1997 by M50. The M5 limits still apply, but because M50 substantially reduced property taxes, the M5 limits have had no effect for most properties through 2000–2001. It is important to note that while M50 limits are applied to derive a property's AV, the M5 rate limits apply to RMV. Prior to M50, this distinction was unnecessary because AV equaled RMV. If property taxes exceed the M5 limits, then taxes are compressed in a specific order. First local option taxes are reduced, possibly to zero. If there are no local option taxes or they have been reduced to zero, the tax rates from the permanent rate for each taxing district are reduced proportionately.

Definitions

The following definitions will assist you in understanding M50 concepts and procedures.

Assessed Value (AV). Lesser of the property's Maximum Assessed Value (MAV) or Real Market Value (RMV). For specially assessed property, the lesser of RMV or MAV for any market portion, plus the lesser of the Specially Assessed Value (SAV) or Maximum Specially Assessed Value (MSAV) for each individual soil class, qualified homesite, and on-site development.

Average Maximum Assessed Value (AMAV). The value determined by dividing the total Maximum Assessed Value (MAV) of all unchanged property in the same area in the same property class by the total number of unchanged properties in the same area in the same property class.

Average Real Market Value (ARMV). The value determined by dividing the total Real Market Value (RMV) of all unchanged property in the same area in the same property class by the total number of unchanged properties in the same area in the same property class.

Changed Property Ratio (CPR). Ratio determined by dividing the average Maximum Assessed Value (AMAV) by the average Real Market Value (ARMV) for the same area and property class of unchanged property.

Exception. Any change to property that allows an adjustment to Maximum Assessed Value (MAV):

- (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 rezoning.
- (d) The property is first taken into account as omitted property.
- (e) The property becomes disqualified from exemption, partial exemption or special assessment.
- (f) A lot line adjustment is made with respect to property.

General Ongoing Maintenance and Repair. The repair or replacement of existing materials due to normal wear/tear/deterioration. Examples of ongoing maintenance and repair may include re-roofing, painting, or replacement of floor or wall covering. The Maximum Assessed Value (MAV) of the property cannot be increased due to general ongoing maintenance and repair.

Improvement. A change to property that enhances value.

Lot Line Adjustment. Any addition to the square footage of the land for a real property tax account and a corresponding subtraction of square footage of the land from a contiguous real property tax account.

Major Addition. An addition that has a Real Market Value over \$10,000 and adds square footage to an existing structure.

Maximum Assessed Value (MAV). A term defined by Measure 50 passed by Oregon voters in 1997. The maximum (limit) of a property's Assessed Value (AV). For the 1997–98 tax year, Maximum Assessed Value (MAV) was the 1995–96 Real Market Value (RMV) less 10 percent. For tax years after 1997–98, the MAV will be the greater of 103 percent of the property's AV from the prior year or 100 percent of the property's MAV from the prior year. MAV may be increased or recalculated under certain circumstances to reflect changes to the property (exceptions).

Maximum Specially Assessed Value (MSAV). The maximum (limit) of a property's Specially Assessed Value (SAV), calculated as follows:

- The lesser of Real Market Value (RMV) or Maximum Assessed Value (MAV) for any market portion,
plus
- The lesser of the SAV or Maximum Specially Assessed Value (MSAV) for each individual soil class, qualified homesite, and on-site development.

For the 1997–98 tax year, MSAV was the 1995–96 SAV less 10 percent. MSAV may be increased or recalculated under certain circumstances to reflect changes to the property. For tax years after 1997–98, MSAV increases by 3 percent each year.

Minor Construction. An improvement to real property that results in an addition to Real Market Value (RMV), but does not qualify as an addition to Maximum Assessed Value (MAV) due to a value threshold. The value threshold is an RMV of over \$10,000 in any one-assessment year, or over \$25,000 for all cumulative additions made over five assessment years.

Modernization. A type of renovation in which worn or outdated elements are replaced with their current counterparts.

Net Additions. In calculating the addition to Maximum Assessed Value for new property and new improvements, the amount added shall be the net Real Market Value of the new property or new improvements less the Real Market Value of retired property, but not less than zero.

New Construction. Any new structure, building, addition, or improvement to the land, including site development. It may also include installation of machinery and equipment.

Omitted Property. Property discovered and added to the roll after the roll is certified to the tax collector.

Property. All property included within a single property tax account, or if centrally assessed, the total statewide value of all property assessed to a company.

Real Market Value (RMV). The amount in cash that could reasonably be expected to be paid by an informed buyer to an informed seller, each without acting without compulsion in an arm's length transaction occurring as of the assessment date for the tax year, as established by law.

Reconstruction. To rebuild or replace an existing structure with one of comparable utility.

Rehabilitation. To restore to a former condition without changing the basic plan, form, or style of a structure.

Remodeling. A type of renovation that changes the basic plan, form, or style of the property.

Renovation. The process by which older structures or historic buildings are modernized, remodeled, or restored.

Restoration. A type of renovation in which a property is returned to its original appearance and condition.

Maximum Assessed Value

With the passage of Measure 50 in 1997, the property assessment process changed dramatically. For the 1997–98 tax year and after, a new assessed value limitation was established called Maximum Assessed Value (MAV).

For the base year of 1997–98, MAV was calculated by reducing the 1995–96 Assessed Value (AV) by 10 percent. For example, if a warehouse had an AV (AV was the same as RMV) of \$100,000 for the 1995–96 tax year and no changes were made to the property, its 1997–98 MAV would have been \$90,000 (\$100,000 less 10% or \$10,000 = \$90,000).

Beginning with 1997–98, the new assessed value limitation (MAV) has made it necessary for one more comparison to be made to determine AV. The **lesser** of RMV or MAV is the new AV. In the example above, if the 1997–98 RMV remained \$100,000, then AV is \$90,000 (lesser of \$90,000 or \$100,000).

For 1998–99 onward, MAV growth is limited to a maximum 3 percent per year plus exceptions. A limit test is applied each year to determine if MAV will increase or stay the same. To calculate the MAV limit, multiply the prior year AV by 1.03 and compare to the prior year MAV. The **greater** of those two numbers will be the new MAV. Continuing the above example of MAV from the base year:

$$1997-98 \text{ AV} = \$90,000 \times 1.03 = \$92,700;$$

$$1997-98 \text{ MAV} = \$90,000;$$

1998–99 MAV is the **greater** of those two, or \$92,700.

The following three spreadsheets lays out the calculations of MAV and AV through tax years 2003–04. The center section between the interior dashed lines is the greater of MAV test. The surrounding section enclosed by the dash/dot line is the lesser of RMV or MAV test to determine AV.

The first spreadsheet illustrates how the MAV grows at the 3 percent limit until it freezes in 2003–04. Notice, however, that in 2002–03 the MAV increases even though it is greater than the RMV. Determining MAV is a simple calculation.

The second spreadsheet illustrates how RMV and MAV interact when testing for the “lesser of” to determine AV. Notice how AV changes between RMV and MAV.

The third spreadsheet illustrates that AV can actually increase more than 3 percent. Only the MAV is limited to 3 percent growth. Notice that in 2000–01 AV increases 15 percent, and in 2002–03 AV increases 5 percent. Also note that for 2003–04, even though RMV jumps 10 percent, the AV is only allowed to grow 3 percent because MAV is once again acting as a limit.

MAV CALCULATION EXAMPLE - SIMPLE

Assuming No MSO Exception

TAX YEAR	RMV TREND	RMV	<u>GREATER OF</u>		MAV	AV
			PRIOR YEAR AV * 1.03	PRIOR YEAR MAV		
95-96	NA	100,000	NA	NA	NA	100,000
96-97	0%	100,000	NA	NA	NA	100,000
97-98	0%	100,000	NA	NA	<i>(100,000 * .90)</i> 90,000	90,000
98-99	0%	100,000	<i>(90,000 * 1.03)</i> 92,700	90,000	92,700	92,700
99-00	0%	100,000	<i>(92,700 * 1.03)</i> 95,481	92,700	95,481	95,481
00-01	0%	100,000	<i>(95,481 * 1.03)</i> 98,345	95,481	98,345	98,345
01-02	0%	100,000	<i>(98,345 * 1.03)</i> 101,296	98,345	101,296	100,000
02-03	0%	100,000	<i>(100,000 * 1.03)</i> 103,000	101,296	103,000	100,000
03-04	0%	100,000	<i>(100,000 * 1.03)</i> 103,000	103,000	103,000	100,000

MAV CALCULATION EXAMPLE - COMPLEX

TAX YEAR	RMV TREND	RMV	<u>LESSER OF</u>		MAV	AV
			<u>GREATER OF</u>			
			PRIOR YEAR AV * 1.03	PRIOR YEAR MAV		
95-96	NA	100,000	NA	NA	NA	100,000
96-97	0%	100,000	NA	NA	NA	100,000
97-98	-5%	95,000	NA	NA	<i>(100,000 * .90)</i> 90,000	90,000
98-99	-5%	90,250	<i>(90,000 * 1.03)</i> 92,700	90,000	92,700	90,250
99-00	0%	90,250	<i>(90,250 * 1.03)</i> 92,958	92,700	92,958	90,250
00-01	5%	94,763	<i>(90,250 * 1.03)</i> 92,958	92,958	92,958	92,958
01-02	0%	94,763	<i>(92,958 * 1.03)</i> 95,746	92,958	95,746	94,763
02-03	5%	99,501	<i>(94,763 * 1.03)</i> 97,605	95,746	97,605	97,605
03-04	0%	99,501	<i>(97,605 * 1.03)</i> 100,534	97,605	100,534	99,501

**MAV CALCULATION EXAMPLE - COMPLEX
AV INCREASES MORE THAN 3%**

TAX YEAR	RMV TREND	RMV	<u>GREATER OF</u>		MAV	AV
			PRIOR YEAR AV * 1.03	PRIOR YEAR MAV		
95-96	NA	100,000	NA	NA	NA	100,000
96-97	0%	100,000	NA	NA	NA	100,000
97-98	-5%	95,000	NA	NA	(100,000 * .90) 90,000	90,000
98-99	-20%	76,000	(90,000 * 1.03) 92,700	90,000	92,700	76,000
99-00	0%	76,000	(76,000 * 1.03) 78,280	92,700	92,700	76,000
00-01	15%	87,400	(76,000 * 1.03) 78,280	92,700	92,700	87,400
01-02	0%	87,400	(87,400 * 1.03) 90,022	92,700	92,700	87,400
02-03	5%	91,770	(87,400 * 1.03) 90,022	92,700	92,700	91,770
03-04	10%	100,947	(91,770 * 1.03) 94,523	92,700	94,523	94,523

Establishing a Changed Property Ratio

Thus far we have not considered changes to property other than market influences. In the real world, changes to property other than market influences happen all the time. M50 anticipated changes (discussed later in this chapter) to property and provided a mechanism to adjust MAV for those changes. The mechanism to adjust MAV for changes to property is called a changed property ratio (CPR).

A CPR is a ratio calculated by dividing the average MAV of all unchanged property in the same area in the same property class by the average RMV of all unchanged property in the same area in the property class. If the property has changed, the unchanged portion is still used in the calculations.

OAR 150-308.156 further defines a CPR by stating:

- (1) A changed property ratio (CPR) shall be established for property classes 0 through 8 each assessment year. For determining the ratio of the average Maximum Assessed Value over the average Real Market Value, only the first digit of the property class needs to be recognized. These ratios shall be rounded to three decimals.

Property classes may be combined to arrive at a ratio. The resulting ratio would become the CPR for each property class used to calculate the ratio.

For properties with special assessments, only the market portion shall be used to determine a ratio. For properties with farm or timber deferral, the assessor may use either of the following methods to arrive at a changed property ratio:

- (a) The market portion of the unchanged 5-x-x or 6-x-x property classes may be used to create the changed property ratio for those classes; or,
- (b) The 4-x-x changed property ratio may be applied to the 5-x-x or 6-x-x property classes, when used in combination.

Residential property class (1-x-x) shall include all manufactured structures and/or floating homes not assigned to other property classes.

- (2) For locally assessed property, the changed property ratio shall not be greater than 100%.
- (3) For centrally assessed property, the changed property ratio shall not be greater than 100%.

A CPR is used to determine what adjustment is made to MAV when certain changes occur to property. For qualified changes to property that add to an existing MAV, multiply the contributory RMV of the change by the appropriate CPR and add that amount to the existing MAV. For qualified changes to property that create a new MAV, multiply the current RMV of the property by the appropriate CPR to determine the new MAV.

Changes to Property (Exceptions)

Changes to property other than normal market trending are referred to as exceptions. An exception is defined as any change to property, not including general ongoing maintenance and repair. Not all changes to property will qualify as an adjustment to MAV. ORS 308.146(3) provides for increases to MAV when the following actions occur (*Note: ORS 308.166 describes the order in which exceptions will be considered*):

- (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 rezoning.
- (d) The property is first taken into account as omitted property.

- (e) The property becomes disqualified from exemption, partial exemption or special assessment.
- (f) A lot line adjustment is made with respect to property.

ORS 308.149(5) further defines new property or new improvements:

- (5) (a) "New property or new improvements" means changes in the value of property as the result of:
 - (A) New construction, reconstruction, major additions, remodeling, renovation, or rehabilitation of property.
 - (B) The siting, installation or rehabilitation of manufactured structures or floating homes; or
 - (C) The addition of machinery, fixtures, furnishings, equipment or other taxable real or personal property to the property tax account.
- (b) "New property or new improvements" does not include changes in the value of the property as the result of:
 - (A) General ongoing maintenance and repair; or
 - (B) Minor construction.
- (c) "New property or new improvements" includes taxable property that on January 1 of the assessment year is located in a different tax code area than on January 1 of the preceding assessment year.

As listed above, "new property or new improvements" has two qualifiers, "general ongoing maintenance" and "repair and minor construction." Each will be discussed in greater detail in this chapter.

Minor Construction

Minor construction is defined and explained in OAR 150-308.149(6):

- (1) Definition: "Minor construction" is an improvement to real property that results in an addition to Real Market Value (RMV), but does not qualify as an addition to Maximum Assessed Value (MAV) due to a value threshold. The value threshold is an RMV of over \$10,000 in any one-assessment year, or over \$25,000 for all cumulative additions made over five assessments years.
- (2) Minor construction does not include general ongoing maintenance and repairs.
- (3) When testing the over \$25,000 threshold, use the cumulative RMV of all minor and major construction over a period not to exceed five consecutive assessment years.
 - (a) Minor and major construction values are not market trended.
 - (b) Values for retirements are not considered in the threshold test.
 - (c) Values for minor construction items that are removed or destroyed prior to being an adjustment to MAV are subtracted from the minor construction cumulative RMV.
- (4) Once the over \$25,000 threshold is met, use the following steps to calculate the MAV adjustment:
 - (a) Use minor construction values that are not market trended.
 - (b) Make adjustments for any retirements from the prior assessment year. The net value of additions and retirements can not go below zero.
 - (c) Apply the changed property ratio (CPR) from the year the cumulative RMV becomes an addition to MAV.
 - (d) Reset the cumulative RMV for minor construction to zero and restart the five-year period.

- (5) For implementation of the five-year period, the first year is 1997–98 reflecting minor construction added after July 1, 1995, and on or before July 1, 1997.

The following examples demonstrate the over \$25,000 threshold. *RMVs in the following examples are not market trended and/or depreciated.*

Example 1 – Over \$25,000 Not Met			
Year	New Imps. Value	Cumulative Total	Comment
1	\$8,000	\$8,000	Does not qualify as an adjustment to MAV. Individual year RMV is under \$10,001 and cumulative RMV is under \$25,001.
2	None	\$8,000	No change.
3	\$7,000	\$15,000	Does not qualify as an adjustment to MAV. Individual year RMV is under \$10,001 and cumulative RMV is under \$25,001.
4	None	\$15,000	No change.
5	\$5,000	\$20,000	Does not qualify as an adjustment to MAV. Individual year RMV is under \$10,001 and cumulative RMV is under \$25,001.

Example 2 – Over \$25,000 Not Met, Prior Years Drop Off			
Year	New Imps. Value	Cumulative Total	Comment
1	\$8,000	\$8,000	Does not qualify as an adjustment to MAV. Individual year RMV is under \$10,001 and cumulative RMV is under \$25,001.
2	None	\$8,000	No change.
3	\$5,000	\$13,000	Does not qualify as an adjustment to MAV. Individual year RMV is under \$10,001 and cumulative RMV is under \$25,001.
4	None	\$13,000	No change.
5	\$7,000	\$20,000	Does not qualify as an adjustment to MAV. Individual year RMV is under \$10,001 and cumulative RMV is under \$25,001.
6	\$11,000	\$23,000	Year 6 qualifies individually as is over \$10,000. Prior years still do not qualify, as five-year cumulative total is under \$25,001. <i>(Remember that year 1 has dropped off the five-year cumulation. $\\$11,000 \times CPR = \text{adjustment to MAV.}$)</i>

Example 3 – Cumulative RMV Reset			
Year	New Imps. Value	Cumulative Total	Comment
1	\$8,500	\$8,500	Does not qualify as an adjustment to MAV. Individual year RMV is under \$10,001 and cumulative RMV is under \$25,001.
2	\$100,000	\$108,500	Year 2 qualifies individually as RMV is over \$10,000. Year 1 qualifies as five-year cumulative total is over \$25,000. $\$108,500 \times CPR = \text{adjustment to MAV.}$ Cumulative total and five-year period reset for the next year.
1	\$9,500	\$9,500	Cumulative total and five-year period have reset. Does not qualify as an adjustment to MAV. Individual year RMV is under \$10,001 and cumulative RMV is under \$25,001.

Example 4 – Cumulative RMV Reset			
Year	New Imps. Value	Cumulative Total	Comment
1	\$8,000	\$8,000	Does not qualify as an adjustment to MAV. Individual year RMV is under \$10,001 and cumulative RMV is under \$25,001.
2	\$5,000	\$13,000	Does not qualify as an adjustment to MAV. Individual year RMV is under \$10,001 and cumulative RMV is under \$25,001.
3	\$15,000	\$28,000	Year 3 qualifies individually as is over \$10,000. Years 1 and 2 qualify as five-year cumulative total is over \$25,000. \$28,000 × CPR = adjustment to MAV. Cumulative total and five-year period reset for the next year.
1	None	\$0	Cumulative total and five-year period have reset.

Example 5 – Individual Year and Cumulative Year Adjustments			
Year	New Imps. Value	Cumulative Total	Comment
1	\$5,000	\$5,000	Does not qualify as an adjustment to MAV. Individual year RMV is under \$10,001 and cumulative RMV is under \$25,001.
2	None	\$5,000	No change.
3	\$15,000	\$20,000	Year 3 qualifies individually as RMV is over \$10,000. Year 1 does not qualify as cumulative RMV is under \$25,001. \$15,000 CPR = adjustment to MAV.
4	\$7,000	\$27,000	Years 4 and 1 qualify as cumulative RMV is over \$25,000. \$12,000 × CPR = adjustment to MAV. Cumulative total and five-year period reset for the next year.
1	None	\$0	Cumulative total and five-year period have reset.

Example 6 – Removal of Destroyed Minor Construction			
Year	New Imps. Value	Cumulative Total	Comment
1	\$8,000	\$8,000	Does not qualify as an adjustment to MAV. Individual year RMV is under \$10,001 and cumulative RMV is under \$25,001.
2	\$5,000	\$13,000	Does not qualify as an adjustment to MAV. Individual year RMV is under \$10,001 and cumulative RMV is under \$25,001.
3	-\$8,000	\$5,000	Year 1 improvement was destroyed and is removed from the cumulative RMV.

In order for new improvements to affect the MAV calculation, the Real Market Value must exceed \$10,000 in one year or \$25,000 accumulative over five years. The total Real Market Value of improvements is used to determine if it qualifies as an adjustment to MAV.

General Ongoing Maintenance and Repair

OAR 150-308.149(A) defines general ongoing maintenance and repair as:

- (2) (a) For purposes of ORS 308.149 “general ongoing maintenance and repair” means activity that:
 - (A) Preserves the condition of the existing improvements without significantly changing design or materials and achieves an average useful life that is typical of the type and quality so the property continues to perform and function efficiently;
 - (B) Does not create new structures, additions to existing real property improvements or replacement of real or personal property machinery and equipment;
 - (C) Does not affect a sufficient portion of the improvements to qualify as new construction, reconstruction, major additions, remodeling, renovation or rehabilitation; and
 - (D) For income producing properties is part of a regularly scheduled maintenance program.
- (b) Regardless of cost, the value of general ongoing maintenance and repairs may not be included as additions for the calculation of Maximum Assessed Value.

It simply refers to the repairs or replacements of existing materials to property due to normal wear, tear, or deterioration. The MAV cannot be increased due to general ongoing maintenance and repair.

Examples that **typically qualify** as general ongoing maintenance and repair include:

- Replacing a worn composition roof cover on a house with a new one of like quality and material.
- Resurfacing or hot-mopping a 40,000 square foot built-up roof on an industrial structure.
- Replacing defective siding with a non-defective equivalent.
- Replacing a few broken deck boards on a marine pier.
- Replacing a worn bearing in a board edger.
- Replacing worn kitchen floor covering, appliances, and countertops in a house.
- Annually repainting the interiors, re-carpeting, and replacing countertops and lavatories in 20 percent of the rooms of a four-star hospitality property.

Examples that **typically do not qualify** as general ongoing maintenance and repair include:

- Replacing a deteriorated composition roof cover with a roof of superior materials, such as tile or heavy shakes.
- Adding a second floor to a house.
- Expanding the floor area of a processing plant to provide protected storage for product awaiting transit.
- Replacing all or most decking boards on a pier.
- Replacing a board edger.
- Replacing worn kitchen floor covering, appliances, countertops, and cabinets in a house (major remodel).
- Repainting the interiors, re-carpeting, and replacing countertops and lavatories in all of the units of a court motel.

Netting of Exception and Retirements

Often when new property and new improvements are added to property, some existing property is removed during the same assessment year. When this happens, **the RMV of the new property and new improvements must be netted with the RMV of the retirements before adjusting MAV.**

ORS 308.153 is the statute that includes what to do with retirements:

- (2) (a) The value of new property or new improvements shall equal the Real Market Value of the new property or new improvements reduced (but not below zero) by the Real Market Value of retirements from the property tax account.
- (b) If the maximum assessed value of property is adjusted for fire or act of God, the reduction in Real Market Value due to fire or act of God may not be considered to be a retirement under this subsection.

Remember to add the contributory RMV of all new property and new improvements to the property together before testing the minor construction limits. If the RMV exceeds the minor construction limits, then look to see if any retirements need to be adjusted for. The net of any new property and new improvements less any retirements is the RMV that will be used to multiply by the CPR as an adjustment to MAV.

Changed Property Analysis

On the following pages is a matrix that describes a change to property, whether it qualifies as an exception and whether M50 allows RMV and/or MAV to be changed. **Note:** *The matrix is based on the recommendations from the department based on what is currently known concerning M50.*

Changed Property Analysis Codes

Sub-Category: Structures

Code Number	Description of Change	Changed Property Category	Allows Change of MAV?	Allows Change of RMV?	ORS Reference
1	Any new construction/major addition greater than \$10,000 in one year or \$25,000 over five years.	Exception	Yes	Yes	308.153 308.149
2	Reconstruction of existing property.	Exception	Yes	Yes	308.153 308.149
3	Modernization of existing property.	Exception	Yes	Yes	308.153 308.149
4	Remodeling of existing property.	Exception	Yes	Yes	308.153 308.149
5	Renovation of existing property.	Exception	Yes	Yes	308.153 308.149
6	Rehabilitation of existing property.	Exception	Yes	Yes	308.153 308.149
7	Restoration of existing property.	Exception	Yes	Yes	
8	General on-going maintenance and repair of any value.	RMV Change	No	Yes	308.149(5)
9	Minor construction less than \$10,001 in one year, or less than \$25,001 over five years.	RMV Change	No	Yes	308.149(5) 308.149(6)
10	Improvement physically moved to different location (unless subject to ORS 308.162).	Exception	Yes	Yes	308.149(5)
11	Value of structures moved from one account to another. Structure not physically moved.	MAV Balance	Balance	Yes	308.162
12	Error in square footage calculation corrected by review or reappraisal. No structural change.	RMV Change	No	Yes	
13	Floor levels reclassified after base year.	RMV Change	No	Yes	
14	Inventory record corrected on review or reappraisal after base year (unless omitted property).	RMV Change	No	Yes	
15	Loss in value of property if destroyed or damaged due to fire or act of God (allows for reduction only).	Exception	Yes	Yes	308.146(5)
16	Building removed/demolished (not by fire or act of God).	RMV Change	No	Yes	

Sub-Category: Land

Code Number	Description of Change	Changed Property Category	Allows Change of MAV?	Allows Change of RMV?	ORS Reference
17	Improvements to land, either on-site or off-site, greater than \$10,000 in one year or \$25,000 within five years (as defined in ORS 307.010).	Exception	Yes	Yes	308.153 307.010
18	Event on property or on contiguous property triggers change in value attributed to existing physical characteristic of land.	RMV Change	No	Yes	
19	Combination of two or more accounts.	MAV Balance	Balance	Yes	

Sub-Category: Land (cont.)					
Code Number	Description of Change	Changed Property Category	Allows Change of MAV?	Allows Change of RMV?	ORS Reference
20	Previously existing landscaping revalued.	RMV Change	No	Yes	
21	Property is rezoned and use does not change.	RMV Change	No	Yes	308.156(2)
22	Property is rezoned and use is consistent with new zoning.	Exception	Yes	Yes	308.156(2)
23	Lot lines of property are adjusted.	MAV Balance	Balance	Yes	308.159
24	Property is subdivided or partitioned under Ch. 92. (Not subject to ORS 308.162.)	Exception	Yes	Yes	308.156(1)
25	Property is subdivided or partitioned only by deed division or court order. (Not subject to ORS 308.162.)	Exception	Yes	Yes	308.156(1)
26	Portion of property valued as a unit or part of total sold.	RMV Change	No	Yes	
Sub-Category: Personal Property/ MS/ M & E (\$10,000 minor construction threshold does not include initial siting of MS or Floating Homes)					
Code Number	Description of Change	Changed Property Category	Allows Change of MAV?	Allows Change of RMV?	ORS Reference
27	Siting/installation of MS or floating structure.	Exception	Yes	Yes	308.149(5)
28	Rehabilitation of MS or floating structure.	Exception	Yes	Yes	308.149(5)
29	MS transferred from one roll to another (not physically moved).	MAV Balance	Balance	Yes	308.162
30	MS moved to different location.	Exception	Yes	Yes	308.149(5)
31	Change of classification of M & E from Real to Personal or Personal to Real.	MAV Balance	Balance	Yes	308.162
32	New account is created for new personal property.	Exception	Yes	Yes	308.153
33	Personal property physically moved from one account to another (unless subject to ORS 308.162).	Exception	Yes	Yes	308.153
34	Personal property value transferred from one account to another (not physically moved).	MAV Balance	Balance	No	308.162
35	M & E transferred from one account to another (not physically moved).	MAV Balance	Balance	No	308.162
Sub-Category: Code Area Changes					
Code Number	Description of Change	Changed Property Category	Allows Change of MAV?	Allows Change of RMV?	ORS Reference
36	Code area changes due to any reason.	Not a change	NA	NA	
37	Property physically moved to different code area.	Exception	Yes	Yes	308.149(5)

Sub-Category: Exemptions & Special Assessments (MV = Market Value MAV; SA = Specially Assessed MSAV)					
Code Number	Description of Change	Changed Property Category	Allows Change of MAV?	Allows Change of RMV?	ORS Reference
38	Property changed from exempt or partially exempt to taxable.	Exception	Yes-MV Yes-SA	No *	308.156(4)
39	Property disqualified from special assessment.	Exception	Yes-MV	No *	308.156(4)
40	Property changed from one special assessment to another.	MAV/MSAV Change	Yes-MV Yes-SA	Yes	308.156(4)
41	Error in classification of specially assessed land corrected after base year. Land is not changed or improved.	MAV/MSAV Change	No-MV Yes-SA	Yes	
42	Classification of specially assessed land is changed due to improvements and land is revalued.	Exception	Yes-MV Yes-SA	Yes	
43	Property changed from market to specially assessed.	NA	No-MV Yes-SA	No	
Sub-Category: Miscellaneous					
Code Number	Description of Change	Changed Property Category	Allows Change of MAV?	Allows Change of RMV?	ORS Reference
44	Property class change.	RMV Change	No	Yes	
45	Property contaminated after base year.	RMV Change	No	Yes	
45a	Correction of contamination. (Value reduced to reflect contamination prior to base year.)	Exception	Yes	Yes	
46	Market area changed (neighborhood, value area).	RMV Change	No	Yes	
Sub-Category: Corrections					
Code Number	Description of Change	Changed Property Category	Allows Change of MAV?	Allows Change of RMV?	ORS Reference
47	Omitted Property added to roll.	Exception	Yes	Yes	308.156(3)
48	Correction of clerical error or error or omission of another kind that adds value to the roll.	Exception	Yes	Yes	308.156(3)
49	Settlement of appeal affects value for base year and changes MAV.	NA	Changes base MAV	Yes	
50	Appeal reduces total value of property after base year (unless MAV change included in order/decision).	RMV Change	No	Yes	
51	Appeal reduces total value of property. Property includes an exception added after base year. Use best information to arrive at value attributable to the exception.	Exception	Yes	Yes	
52	Correction of clerical error or error or omission of another kind that does not result in addition of value.	MAV Balance	Balance	No	

* RMV will need to be determined upon disqualification if no RMV exists on the roll.

Reduction of Maximum Assessed Value (MAV) for Property Destroyed or Damaged by Fire or Act of God

ORS 308.146(5)(a) directs that MAV be reduced if property is damaged or destroyed by fire or act of God and states:

- (5) (a) Notwithstanding subsection (1) of this section, when a portion of property is destroyed or damaged due to fire or act of God, for the year in which the destruction or damage is reflected by a reduction in Real Market Value, the maximum assessed value of the property shall be reduced to reflect the loss from fire or act of God.

This provision was made retroactive to 1997–98. No application is required by the taxpayer. When the assessor is made aware of the destruction he or she will make the appropriate adjustments. If the portion of property that was damaged or destroyed was classed as minor construction for which no adjustment was made to the maximum assessed value for the property, then no adjustment shall be made.

Oregon Administrative Rule OAR 150-308.146(5)(a) provides guidance in making the appropriate adjustments and reads:

- (1) “Fire or act of God” has the same meaning and restrictions as used in ORS 308.425 including the arson restriction of ORS 308.440.
- (2) As used in ORS 308.146(5)(a), “reduction in Real Market Value” means the total RMV after adjustment is less than it would otherwise have been, had the damage or destruction by fire or act of God not occurred.

OAR 150-308.146(5)(a) (3) goes on to describe how to make adjustments to MAV if the fire or act of God occurred beginning after July 1, 1995, and before July 1, 1997. Following is the procedure to adjust MAV if the fire or act of God happened on or after July 1, 1997:

- (4) When a portion of property is destroyed or damaged by fire or act of God on or after July 1, 1997, use the following procedure to adjust MAV for the year in which the destruction or damage is reflected by a reduction in RMV.

Note: An example is incorporated into the steps with the following assumptions:

1999–00 MAV = \$87,379

1999–00 (1-1-99) total RMV equals \$100,000.

1999–00 AV = \$87,379.

9-1-99 the house is destroyed by fire. The house RMV for 1-1-99 was \$75,000.

There is no market trending in this area.

Step 1: Multiply the prior year assessed value (AV) by 1.03. Compare the result to the prior year MAV to determine the larger amount. The larger amount becomes the current year MAV (unadjusted) as if the account had not changed.

Larger of: Prior year AV × 1.03 or prior year MAV = current year MAV of unchanged account.

Example: Larger of: \$87,379 × 1.03 = \$90,000 or \$87,379. Current year MAV = \$90,000.

Step 2: Determine the prior years RMV for the affected portion. The affected portion is that part of the property that was destroyed or damaged by fire or act of God. The RMV of the loss is the RMV of the affected portion.

Example: RMV of affected portion equals \$75,000.

Step 3: Subtract the RMV of the affected portion (Step 2) from the prior year total RMV to determine the RMV of the unaffected portion.

Prior year total RMV – RMV of the affected portion = RMV of the unaffected portion.

Example: \$100,000 – \$75,000 = \$25,000.

Step 4: Divide the RMV of the unaffected portion (Step 3) by the total prior year RMV to determine the percentage of unaffected property.

RMV of the unaffected portion ÷ total prior year RMV = percentage of unaffected property.

Example: \$25,000 ÷ \$100,000 = 25%

Step 5: Multiply the unadjusted MAV (Step 1) by the percentage of unaffected property (Step 4) to determine an MAV that has been adjusted to reflect the loss from fire or act of God (MAV attributable to the unaffected portion only).

Unadjusted MAV × percentage of unaffected property = MAV adjusted to reflect the loss from fire or act of God.

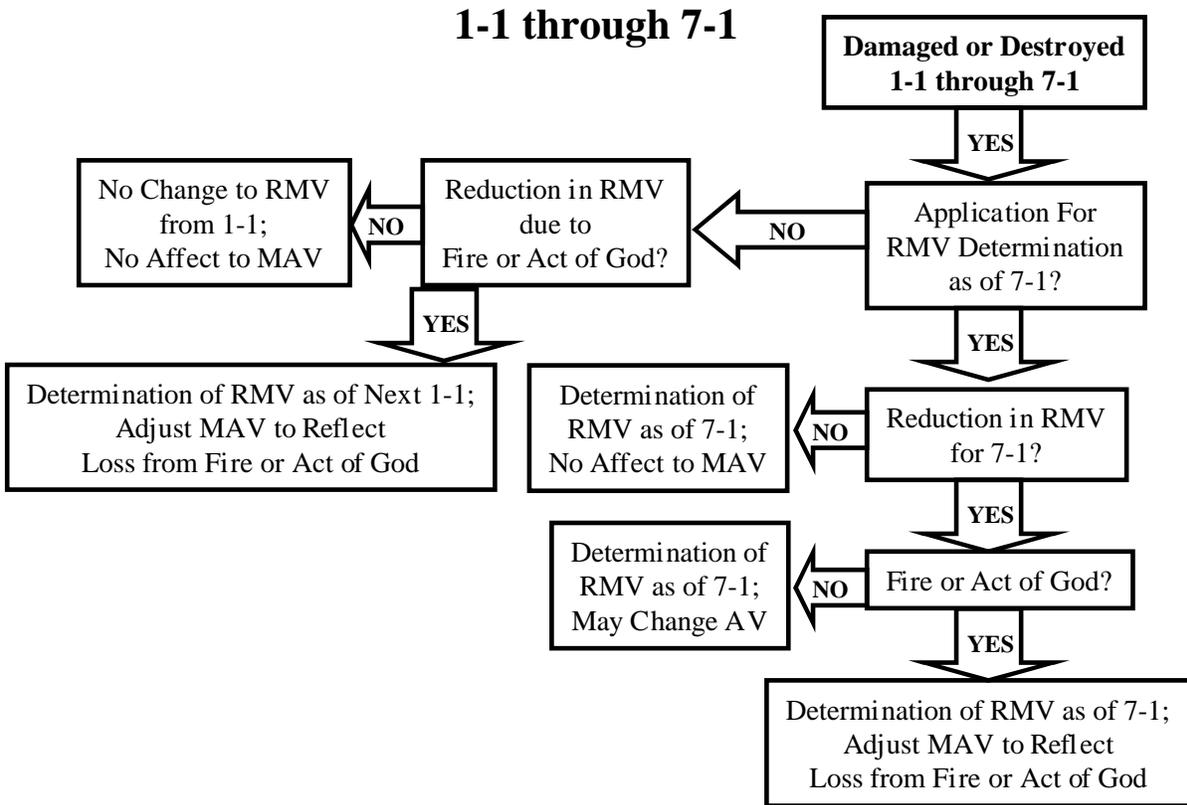
Example: \$90,000 × 25% = \$22,500.

- (5) As used in subsection (4), the “year” in which the RMV is reduced due to fire or act of God can be either:
- (a) The assessment year.
 - (b) The tax year if RMV is determined as of July 1 under ORS 308.146(6) or 308.428.

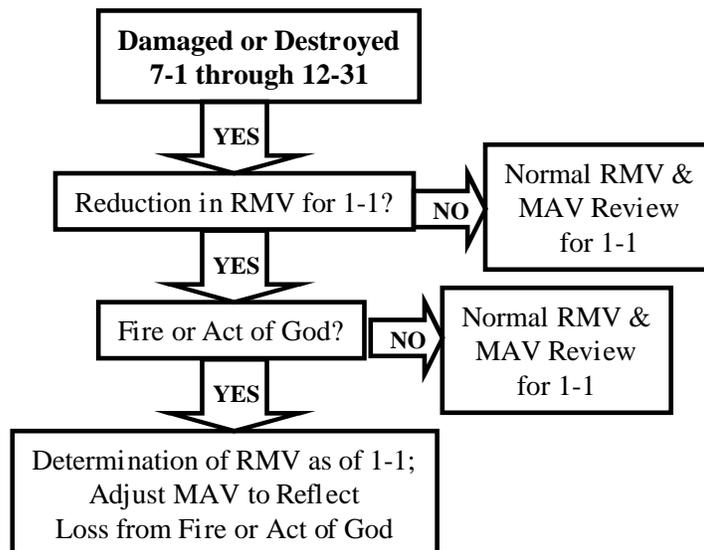
On the following page is a visual flowchart, which leads the reviewer through the process of adjusting for destroyed or damage property.

Flowchart for Damaged or Destroyed Property

1-1-98 and Later



7-1 through 12-31



Determination of RMV for Property Destroyed or Damaged Between January 1 and July 1

ORS 308.146(6)(a) addresses damage or destruction during the first six months of the assessment year:

- (6) (a) If, during the period beginning on January 1 and ending on July 1 of an assessment year, any real or personal property is destroyed or damaged, the owner or purchaser under a recorded instrument of sale in the case of real property, or the person assessed, person in possession or owner in the case of personal property, may apply to the county assessor to have the real market and assessed value of the property determined as of July 1 of the current assessment year.

The qualified taxpayer must make application to the county assessor on or before August 1 of the current year.

For this provision, the damage or destruction is not limited to fire or act of God. The RMV will be established as of July 1. The MAV will be the MAV as it was established as of January 1. AV will be the lesser of these two numbers. MAV will not be adjusted for any new construction that happened between January 1 and July 1. That adjustment will take place next January 1.

Statutes and Rules Affecting Determination of MAV and Exceptions

The following statute references, rule references, and definitions are included for your information:

Statutes and Rules Affecting Determination of MAV and Exceptions

ORS 308.142	“Property” and property tax account.
ORS 308.146	Determination of maximum assessed value and assessed; reduction in maximum assessed following property destruction.
ORS 308.149	Definitions for ORS 308.149 to 308.166.
ORS 308.153	New property and new improvements to property.
ORS 308.156	Subdivision or partitions; rezoning; omitted property; disqualification from exemption, partial exemption, or special assessment.
ORS 308.159	Lot lines adjustments.
ORS 308.162	Property tax account modification.
ORS 308.166	Ordering provisions when property is subject to multiple special determinations.

Related Statutes and Administrative Rules

Onsite and Offsite Development

ORS 307.010	Definition of “Real Property” and “Land.”
OAR 150-308.010(1)	Real Property.

Adjudicated Value

ORS 309.115	Property Value Corrected Upon Appeal; Tax Years Affected; Exceptions.
OAR 150-309.115(1)(A)	Value To Be Placed On Roll when Real Market Is Being Appealed.
OAR 150-309.115(2)(b)	Changes to an Adjudicated Value.
OAR 150-309.115(2)(f)	Additions, Remodeling, and Rehabilitation.

Errors or Omissions—Clerical Error

ORS 311.205	Correcting Errors or Omissions in Rolls
OAR 150-311.205(1)(a)	What is a Clerical Error?

OAR 150-311.205(1)(b) An Error in Valuation Judgement is not correctable under ORS 311.205.
OAR 150-311.205(1)(c)(A) Roll Correction for Nonexistent Property.
OAR 150-311.205(1)(c)(B) What is an Error or Omission on the roll of any Kind?

Omitted Property

ORS 311.216 Notice of Intention to Add Omitted Property to Rolls; Treatment of Unreported Property; Treatment of Understated Real Property; Duty of Tax Collector.

OAR 150-311.216 Standard for Omitted Property Correctable by Omitted Due to Assessor's Lack of Knowledge of its Existence.

Processing the Real Property Return

General Office Procedures

Real and personal property return forms for reporting annual changes to property are to be mailed to owners of industrial properties each year. The properties to receive the forms are selected as discussed in the “Files” section of this manual. Following are the procedures for mailing and receiving the returns.

Selection of Properties

A list of properties subject to the filing requirements of ORS 308.290 should be maintained in the confidential industrial property files. The list must be updated each year based on new businesses and the transfers from and to state responsibility accounts.

Mailing of the Returns

Prepare the mailing of industrial packets that include both real and personal property returns. The preparation of the packets includes the following steps:

1. Order an adequate number of real and personal property return forms from the Department of Revenue. **Note:** The department typically requests from the counties the number of forms needed about three months in advance of the mailing deadline.
2. Have mailing labels made or print the taxpayer information on each return. It is recommended that at least three sets of labels be ordered. One for the real property return, one for the personal property return, and one for the mailer.
3. Mail the returns to the taxpayer prior to **December 31**.

Receipt of the Returns

Upon receipt of the returns in the assessor’s office, the returns must be date stamped and checked against the original listing. Identify any changes the company has made on the return which might affect the assessment roll information. Review the changes and determine what account information needs to be changed, if any.

Unless an extension has been granted, the returns must be postmarked on or before **March 1** in order for the return to be considered filed timely. Late returns should be marked with a stamp: “assess penalty.”

After logging in, distribute the returns to the appraisal section for processing.

Note: Whenever any writing or remittance is required by law to be filed or made on a weekend or on a legal holiday, the date and time specified is extended to include the next business day. See ORS 305.820(2).

Value Computation Sheets

The final result of processing a real property return is a value computation sheet. The computation sheet is simply a printout of a spreadsheet reflecting all changes that have occurred to a particular property since the last assessment date. The information is used to develop the assessment roll information used to calculate the taxes owing on the particular parcel or tax lot. As a result of Measure 50, M50 exception values must also be identified and tracked. The remainder of this section of the manual will discuss the procedures used to complete the value computation sheet. On page 11-2 is an example of a value computation sheet.

20XX

VALUE COMPUTATION SHEET

REAL PROPERTY

NAME	ABC INCORPORATED	EXTENSION #	
ACCOUNT & CODE	R020407525D000400	RPR RECEIVED	2/11/20XX
LOCATION	Halfway, Or	DATE COMPUTED	5/22/20XX
INDUSTRY TYPE	Saw Mill		
SITE NUMBER	15	COMPUTED BY	KING, J.
PERSONAL PROPERTY ACCOUNT #	P123456	REVIEWED BY	BENNETT, J

A. ANNUAL ADJUSTMENT FACTORS	-a- Group	-b- Cycle	-c- Trend	-d- Depreciation		
1 Buildings & Structures	3	3	1.12	1.00		
2 Machinery & Equipment	3	3	1.01	0.93		

	-a- PRIOR YR'S RMV	-b- RETIREMENT	-c- ADDITIONS	-d- CURRENT YR'S RMV	-e- POTENTIALLY EXEMPT	-f- MAV EXCEPTION
B. BUILDINGS & STRUCTURES	172,010	-		192,650		-
1 Completed Additions			7,000	7,420		7,420
2 Under Construction			54,321	54,320		54,320
3 Exemption	-			-		-
C. MACHINERY & EQUIPMENT	82,030	1,500		75,640		(1,500)
1 Completed Additions			7,500	7,270		7,270
2 Being Installed			35,000	35,000		35,000
3 Exemption	-			-		-
D. ECONOMIC OBSOLESCENCE	0.10			(37,230)		
E. LAND SITE DEVELOPMENT*			65,500			

TOTAL 1-1-20XX REAL MARKET VALUE	335,070
TOTAL POTENTIALLY EXEMPT	0
TOTAL MAV EXCEPTIONS (NET OF RETIREMENTS)	102,510
LATE FILING PENALTY**	YES <input type="checkbox"/> NO <input checked="" type="checkbox"/>

FOOTNOTES
 *Land Site Development to be added to county land valuation. Rocking of log storage yard expansion
 Trends & Depreciation Factors taken from DOR's Special Use Supplement
 **Return Filed Late - Late Filing Penalty to be Imposed by Assessor and calculated on the Assessed Value.

Getting Started (Helpful Hints)

- Make all notations on the return with a red pen or pencil.
- Staple a calculator tape to the page if the calculations are complex.
- Don't put sticky notes in the file.
- Document all logic and decisions so the reviewer and the next person who uses the file can understand what you did.
- Make sure all schedules are included for all accounts before starting to process the return.
- Check your math before sending the RPR to review.

Preparation for Processing the Return

The first step in assessing real property is to obtain a complete listing of all items owned, leased, or rented, in the possession of a business operator, and held or used with the intent of producing income. Generally, the complete listing is obtained as a part of the appraisal process. The taxpayer is required to report additions and retirements of real and personal property on an annual basis.

The taxpayer is required by law to provide this information as part of the annual real and personal property return process and must include all detailed information requested (ORS 308.285 and 308.290).

Review the form and the account file for problems. Use the following checklist

Checklist for the Initial Review of the Return

Reviewing the RPR Packet

Note: It is recommended that the person processing the real property return (RPR) assemble all of the related returns for the site (including personal property) and work the returns together. This process helps ensure that all property is assessed correctly, that there are no double assessments, and that all new exceptions (additions) are classified correctly as real or personal.

1. Is the RPR file folder the correct one for the return?

Check the RPR cover sheet and compare it to the file and last year's value computation sheet. If they don't match, check the files.

2. Is the return signed?

If not, return the form(s) to the taxpayer requesting it be signed.

3. Are there completed schedules for each account listed on the cover sheet?

Sometimes taxpayers will list changes for multiple accounts on one set of schedules. This makes it impossible to determine where changes need to be made. What do you do?

- a. Contact the taxpayer. Tell him or her the schedules are not clear.
 - b. Explain that you need a set of schedules for each account and have them send revised forms. Give them a deadline.
 - c. If they don't send revised forms, then check with the chief appraiser for advice.
4. Is there a return or a computer disk for personal property? This only applies if there is a personal property account. If there is a personal property account, the following steps may apply:
 - a. If there is no return or disk, then check with personal property section to see if one was created last year.

- b. If there isn't a computer disk or file, have the personal property list keyed into the appropriate spreadsheet format.

5. Is company information up-to-date?

Are there changes to the address or company information?

Some changes may be made by support staff before you get the return.

What changes need to be made?

- a. Taxpayer mailing address.
- b. Situs address.
- c. Taxpayer contact name and phone number.

How do you know it was done?

- a. It should have the initials of the person who made the change.
- b. The information should appear on the computer screen in the RPR system for the company.

You are responsible for making sure the account record is updated.

What kinds of changes do you have to confirm?

- a. Company name change.
 - 1) If the company's name has changed, confirm the change with the company. Ask if the name change occurred because of a change of ownership. If it was from a change of ownership, you may have a disclosure issue to deal with. (Refer to the "Disclosure" section of this manual.)
 - 2) Check to make sure the legal record has been changed. Sometimes the company representative writes in a name that means something to the company but is not the legally listed owner on the county records. The company has to update their deed in the county's records before you can officially change it. However, you can add the new requested name as a "DBA" to your records. This should satisfy the needs of both the county and the taxpayer.
- b. Addition of a new account or change to an existing account.

6. Are there retirements listed? Get the appraisal information.

7. Is there an adjudication? Get the appeals information.

8. Does the property have a qualified exemption?

- a. Does it have an Enterprise Zone, Facilities under Construction, or a Pollution Control Device exemption?

9. Was it mailed by the deadline? Does it have an extension? If not, it gets a penalty.

The cover sheet will list the received date, postmark date, and the extension number (if any).

- If there is no extension and the **postmark date** is March 1* or before, it was timely filed.
- If there is an extension and the **postmark date** is April 15*, it was timely filed.

Refer to the appropriate section(s) of this manual for correct procedures for calculating specific portions of the return.

* **Note:** Whenever any writing or remittance is required by law to be filed or made on a weekend or on a legal holiday, the date and time specified is extended to include the next business day. See ORS 305.820(2).

Working the Return

After reviewing the return and assembling the appropriate materials, you are ready to work the return. In order to process the return, an electronic or manual spreadsheet needs to be used. See the example provided in this manual, page 11-2.

Referring to the example spreadsheet, the beginning value of all of your calculations (Column -a-) generally is the total ending value of the category (either Buildings & Structures—B&S or Machinery & Equipment—M&E) or the current Real Market Value (Column -d-) as calculated on last year's value computation sheet.

Other possibilities to the beginning value occur when either:

- A new appraisal has been made.
- The value has been adjudicated.
- Omitted property has been added.

When processing the return, think about what you are doing and why you are doing it.

- Does your action make sense?
- Are your notes and documentation clear to others that will review it?
- Will your decision be understandable to the taxpayer?

See your supervisor if you are unsure about what course of action to take.

Measure 50 (M50) requires that we maintain two values, Real Market Value (RMV) and Maximum Assessed Value (MAV) (the value limitation).

Estimating Real Market Value

To estimate RMV, you will continue to use procedures very similar to what you have in the past. This is true for both annual maintenance appraisals and physical reappraisals. Your procedures must accommodate necessary calculations for MAV and exceptions to MAV.

The procedures used during the annual maintenance appraisals do not need to change significantly. Current policies about what value to add for completed additions, buildings under construction, and machinery being installed should remain the same as in the past if you are following department recommendations. The estimation of the value of reported retirements also remains the same. The major change when estimating RMV is that you no longer give an extra year's trend and depreciation as required prior to M50. The current definition of RMV requires property to be valued as of the assessment date of January 1 rather than as of the lowest value during the assessment year.

When estimating RMV, the following examples may provide assistance. The examples do not replace your appraisal judgement.

Additions typically added at 100% of reported cost:

- B&S—increase square feet of building space.
- M&E—retrofits or upgrades that add capabilities or capacity to the machine. For example, adding computer controls to a machine that was previously manually controlled.

Additions typically added at less than 100% of reported costs:

- B&S—remodeling that enhance or improve the building. Example: new roof
- M&E—rebuilt that extend the life of a machine.

Additions typically added at 0 % of reported costs:

- B&S—repairs. Example: patch the roof.
- M&E—repairs that maintain the current function of the machine without upgrading. Example: replacing a worn-out bearing.

Use judgement for other issues that don't fit the above scenarios.

- The Board of Property Tax Appeals reduced the value of a building because the roof was in poor condition. A new roof is now being reported. You may decide to add 100% of the value instead of something less.
- The company reports a retrofit of some M&E. You have knowledge of new machines with the enhanced features where cost is less than the reported retrofit. You may decide to add less than 100% of the reported costs.

Note: If the buildings are general use and an income approach was used to determine the property's value, you must determine whether any of the above changes to the property has an effect on the rent or income stream to the owner. If not, then it may not be appropriate to adjust for additions or retirements.

Calculating Maximum Assessed Value

You should note that the definition of improvements under M50, for the calculation of MAV, is different from the improvements for RMV. Watch out for "RE" words. These are words such as REmodel, REpair, REcondition, REplace. Other words, such as "overhaul," are also considered RE words. Sometimes the word "new" is a potential RE word. The item being described using an RE word may not add full value (or any value) to the account. These words should be considered red flags that need to be researched. Contact the company representative for further information before adding value. Examples: Painting the exterior of the building to match the signature color of a new owner. Replacing a roof on a building. Replacing a burned-out motor with a model of equal power on a piece of machinery. (See "Measure 50, Exceptions, and MAV" section of this manual.)

An exception is defined as a qualifying change to property whose Real Market Value is over \$10,000 or \$25,000 for all cumulative additions made over five assessment periods. OAR 150-308.149(6) provides guidance in determining adjustments to MAV. *While the values of retirements are not considered in the threshold test, the addition to MAV is net of retirements and multiplied by the changed property ratio (CPR) prior to adding to the base MAV.*

Buildings and Structures

Changes to buildings and structures (B&S) and yard improvements are reported on Schedules 1-A, 1-B, and 1-C of the real property return. If there are no reported changes, the current Real Market Value (RMV) taken from the prior year's value computation sheet is trended and depreciated. *You must be careful to select the appropriate trends and depreciation factors used to calculate the Real Market Value for the current year.* Refer to the "Trends and Depreciation" section of this manual.

First, determine if the buildings and structures are special use or general use. If they are general use, the trend is market derived by the county or selected from the department's general use industrial ratio study. For general use, a depreciation factor of 1.00 is selected because the trend already considers both appreciation and depreciation.

If the B&S is special use, then the trends and depreciation factors are typically selected from those published annually by the Department of Revenue (see *Real Property Return Computation Supplement*). To select the trend for the buildings, you must know the group or building type of the subject. If the group is not listed on the prior year's value computation sheet, you must refer to the

appraisal. Building types are grouped based on similar trends; therefore, the groupings will change from year to year. For 2000, there were two different groups. They were:

Group 1 Light Steel Frame
Pre-fab Steel
Reinforced Concrete Frame
Tilt-up Concrete
Heavy Steel Frame

Group 2 Wood Frame
Masonry

Trending multipliers are calculated using data from the current *Marshall Valuation Service*. In some cases, these factors may not apply to a particular property. When local market data indicates a different trend, such as for general use buildings, *you should use a procedure that results in the most reliable indicator of Real Market Value. You must exercise appraisal judgment.*

After the selection of the appropriate trending factor, you must use the appropriate depreciation factor. In an industrial plant, maintenance is continuous, as is wear and tear and obsolescence. The proper choice of depreciation factors to be applied to the buildings and structures between appraisals should result in a new measurement of value that should correspond to the estimate of a new on-site appraisal.

If the buildings are general use, the depreciation factor selected should always be 1.00 since the market-derived trending factor has already considered both appreciation and depreciation. If the property is special use, then the depreciation factors will typically be selected from those annually published by the Department of Revenue.

Remember that the trend and depreciation factors already account for normal physical deterioration and some functional obsolescence. Additional adjustments for excess obsolescence should be made when appropriate. Refer to the department's most recently published *Real Property Return Computation Supplement*.

Completed Additions for Buildings and Structures

Completed additions are reported in Schedule 1-A of the real property return. These are additions to buildings, structures, and yard improvements that have been completed as of the current reporting period.

The addition(s) should be described in enough detail to identify the property. Necessary information includes the starting date, completion date, total completed costs, costs reported in prior years, and costs not previously reported. All direct and indirect costs, (i.e., materials, labor, overhead, shipping, etc.) need to be reported.

Additions related to general ongoing maintenance, repairs, and minor construction must also be reported. These items may not qualify as an M50 exception, but generally have some effect on the RMV. See the "Measure 50, Exceptions, and MAV" section of this manual.

You must determine if the additions should be added at full value or a portion of the reported cost. Items such as maintenance or repairs, while extending the useful life of the buildings, typically do not contribute to the full extent of their costs.

If the addition was partially reported in prior years, make sure that Column 4 of the return reconciles with the prior year's return. If it does not, call the taxpayer for clarification. If only a portion of the completed additions is added, you should document on the return, or a separate piece of paper, the reasons for using values other than those reported.

You should only allow one-half of one year's trend and one-half of one year's depreciation for the first year during which an asset is in place. This procedure recognizes that assets are installed throughout the assessment year and is referred to as a "half-year convention." Use the following checklist to guide you through the process:

Additions Checklist

1. Check the starting date.
 - a. Is it after last year's assessment date? If so, this item has not been reported before.
 - b. Is the start date prior to last year's assessment date? If so, it should have been reported in prior years.
 - 1) Check last year's RPR and compare the reported asset information. If it was reported last year, is the reported amount last year the same as this year's "Costs Reported in Prior Years"?
 - a) If yes, put a red check mark on this year's return by the "Starting Date" and the "Costs Reported in Prior Years."
 - b) If no, contact the company for clarification.
2. Is the completion date the same as, or prior to, December 31? If it falls after December 31, contact the company for clarification.
3. Watch out for "RE" words. These are words such as REmodel, REpair, REcondition, REplace. Other words, such as "overhaul," are also considered RE words. Sometimes the word "new" is a potential RE word. The item being described may not add full value (or any value) to the account. These words should be considered red flags that need to be researched. Contact the company representative for further information before adding value.
4. If a new asset is added it may be replacing another asset that has been removed. Look at the retirement's list to see if this is true. Sometimes taxpayers are diligent in reporting what's new but forget to list what's gone.
5. Look in the file for a building permit. Sometimes a permit is issued and the taxpayer's representative, who is not located on the site, doesn't report it.

Note: *If an asset is not completed yet, its value should receive no trend or depreciation until it is put into use.*

Retirements of Buildings and Structures

Retirements of buildings, structures, and yard improvements are reported on Schedule 1-B of the RPR. These are assets that were retired and removed from the site during the reporting period of January 1 through December 31.

The taxpayer needs to describe the improvements in enough detail to identify the property. This could include the asset number, date of acquisition, total original construction costs, date removed from service, and the date removed from the site.

Retired property is removed from the assessment roll at its current depreciated Real Market Value. You must first identify the asset either in the most current appraisal or on prior returns. Next, determine what value was added to the account for the asset. Once the asset is identified along with its base value, then all the trends and depreciation factors for each year since the item was added or appraised must be used to bring the base value level to that represented in the prior year's return. This is the amount to be retired.

Note in red next to the item on the old return or appraisal that the item was retired and when. Document your calculations and value conclusion on the return or with an attachment. Use the following checklist to guide you through the process:

Retirements Checklist

1. Determine when the basis for this asset's current value was added to the roll. It may have been added on a prior year's RPR or an appraisal, or the addition may have resulted from an adjudicated value or a roll correction. Determine the most recent indication of this addition.
2. What was the assigned value at the time it went on the roll? If the asset was added during RPR processing or from an appraisal, its starting value most likely will have to be adjusted to get it to the first assessment date for which it was on the roll.
 - a. *Added from an RPR*—If the asset was added during RPR season prior to the January 1 assessment date, its starting value may have received an adjustment to the annual trend and depreciation for only half a year.
 - b. *Added from an appraisal*—The asset's starting value may have been trended and depreciated based on the quarter in which the appraisal was done.
3. After the initial year's value has been determined you must hand-calculate the trend and depreciation for each year to bring the value to the current assessment date. Over time, asset values will change as each year's trend and depreciation is applied. You must make sure that the value you remove from the roll is an accurate reflection of that asset's value—no more, no less.
4. What happens if you can't find the original asset entry? This could happen for a number of reasons:
 - a. The asset list for the account does not exist or is minimal. All assets were lumped into a few groups and individual listings weren't created.
 - b. The asset described by the taxpayer does not match the detailed list of assets from the appraisal.
 - c. The taxpayer is "cleaning up" their books and sending us information about assets that may have been gone for years.

What do you do? First of all, you must contact the taxpayer and find out if there is another name for the asset, where exactly it was located, or any other information that may help you identify it in the list. However, just because it was reported as being removed doesn't necessarily mean that you must reduce the account's value for the item. You must have a reasonable belief that the asset's value is part of the account's current value before making any reduction.

5. If items have been removed, were they replaced by a new asset and reported in the Additions schedules? If you suspect this is so, contact the taxpayer and ask. Example: A sawmill retires a headrig but nothing new is reported on the Additions schedule. A sawmill cannot operate without a piece of equipment to saw the logs into lumber, so obviously someone forgot to tell you about something.

Retirements must be gone from the site or scrapped. Assets that are not currently in service or abandoned in place, permanently or otherwise, may still have value. To make this determination you need to talk to the taxpayer. If you believe it is warranted, you may want to reduce the value to reflect the non-use.

Building and Structures Under Construction

These are buildings and structures (B&S) that are being built, but not yet complete as of the assessment date. B&S under construction items are reported on Schedule 1-C of the return. These items will normally be capitalized but have yet to be transferred to a fixed asset. Follow the same procedures as for completed additions. Double-check the starting value for this year against the value reported for last year's return. No trend or depreciation factors are typically applied until after the addition is completed.

Machinery and Equipment

The status of the machinery and equipment (M&E) is reported on Schedule 2-A, 2-B and 2-C of the RPR. If there are no reported changes, the current RMV taken from the prior year's value computation sheet is trended and depreciated. You must be careful to select the appropriate trends and depreciation factors used to calculate the RMV indication for the current year. See the "Trends and Depreciation" section of this manual.

The trend and depreciation factors for M&E are typically selected from those published annually by the Department of Revenue (see *Real Property Return Computation Supplement*). To select the trend for the M&E, you must be able to identify the group and industry type. If the group or industry type is not noted on the prior year's value computation sheet, you must refer to the appraisal to make that determination. There are different groups that represent various industry types that exhibit similar cost trends. You must be aware that the grouping of industry types does occasionally change.

The trending factors are calculated using data from the current *Marshall Valuation Service*. In some cases, these factors may not apply to a particular property. When local market data indicates a different trend, you should use a procedure that results in the most reliable indicator of RMV. You must exercise appraisal judgment.

After the selection of the appropriate trending factor, you must select the appropriate depreciation factor. In an industrial plant, maintenance is continuous, as is wear and tear and obsolescence. The proper selection of depreciation factors to be applied to the machinery and equipment between appraisals should result in a new measurement of value that corresponds to the estimate of a new on-site appraisal.

The depreciation factors included in the department's annual *Real Property Return Computation Supplement* provides guidance and suggested depreciation factors for adjusting special use buildings and structures along with those for machinery and equipment. Normal physical and some functional obsolescence are reflected in the department's trends and depreciation factors. Normal depreciation can be expected to affect most industrial plants of the same age and type in similar manners. These factors do not consider excess physical, functional, or economic obsolescence.

Additional adjustments for excess obsolescence should be made when appropriate. Refer to the department's most recently published edition of *Real Property Return Computation Supplement*, and the "Trends and Depreciation" section of this manual for further guidance on developing adjustments for excess obsolescence.

Moving Assets from Real to Personal or Personal to Real

Sometimes the taxpayer incorrectly reports personal property as real property machinery and equipment or the reverse. If you can determine which items are real and which are personal, then you should move the asset to the correct classification. A record of what was done and why needs to be made on a separate piece of paper and attached to the return. Use the following guidelines to assist you to move assets from real to personal or personal to real:

Moving Assets from Real to Personal Property

Issue: You discover that some assets listed on the real property account are actually personal property and need to be moved to the correct account.

On the real property account:

1. Retire the real property asset value.
2. After completing all other changes from the RPR, calculate the value computation sheet.
3. Add a linking footnote to the value computation sheet explaining that the asset was reclassified as personal property.
4. Do not include the retirement value in the M50 exception calculation.

On the personal property account:

1. Change the personal property starting value to reflect the real property retired value.
2. Calculate the personal property Real Market Value using recommended procedures.
3. Add a linking footnote to the personal property computation sheet explaining that the asset was reclassified as personal property from real property.
4. Do not include the additional value in the M50 exception calculation.

Moving Assets from Personal to Real Property

On the personal property account:

1. Remove the personal property asset from the asset list on the personal property account.
2. Calculate the prior year's value using recommended appraisal procedures.
3. Calculate the personal property computation sheet.
4. Add a linking footnote to the Personal Property Computation Sheet explaining that the asset was reclassified as real property from personal property.
5. Do not include the additional value for transferred assets in the M50 exception calculation.

On the real property account:

1. Calculate the prior year's asset value using similar methods as those used for determining the base year value for removing a retired asset.
2. Add the new asset to the real property account at a level uniform with last year's value.
3. After completing all other changes from the RPR, calculate the value computation sheet.
4. Add a linking footnote to the value computation sheet explaining that the asset was reclassified as real property from personal property.
5. Do not include the additional value for transferred assets in the M50 exception calculation.

Completed Additions of Machinery and Equipment

Completed additions of M&E are reported in Schedule 2-A of the RPR. These are additions of machinery and equipment for which installation has been completed as of the current reporting period.

The addition(s) should be described in enough detail to identify the property. Necessary information includes the company's asset number, manufacturer name, model number, location within the plant, the starting date, completion date, total completed costs, costs reported in prior years, and costs not previously reported. Completed additions need to include the invoice cost, installation, engineering, foundations, power wiring, interest during installation, and freight.

Additions related to general ongoing maintenance, repairs, and minor construction must also be reported. These items may not qualify as an M50 exception, but generally have some effect on the RMV. See the “Measure 50, Exceptions, and MAV” section of this manual.

You must determine if the additions should be added at full cost or a portion of the reported cost. Items such as maintenance or repairs, while extending the useful life of the machinery and equipment, typically do not contribute to the full extent of what they cost. If the addition was partially reported in prior years, make sure that Column 5 of the return reconciles with the prior year’s return. If it does not, call the taxpayer for clarification. If only a portion of the completed additions is added, you should document on the return, or an attached separate piece of paper, the reasons for using values other than those reported.

You should only allow one-half year’s trend and one-half year’s depreciation for the first year during which an asset is in place. This recognizes the fact that assets are installed throughout the assessment year and is referred to as a “half-year convention.” Use the following checklist to guide you through the process:

Additions Checklist

1. Check the starting date.
 - a. Is it after last year’s assessment date? If so, this item has not been reported before.
 - b. Is the start date prior to last year’s assessment date? If so, it should have been reported in prior years.
 - 1) Compare the reported asset information. If it was reported last year, is the reported amount last year the same as this year’s “Costs Reported in Prior Years”?
 - a) If yes, put a red check mark on this year’s return by the “Starting Date” and the “Costs Reported in Prior Years.”
 - b) If no, contact the company for clarification.
2. Is the completion date the same as or prior to December 31? If it falls after December 31, contact the company for clarification.
3. Watch out for “RE” words. These are words such as REmodel, REpair, REcondition, REplace. Other words, such as “overhaul,” are also considered RE words. Sometimes the word “new” is a potential RE word. The item being described using one of these words may not add full value (or any value) to the account. These words should be considered red flags that need to be researched. Contact the company representative for further information before adding value. Examples: Repairing a piece of machinery; replacing bearings on a worn motor; replacing a burned out motor with a model of equal power on a piece of machinery.
4. If a new asset is added it may be replacing another asset that has been removed. Look at the retirement list to see if this is true. Sometimes taxpayers are diligent in reporting what’s new but forget to list what’s gone.
5. Look in the file for a building permit. Sometimes a permit is issued and the taxpayer’s representative, who is not located on the site, doesn’t report it.

Note: *If an asset is not completed yet, its value should receive no trend or depreciation until it is put into use.*

Retirements of Machinery and Equipment

Retirements of machinery and equipment (M&E) are reported on Schedule 2-B of the RPR. These are assets that were removed from the site during the reporting period.

The taxpayer needs to describe the improvements in enough detail to identify the property: asset number, date of acquisition, original installed costs, date removed from service, and the date removed from the site.

You must first identify the asset either in the most current appraisal or the prior returns. Next, determine what value was added to the account for the asset. If a trended investment technique was used to appraise and maintain the value of the property, the asset's value is readily identified.

Once the asset is identified along with its base value, then all the trends and depreciation factors for each year since the item was added or appraised must be used to bring the base value level to that represented in the prior year's return. This is the amount to be retired.

Be sure to note in red next to the item on the old return or appraisal that the item was retired and when. Document all your calculations and value conclusions on the return or with an attachment. Use the following checklist to guide you through the process:

Retirements Checklist

1. Determine when the basis for this asset's current value was added to the roll. This could come from examining a prior year's RPR or an appraisal, or the addition may have resulted from an adjudicated value or a roll correction. Determine the most recent indication of this addition.
2. What was the assigned value at the time it went on the roll? If the asset was added during RPR processing or from an appraisal, its starting value most likely will have to be adjusted to get it to the first assessment date for which it was on the roll.
 - a. *Added from an RPR*—If the asset was added during RPR season prior to the January 1 assessment date, its starting value received an adjustment to the annual trend and depreciation for only half a year.
 - b. *Added from an appraisal*—The asset's starting value was trended and depreciated based on the quarter in which the appraisal was done.
3. After the initial year's value has been determined, you must manually calculate the trend and depreciation for each year to bring the value to the current assessment date. Over time, asset values will change as each year's trend and depreciation is applied. *You must make sure that the value you take off the roll is an accurate reflection of that asset's value—no more, no less.*
4. What happens if you can't find the original asset entry? This could happen for a number of reasons:
 - a. The asset list for the account does not exist or is minimal. All assets were lumped into a few groups and individual listings weren't created.
 - b. The asset described by the taxpayer does not match the detailed list of assets from the appraisal.
 - c. The taxpayer is "cleaning up" their books and sending us information about assets that may have been gone for years.

What do you do? First, you must contact the taxpayer and find out if there is another name for the asset, where exactly it was located, or any other information that may help you identify it in the list. However, just because it was reported as being removed doesn't necessarily mean that you must reduce the account's value for the item. You must have a reasonable belief that the asset's value is part of the account's current value before making any reduction.

5. If items have been removed, were they replaced by a new asset and reported in the additions schedules? If you suspect this is so, ask the taxpayer. Example: A sawmill retires a headrig but nothing is reported on the additions schedule. A sawmill cannot operate without a piece of equipment to saw the logs into lumber, so obviously someone forgot to tell you about something.

Machinery and Equipment Being Installed

These assets are reported on Schedule 2-C of the RPR. This is machinery and equipment that is being installed, but for which the installation is not yet complete.

These items will normally be capitalized but have yet to be transferred to a fixed asset account. Follow the same procedures as for completed additions. Double-check the starting value for the current year against the value reported for last year's return.

Note: If an asset is not completed yet, its value should receive no trend or depreciation until it is put into use.

Land Site Development

ORS and OAR 307.010 defines land to include any site development made to the land. Land site development is defined as anything done to improve the land. **Site development** includes fill, grading, leveling, underground utilities, underground utilities connections, and any other elements identified by rule of the Department of Revenue. This includes filling, leveling, rocking, and excavation. Land site development does not include the raw land costs.

Land site development costs are reported on Schedule 3 of the RPR. The reported costs do not affect the value of the improvements; however you must consider their contributory value when arriving at the value of the land.

The valuation of land under both county and state responsibility accounts is the responsibility of the assessor. If the assessor fails to consider the contributory value of site developments and does not recognize the difference between the value of raw land and a developed site in the valuation of land, the land valuation for a given property will be seriously undervalued.

Site development costs are considered exceptions under Measure 50 and must meet the same requirements as all other qualifying exceptions.

Real Property Machinery and Equipment Leased From and/or Owned by Others

(Improvement Only Accounts)

Leased real property must be assessed to the owner of record. ORS 308.115 states that whenever any building, structure, improvement, machinery, equipment, or fixture is owned separately and apart from the land or real property whereon it stands or to which it is affixed, such building, structure, improvement, machinery, equipment, or fixture shall be assessed and taxed in the name of the owner thereof. The Oregon Tax Court added further guidance in its opinion, *Bear Creek Plaza, Ore. LTD. v. Department of Revenue*, TC 3089, September 17, 1992.

Leased real property is reported on Schedule 4 of the RPR. The person reporting must list real property that is leased and/or owned by others. The reporting must include the following information: the lessor's/owner's names, addresses, and phone numbers, and an adequate description of the asset. Also included are the yearly lease amount, original lease date, lease expiration date, and the original total cost to purchase (including freight and installation costs).

When leased property is reported and no account exists for that owner, an improvement only account should be established in the name of the owner. While the lessee may be responsible for the taxes, the court stated in its opinion on *Bear Creek Plaza* that the fee owner pays the taxes and that it is the fee owner's responsibility to collect (for reimbursement) from the tenant. In the following year, the owner of the improvement only account should be sent a return.

Once the assessor establishes an account for the leased real property, the value is determined in the same manner as that reported under Schedules 1 or 2. Typically, most leased real property will be machinery and equipment used in the manufacturing process for the company. Once the improvement only account is established, the information will be processed and a separate value computation sheet produced. Since a separate return was not sent to the owner of the improvement only account, no penalty should be assessed for the first year. Generally, the trends and depreciation factors will be taken from the department's special use category.

The following checklist will help guide you through the process of valuing leased real property:

Leased Real Property Checklist

1. All real property must be assessed to the owner, not the lessee.
2. If there is leased real property, check to see if the account already exists. If no account exists, then set up a new real property improvement only account.
3. If the account already exists, then a return was sent to the company and will be given to you to be processed when it is received. The same appraiser should process all accounts for all companies located at a specific site.
4. If the asset is new, use the guidelines for "Additions" to add it to the account's value.
5. Make sure that the asset has not been added in a prior year to the account. If that is the case, there is no change in value for this asset to the account.

Exemptions

When processing real and personal returns for industrial properties, you need to be familiar with three exemptions: Oregon Enterprise Zone Tax exemption, Commercial Facilities Under Construction exemption, and Pollution Control Facilities exemption. Refer to the "Exemptions" section of this manual for details concerning qualifications.

There are no separate schedules on the real property return to report exemptions. There are separate application forms for these exemptions. If the taxpayer is requesting any of the above exemptions, they must request so timely, using the appropriate form, and/or submitting the necessary information in writing. Refer to the "Exemptions" section of this manual.

Under M50, when an exempted value no longer qualifies as exempt, the added value is treated as an exception and is used to adjust the current year's base MAV.

Enterprise Zone Tax Exemption

First, you must determine whether the property qualifies for this exemption. Refer to the "Exemptions" section of this manual for details.

Qualifying companies may be exempted from local property tax liability on new capital investments for at least three years and up to five years.

Calculation of the Exemption

To calculate the value of an Enterprise Zone exemption, follow the same basic procedures outlined for any non-exempt industrial property. The reported cost is the starting point amount for the exemption. Following are the additional steps needed to determine the exempted value:

1. Examine the list of items reported as Enterprise Zone. Make sure none of the Enterprise Zone items have also been reported under any other schedules on the return.

2. When examining the Enterprise Zone listings, make sure all the items reported qualify for the exemption. This is very important with personal property items. Companies tend to report all new personal property assets as Enterprise Zone items. For personal property to qualify, it must have a value of \$1,000 and be used exclusively for producing tangible goods or have a cost of \$50,000. **Mobile equipment is not allowed an exemption.** For example, forklifts and other similar equipment are **not** allowed an Enterprise Zone exemption.
3. Once you have determined the value for the current year's exemption, it is best to identify it on the value computation sheet as Enterprise Zone 20XX. This allows you to easily track on the value computation sheet the year each Enterprise Zone exemption was first allowed. It also keeps multiple exemptions separate.

Under M50, when an exempted value no longer qualifies as exempt, the added value is treated as an Exception and is used to adjust the current year's base MAV.

Commercial Facilities Under Construction Exemption

First, you must determine whether the property qualifies for this exemption. Refer to the "Exemptions" section of this manual for details.

Calculation of the Exemption

Once you determine that the property qualifies for this exemption, the value of the exemption is calculated in the same manner as B&S Under Construction or M&E Being Installed. The reported value is placed on the roll at reported cost. If the property qualifies for the second year, the total reported value, including that reported in the prior year, is held at the reported costs without trends or depreciation factors being applied. The reported costs on the value computation sheet are shown as being exempted. A footnote should also be made on the value computation sheet indicating the reason for the exemption.

When the exemption for Facilities Under Construction expires, the value is computed in the same manner as that for completed additions for B&S or completed additions for M&E. *The total reported cost is adjusted using one-half of one year's total change based on the trend and depreciation factors.*

Under M50, when an exempted value no longer qualifies as exempt, the added value is treated as an exception and is used to adjust the current year's base MAV.

Pollution Control Facilities Exemption

First, you must determine whether the property qualifies for this exemption. Refer to the "Exemptions" section of this manual for details.

Calculation of the Exemption

OAR 150-307.405 states that the highest percentage figure certified by the Environmental Quality Commission applies to the amount of the value the certified pollution control facility contributes to the total property value. Therefore:

1. Calculate the current RMV by applying the appropriate trend and depreciation factors to the prior year's RMV.
2. Apply the certification percentage to the RMV of the pollution control investment to determine the exempted value.
3. The exempted value should be shown on the value computation sheet as exempt with an explanatory footnote.

Under M50, when an exempted value no longer qualifies as exempt, the added value is treated as an Exception and is used to adjust the current year's base MAV.

Salvage Value

Salvage value is the estimated price for which an asset can be sold at the end of its useful life—in other words, after the asset can no longer be used to produce the product for which it was originally intended.

Do not confuse “**residual value**” with “salvage value.” Any asset still in use continues to generate income, thus retaining a value-in-use. This remaining value is called the residual value. It is the value of an asset by virtue of it continuing to be used to produce a product. An item may be well past its expected economic life and may be technologically obsolete. But if it is being used, the asset retains a residual value, typically the lowest value as represented by the bottom of the appropriate depreciation schedule.

Items no longer in service are still assessable, but no longer retain their residual value. You should estimate an item’s salvage value by determining its net salvage price, usually as scrap or spare parts. OAR 150-308.205-(D)(f) states that sales for the disposal of properties through auction, liquidation, or scrap are indications of market value only when on the assessment date such disposal of the subject property is imminent, or has actually taken place. **Net salvage value** is the price an asset should bring as salvage, less the cost of its removal, if any. *Marshall Valuation Service* in Section 97, lists average salvage value of all equipment and fixtures by industry type.

Excess Obsolescence

Appraisers traditionally think of depreciation as a loss in value resulting from three general causes: physical deterioration, functional obsolescence, and economic or external obsolescence. Because the market for industrial properties is generally too inactive and the properties are so varied, it is difficult to develop depreciation factors directly from the market. Refer to the “Trends and Depreciation Factors” section of this manual for a full discussion of this issue.

The department’s *Real Property Computation Supplement* provides guidance and suggested trends and depreciation factors for adjusting special use B&S, as well as for M&E. The suggested trends and depreciation factors **should not be used** with general use B&S. Normal physical deterioration and some functional obsolescence are reflected in the department’s trends and depreciation factors. Normal depreciation can be expected to affect most industrial plants of the same age and type in a similar manner. The factors **do not** reflect any excess physical or functional obsolescence, **nor do they** reflect external obsolescence (externalities). Excess obsolescence always results in reduced income or a lower return.

If the owner of an industrial plant requests consideration for excess obsolescence, they must provide you with enough information to justify a reduction in value. While the market approach may provide the most accurate means of measuring obsolescence, the lack of comparable sales for special use properties usually makes this approach unworkable. In this situation the income approach is an effective way to measure excess obsolescence if the appropriate data is available.

Excess obsolescence should not be deducted from an income or market approach if the forms of obsolescence displayed in the subject equally affect the comparable properties because the market has already reflected it in those estimates. Any adjustment for excess obsolescence should be reviewed annually.

The Department of Revenue conducts ongoing analyses of various industry types for which there are indications of loss of revenue caused by economic obsolescence. Along with the *Real Property Return Computation Supplement*, the department issues advisory supplements to county assessors informing them which industries should receive an additional adjustment for economic obsolescence along with the recommended adjustments.

Industries affected during the last several years include sawmills, softwood veneer, softwood plywood, and fish processing. The department's economic adjustment factors should be used unless you have more supportable data.

The results of the department's studies are not necessarily applied to all companies within a specific industry. In some cases, the property has been given recognition for the problem. Make sure the property does not receive a double reduction. For example, the property could have already been given a reduction due to a recent appraisal, an individual study of that particular company, or adjudication.

Economic obsolescence can also be applied to an individual company that is not part of the industry being studied. The taxpayer may have information that leads you to believe there is justification for giving them economic obsolescence when calculating their RMV. You need to analyze all of the information available to you before making any special reductions for economic obsolescence.

At other times, you may want to apply a value reduction based on information you have about a particular account. This could be for idled equipment, which you may decide to reduce to a salvage value, or might be necessary because of issues surrounding functional obsolescence. In all cases, make sure you do a thorough analysis and document your reasoning clearly in the file. You need to have valid and solid justification for any special value reduction.

Functional obsolescence is a reduction in value because of inefficiencies in the property being appraised. Examples are a plant with an inefficient layout, bottlenecks that slow production, and outdated equipment that requires high maintenance and slows production. Again, it is critical that you conduct a solid analysis of the situation and document your findings. Any reduction must be measurable and you must be able to accurately calculate the cost to cure.

Contaminated Property

Property that is claimed to be contaminated must meet the requirements set forth in Oregon Administrative Rule 150-308.205-(E). Once it has been established the property is contaminated property, the Real Market Value (RMV) and Maximum Assessed Value (MAV) is determined using the procedures outlined in OAR 150-308.205-(E)(3). In addition, reference should be made to the department's publication, *Contaminated Property Short Course* (150-338-412).

When determining the RMV of a contaminated site you should consider the sales comparison, the cost, and the income approaches. For a particular contaminated site, all three approaches may not apply, however each should be considered. If reliable market data is available, you should give it the most weight.

The sales comparison approach may be used to determine the RMV of a contaminated site by comparison with verified sales of similarly contaminated sites. If no sales exist of property similarly contaminated, a comparison may be made to sales of properties without contamination. Adjustment factors shall be developed to account for the influence of contamination based upon a cost to cure analysis. These factors are then applied to the subject property. Adjustments should be considered for the following:

1. Limitations upon the use of the contaminated site due to the nature and extent of the contamination or due to governmental restrictions related to the contamination.
2. The increased cost to insure or finance the property.
3. The potential liability for the cost to cure.
4. Governmental limitations and restrictions placed upon the transferability of all or any portion of the contaminated sites.
5. Other market influences.

The cost approach may be used to determine the value of the contaminated site. The “cost to cure” may be deducted as a measure of functional obsolescence from the Real Market Value of the property as though it was not contaminated. “Cost to cure” means the discounted present value of the estimated after tax cost of the remaining remedial work specific to the subject property to remove, contain, or treat the hazardous substance. The “cost to cure” may include the cost of environmental audits, surety bonds, insurance, monitoring costs, engineering, and legal fees.

When considering the income approach use market rental data. If market rental data is not available, the property’s actual income may be used. The income stream may be adjusted to reflect the estimated annual cost of remedial work specific to the subject property to remove, contain, or treat the hazardous substance during those years the cost is incurred. The annual cost of remedial work may include the cost of environmental audits, surety bonds, insurance, monitoring costs, and engineering and legal fees. The costs must be directly related to the clean up or containment of a hazardous substance.

If the capitalization rate is derived from properties with similar contamination, no adjustment should be made to that rate. If the rate is developed from properties without contamination, or a built-up rate is used, consideration should be given to the following:

1. Adjustments for the increased present and contingent future risk of ownership.
2. Difficulties in future appreciation or depreciation.
3. The effect upon the ability to sell or transfer the property; the liquidity of an investment in the property.

Alternately, an income approach projecting the income stream as if the subject property was not contaminated may be used when the cost to cure is deducted from the resultant value indicator.

The market may respond to contamination in a variety of ways. In all cases, actual market sales and income data are the most reliable indicators. If the cost to cure the contamination exceeds the Real Market Value of the land, the land should be reduced to the minimum value allowed by the county’s policy. Any remaining amount should be deducted from the improvement value. The value of the improvements typically would not be reduced below salvage value.

The dollars expended to cure the contamination are added to the current base Maximum Assessed Value (MAV) as exception value in the year in which it occurs.

Omitted Property

Omitted property includes any part of real property that has been omitted from a certified tax roll due to the assessor’s lack of knowledge of its existence (OAR 150-311.216). The certified tax roll is the roll after it has been certified to the clerk each year. This is usually done just before tax statements are printed.

If omitted property is discovered while processing a real property return the Real Market Value (RMV) of the omitted property is added to the current tax roll and prior tax rolls up to five years. For each year, up to five, that the property was omitted the additional RMV is added to the account. For example, if the omitted property is discovered after the 2001–02 roll is certified (current roll), then the omitted property value can be added to the rolls for 2000–01, 1999–00, 1998–99, 1997–98 and 1996–97. If it is discovered that the property was in existence more than five years, the rolls can still only be corrected for five years. Increases in RMV may result in an increase Maximum Assessed Value (MAV). In the first year that the omitted property can be added to the tax roll, you may need to calculate the exception value by netting the value of the omitted property and the value of retired property. This will need to be done if the old, retired property was what was reported on the return. For a detailed explanation of how to calculate MAV for omitted property, refer to Oregon Administrative Rule 150-308.156(5).

When the omitted property is the result of new construction, the MAV adjustment is made following the guidelines for the new construction exception value. The additional Real Market Value must ex-

ceed \$10,000 per year or \$25,000 for accumulative additions made over five assessment years before the MAV is increased. See Oregon Administrative Rule 150-308.149(6) for more information on minor construction.

Omitted Property/Roll Corrections Checklist

Once omitted property has been identified, follow these steps:

1. Determine the oldest roll that can be corrected.
2. Calculate the RMV and MAV for each year affected.
3. Send written notice to the property owner or the person in possession of the property explaining that omitted property has been discovered and the assessor intends to add the property to the tax rolls for the years affected. The notice must give a general description of the omitted property. It also must advise the owner that he or she has 20 days from the mailing of the notice to show cause why the property should not be added to the roll and assessed to him or her. This notice is often referred to as the “20-day show cause letter.” (ORS 311.219)
4. After the 20 days has elapsed, prepare a journal voucher to correct the tax roll or rolls. Be sure to include the statutory reference under which the correction is being made. For omitted property the reference is ORS 311.216. The journal voucher is the tax collector’s authority to make the appropriate changes to the affected tax rolls and calculate the additional taxes.
5. Immediately after the tax roll is corrected send a second notice to the property owner. The second notice must be sent by certified mail. It does the following:
 - Tells the property owner the date the tax roll was corrected,
 - Shows the amount of additional taxes by year,
 - Explains that the taxes will be billed on the property tax statement for the next tax year, and
 - Explains that the additional value may be appealed to the Magistrate Division of the Oregon Tax Court within 90 days from the roll correction date.

This notice is usually prepared by the tax collector’s office or in cooperation with that office.

Incomplete Returns/Non-filers

The quality of reporting varies with the amount of time and energy invested in the return by the taxpayer. ORS 308.290(1)(b) states that “each county assessor has the authority to require a complete return. Every person and the managing agent or officer of any firm, corporation, or association owning or in possession of taxable real property shall make a return of the property for ad valorem tax purposes when so requested by the assessor of the county in which such property is situated.” If an incomplete return is received, a phone call may resolve the problem. If not, you should ask the taxpayer to send a corrected return before the filing deadline.

The penalties for late and non-filers are discussed in ORS 308.295 and ORS 308.300. Returns must be postmarked by March 1. Extensions can be granted by the county or, in some cases, by the department. Be sure to check the list from the department for granted extensions. Refer to the “Extensions” section of this manual. Generally, ORS 308.295 details the procedures for calculating the correct penalty for real and personal property returns. A delinquent RPR is subject to a penalty of \$1 for each \$1,000 (or fraction thereof) of assessed value of the property as determined under ORS 308.232, but such penalty shall not be less than \$10 or more than \$250. Penalties for personal property returns not filed as part of a combined return (industrial property return) are subject to more severe penalties.

Non-filers are also assessed the Late Filing Penalty. Compute the current year’s RMV by applying the appropriate trends with **no** allowance for depreciation.

If a Late Filing Penalty is imposed, the tax statement for the year in which the penalty is imposed shall reflect the amount of the penalty and shall constitute notice to the taxpayer.

Additional Information the Taxpayer May Provide

The person filing the real property return may choose to provide additional information they feel should be considered when determining the value of the property. The information may or may not be used by the person processing the return to determine its Real Market Value. If the filer is claiming additional obsolescence, information supporting the claim must be provided.

Examples of supplemental information include: production reports, plant closure, scheduled liquidations, government requirements or restrictions, income and expense information, or other issues that may indicate economic or functional obsolescence.

Any additional information provided by the filer may be considered in future appraisals as well as the current year's value determination.

Penalties

Penalties are discussed in ORS 308.295, ORS 308.296, and ORS 308.300. OAR 308.300 details what action the assessor can take when a taxpayer files a fraudulent return. Further guidance on assessing penalties can be found in the Attorney General's legal opinion, DOJ File No. 150-303-GTO457-97, dated December 19, 1997.

Returns must be postmarked by March 1. Extensions can be granted by the county or in some cases by the department. Be sure to check the list from the department for extensions. ORS 308.295 outlines the procedures for calculating the correct penalty for real property and combined returns. ORS 308.296 outlines the procedures for calculating the penalties for returns reporting only personal property.

Penalties for real property are assessed per each return, not each account. The legislature authorized the department to use a "combined return" for state responsibility accounts. That means a single return may cover several real and personal property tax accounts for a given site or manufacturing facility. Combined returns used by the department are called "industrial property returns" (IPR).

The counties are authorized to use a separate real property return and a separate personal property return. Current county practice is to send a return for each account of real property and personal property even though a particular facility often encompasses more than one tax lot.

A delinquent real property or combined return is subject to a penalty of \$1 for each \$1,000 (or fraction thereof) of **Assessed Value** of the property as determined under ORS 308.232, but such penalty shall not be less than \$10 or more than \$250. For state responsibility accounts, if the return is filed late, the taxpayer is assessed a single penalty for all accounts covered by the return. For county responsibility accounts, since each return typically represents only one account, a single penalty is assessed for each return.

Delinquent returns reporting only personal property shall be subject to the following penalties:

- If the return is postmarked after March 1 (or April 15 if an extension has been granted), it is subject to a penalty equal to 5 percent of the tax attributed to the return.
- If the return is filed after June 1 but before August 1, the return is subject to a penalty equal to 25 percent of the tax attributed to the return.
- If the return is filed after August 1, the return is subject to a penalty equal to 100 percent of the tax attributed to the return.

For state responsibility properties, a combined return in some cases covers only personal property accounts. In this case, the IPR would be a return “reporting only taxable personal property.” If such a return is filed late, the penalties for personal property are assessed.

As a result of M50, the penalty cannot be computed until after the Assessed Value (AV) is determined. In the past, for department responsibility accounts, the department would calculate the penalty and a footnote was made on the value transmittal sheet (VTS) informing the assessor of the amount of the penalty. It is no longer possible for the department to calculate the penalty because the Assessed Value cannot be determined until the assessor calculates the MAV. The department footnotes on the VTS that the return was filed late and a penalty should be assessed according to the prescribed methods. If the penalty is for a return with only personal property accounts, the footnote will indicate that personal property penalties should be assessed.

If a late filing penalty is imposed, the tax statement for the year in which the penalty is imposed shall reflect the amount of the penalty and shall constitute notice to the taxpayer.

Footnotes

Footnotes are used to record explanations for interpretations, changes, or anomalies on the value computation sheet. Make a footnote if reported personal property is actually real property and you made the change for the value computation. Make a footnote if leased property is assigned to another taxpayer who is the owner. If you discussed information with the taxpayer on the phone (for instance, non-inventoried property that influenced the value computation), put it in the footnotes. Excess obsolescence is typically explained in the footnotes of the value computation sheet.

Review of Value Computation Sheet

It is important that someone other than the person calculating the value computation sheet review the conclusion. This process doesn't need to be complicated or lengthy. The review can be for obvious errors and proper computations. Any questions about the data can be discussed. It is recommended that a copy of the value computation sheet be sent to the taxpayer for review.

Processing the Personal Property Return

Reporting

The first step in assessing personal property is to obtain a complete listing of all items owned, leased, or rented and in the possession or control of a business operator.

The taxpayer is required by law to provide this information as part of the annual real and personal property return process and must include all detailed information requested (ORS 308.285 and 308.290).

If the return is incomplete, the assessor should return the form and ask the taxpayer to furnish the data needed.

When equipment acquisition cost data is lacking from the taxpayer, the department's *Personal Property Valuation Guidelines*, Typical Cost New information is used as a basis for estimating costs. Guidelines such as the *Green Guides*, *Orion*, and other publications are also sources to obtain cost new information.

Although personal property appraisers rely heavily on the reported data, they should make periodic field audits. Appraisals should be made of the property and the asset listings checked to ensure adequate reporting.

Trade Level Concept

In Oregon, all personal property is valued at the user or consumer level. However, there are five levels of trade the appraiser should be aware of and understand.

1. **Manufacturer's Level.**

This level is acknowledged when the property is in the hands of the manufacturer and in the manufacturer's plant. Note: this does not include furniture, fixtures, and equipment used by the manufacturer to produce the goods.

2. **Wholesale Level.**

As property moves through the channels of trade, it increases in value by virtue of freight, overhead, and intracompany profit. These costs are added to the property regardless of ownership. When the property moves from the manufacturer's level to the wholesale level, the increments of costs must be recognized.

3. **Distributor Level.**

In some cases, this level is synonymous with the wholesale level. However, in certain cases there is a difference and, if so, must be recognized.

4. **Retail Level.**

This will include the full "laid down cost" of the inventory up to this point. The increment of cost/value here is quite substantial since the inventory has moved to the level where it will be sold to the user or consumer.

5. **User or Consumer Level.**

At this level, the property has reached its final destination and now contains all associated costs such as the cost of installation and all fees and permits. At this point, the final value is representative of market value to the consumer.

Valuation

When processing personal property returns or schedules that are filed in conjunction with real property returns or a combined return such as that used by the department, one person should work both returns. This method helps ensure that items reported on both returns are correctly classified as either real or personal. It also helps ensure all property is correctly assessed and that no double assessment occurs. If the county's current procedures make it difficult to do this, a reviewer should check both calculated returns for correct classification and assessment.

The Oregon Department of Revenue publishes *Personal Property Valuation Guidelines* on an annual basis. These guidelines do not exclude the use of other schedules or valuation information when conditions warrant and the assessor has substantial supporting market data and documentation. The listing of Typical Cost New is not inclusive. The items listed are only those items commonly found or used in establishments mentioned. For specialized equipment related to industrial properties, the department's valuation or personal property specialists may be able to provide assistance.

The guidelines are issued to help achieve uniform assessment of tangible personal property. Items of equipment that depreciate at approximately the same rate have been listed in groups under the appropriate age/life column.

Allowance for depreciation must be based on the best information available to the assessor and documented supporting data must be noted for variations in value from the typical.

Unique or unusual property characteristics, such as preventative maintenance programs, equipment abuse, equipment being "cannibalized" or similar situations that affect value, must be considered in the final determination of current market value.

In valuing equipment, the method is essentially the same whether the property is reported on a Cost New Basis or Secondhand Cost Basis. However, when the items are reported on a Secondhand Cost Basis, the appraiser must estimate an Original Cost New for those items before using the valuation method.

1. Valuation Method for Equipment Reported on Cost New Basis.

The recommended method for valuing equipment is:

- a. Locate the valuation factor for the year of acquisition from the guidelines.
- b. Multiply the reported cost new by the valuation factor. The result is the market value of the item.

Example: Cost \times Valuation Factor = Market Value

$$\$450 \times .63 = \$248 \text{ Market Value}$$

2. Valuation Method for Equipment Reported on a Secondhand Cost Basis.

When equipment costs are reported on a Secondhand Cost Basis, the appraiser must estimate the Original Cost New of the item. This cost new estimate is multiplied by the valuation factor for an indication of current market value. To estimate the original cost new of secondhand equipment, these sources of information are recommended:

- Analysis of local sale transactions.
- Advertisements in local trade and news publications.
- Comparisons with other personal property returns.
- Opinions of local equipment dealers and users.
- Published price guides.

Leased or Rented Property

If a lease is reported, check the leasing company list or file to see if the lessor is already being assessed. If no indication is made on the return, a telephone call to the taxpayer may help to determine who is responsible for the taxes. If the lessor is being assessed, make a notation on the return for future reference. If the lessor is not being assessed, assess the equipment listed to the lessee's account. Develop a good system to verify current leases being assessed to avoid double assessment of leased equipment.

Non-Inventory Supplies

Non-Inventory Supplies include items such as paper sacks, printed forms, stationery, business cards, pallets, fuels, medical and dental supplies, cleaning supplies, spare parts, office supplies, restaurant supplies, and all other consumable items. These are items or supplies that do not become a part of the finished product and will not be sold directly to the customer, but are used in the business.

If no value is listed for Non-Inventory Supplies, call the taxpayer. Ask for a value of their Non-Inventory Supplies. If they do not provide a value, or they provide a nominal amount that is not reasonable, then develop an estimate. You should document your reasons for using the value you develop and make a notation on the return or value computation sheet. For example, if the return indicates the company has several items of rolling stock such as forklifts or other diesel or gas powered equipment that are typically not licensed, estimate the number of gallons of fuel you expect they would keep on hand. The number of gallons multiplied by a reasonable cost for fuel can then be used to estimate the value.

For example: 1,000 gallon diesel in storage × \$1.00 per gallon = \$1,000

It is recommended that each county develop some guidelines for Non-Inventory Supplies for typical businesses. This can be accomplished by looking at reported averages or median indications for various business.

Maximum Assessed Value (MAV)

With the passage of Measure 50 (M50), the property assessment process changed dramatically. For 1997–98, the concept of Maximum Assessed Value (MAV) was introduced. For the base year of 1997–98, MAV was calculated by reducing the 1995–96 Assessed Value (AV) by 10 percent with exceptions for changed properties. The AV was determined by taking the lower of Real Market Value (RMV) or MAV. For 1998–99 onward, the MAV growth is limited to 3 percent per year. Exceptions to the 3 percent increase in MAV occur when there are certain changes to the property. The “Measure 50, Exceptions, and MAV” section of this manual provides a more in-depth discussion of M50 and the calculation of RMV, MAV, and AV.

Maximum Assessed Value can grow for only two reasons: 1) a 3 percent annual growth limit test or 2) major changes to the property referred to as exceptions. MAV can increase by more than 3 percent if a major change or exception has occurred to the property (the account). ORS 308.149(5)(a) defines new property or new improvements as changes in the value of property as the result of:

- (A) New construction, reconstruction, major additions, remodeling, renovation, or rehabilitation of property.
- (B) The siting, installation, or rehabilitation of manufactured structures or floating homes.
- (C) The addition of machinery, fixtures, furnishings, equipment, or other taxable real or personal property to the property tax account.

In order for qualified new improvements to affect the MAV calculation, the Real Market Value must exceed \$10,000 in one year or \$25,000 accumulative over five years. The total Real Market Value of new improvements is used to determine if it qualifies as a major addition.

It therefore follows that **an exception is an action that allows an adjustment to Maximum Assessed Value**. Exceptions to existing properties **are not included** in Average Maximum Assessed Value (AMAV) calculation or Average Real Market Value (ARMV) calculation. (ORS 308.146) *Exceptions do not include general ongoing maintenance and repair or minor construction.*

General Ongoing Maintenance and Repair (OAR 150-308.149(5)(2)(A))

“General ongoing maintenance and repair” means activity that preserves the condition of the existing improvements without significantly changing design or materials. It achieves an average useful life that is typical of the type and quality of the existing property so that it continues to perform and function efficiently. It simply refers to the repairs or replacements of existing materials to property due to normal wear, tear or deterioration. **The Maximum Assessed Value (MAV) cannot be increased due to general ongoing maintenance and repair.** Regardless of cost, the value of general ongoing maintenance and repairs may not be included as exceptions for the calculation of Maximum Assessed Value.

The definition of improvements under Measure 50, for the calculation of Maximum Assessed Value, is different from the improvements for Real Market Value. Watch out for “RE” words. These are words such as REmodel, REpair, REcondition, REplace. Other words, such as “overhaul,” are also considered RE words. Sometimes the word “new” is a potential RE word. The item being described using one of these words may not add full value (or any value) to the account. These words should be considered red flags that need to be researched. Contact the company representative for further information before adding value. Examples: Overhauling the motor on a forklift; replacing a burned out motor with a model of equal power on a piece of equipment; repairing a computer, etc. (See “Measure 50, Exceptions, and MAV” section of this manual.)

Netting of Exception and Retirements

ORS 308.153 states that the value of new property or new improvement shall equal the Real Market Value of the new property or new improvements reduced, but not below zero, by the Real Market Value of retirements from the property tax account. If the MAV is adjusted for fire or act of God, the portion reduced may not be considered to be a retirement.

While the values of retirements are not considered in the threshold test, the addition to MAV is net of retirements and multiplied by the changed property ratio (CPR) prior to adding to the base MAV.

Penalties

Returns are due by March 1. Extensions can be granted by the county or in some cases by the department. Be sure to check the list from the department for extensions. ORS 308.295 outlines the procedures for calculating the correct penalty for real and combined returns. ORS 308.296 outlines the procedures for calculating the penalty for a return reporting only personal property.

Delinquent returns reporting only personal property shall be subject to the following penalties:

- If the return is postmarked after March 1 (April 15 if an extension has been granted) but on or before June 1, the return is subject to a penalty equal to 5 percent of the tax attributed to the return.
- If the return is filed after June 1 but on or before August 1, the return is subject to a penalty equal to 25 percent of the tax attributed to the return.
- If the return is filed after August 1, the return is subject to a penalty equal to 100 percent of the tax attributed to the return.

For state responsibility properties, a combined return in some cases covers only personal property accounts. In this case, the industrial property return (IPR) would be a return “reporting only taxable personal property.” If such a return is filed late, the penalties for personal property are assessed.

As a result of M50, the penalty cannot be computed until after the Assessed Value is determined. In the past, for department responsibility accounts, the department would calculate the penalty and a footnote made on the value transmittal sheet (VTS) informing the assessor of the amount of the penalty. It is no longer possible for the department to calculate the penalty because the Assessed Value cannot be determined until the assessor calculates the MAV. Starting in 1998, the department will footnote on the VTS that the return was filed late and a penalty should be assessed according to the prescribed methods. If the penalty is for a return with only personal property accounts, the footnote will indicate the personal property penalties should be assessed.

If a late filing penalty is imposed, the tax statement for the year in which the penalty is imposed shall reflect the amount of the penalty and shall constitute notice to the taxpayer.

Non-filers

*When the taxpayer does not file, the department's policy is to allow **no** depreciation when calculating the value for personal property. Compute the current Real Market Value by applying a depreciation factor of 1.00. Non-filers are assessed the Late Filing Penalty as discussed in the section on “Penalties.”*

Additional Guidance

Further guidance in valuing personal property can be found in the Department of Revenue's *Methods for Valuing Personal Property* (150-303-450) and *Personal Property Valuation Guidelines* (150-303-441). In addition, publications and forms are available at the agency's Web site listed below. For copies of the publications contact:

Oregon Department of Revenue
Property Tax Division, Assessment and Taxation Standards Section
955 Center Street NE
Salem OR 97301-2555

Phone: 503-945-8278

Department of Revenue's Web site: www.dor.state.or.us/ptd.html

RPR Processing Checklist

1. As an account is received for processing, verify that the return was postmarked by the due date (March 1 if no extension has been granted, or April 15 if an extension has been granted). If the return is late, note that a penalty shall be assessed. On the value computation sheet, check the appropriate box for whether a late filing penalty is to be assessed. **Remember that the penalty on real property is now calculated on the Assessed Value.**
2. Retrieve the files containing last year's report, the appraisal, value computation sheet, and any correspondence, including exemptions, for the account. Quickly review for any areas needing attention. Note if an appraisal has occurred since last year.
3. Check for exemptions such as Enterprise Zone, Commercial Facility Under Construction, or Pollution Control. Note on the return which exemption is involved.
4. Check to see if the ownership or address is different than the mailing label. Process this information to correctly identify on the value computation sheet.
5. Check to make sure the return is signed properly.
6. Schedules 1-A and 1-B show buildings, structures (B&S) and yard improvements additions and retirements. Note additions and check dates for completion. Items completed after January 1 may not be added to the roll. Buildings and structures are not completed overnight, so a completion date of January 3 would indicate the building, for all intents and purposes, was done on January 1. A phone call would be appropriate to verify the completion and amount done. An exemption for Enterprise Zone or Facilities Under Construction may be affected by the completion date.
7. Compute the current depreciated value of the retired building(s) to be removed from the roll. The appraisal or past returns will be needed to compute the appropriate value to be retired. Buildings abandoned in place are still assessable.
8. Schedule 1-C shows buildings and structures under construction. If an exemption has been allowed for Commercial Facility Under Construction, then this amount will not be added to the rolls. If no exemption has been allowed, then the reported amount will be included on the value computation sheet.
9. Schedules 2-A and 2-B show machinery and equipment additions and retirements. Note additions and check the dates when installed. The January 1 date is more critical as machines can be installed overnight. This area involves some study. Used equipment will usually show the used price, or auction value, rather than the new replacement value. Associated with this could be reduced installation costs associated with company workers already on the payroll and engineering cost being absorbed by the company and no transportation costs. If the cost is identified as used, this needs to be noted for use by the appraisal staff in any appraisal. If you recognize a used value, check with your supervisor as to any changes in the reported value that should be entered on the value computation sheet. Footnote an explanation for any changes.
10. Machinery and equipment (M&E) being retired need to be identified in the last appraisal or past returns so the appropriate RMV can be retired on the value computation sheet. Often an addition of a major piece of equipment is made in conjunction with a retirement of a similar piece of equipment. It is not uncommon for the accountant to "forget" to show the retirement. If you recognize that this could have occurred, a phone call can make sure the replaced equipment is not left on the roll. Remember, equipment taken out of service but left on site still has a taxable value.
11. Schedule 2-C reports machinery and equipment being installed. Note if the equipment qualifies for Commercial Facility Under Construction. If not, the reported value should be listed on the value computation sheet. Consider the issues of used equipment and associated costs as well as "forgotten" retirements.

12. Schedule 3 reports Land Site Development Costs that have been incurred. Entries in this box are typically considered in the valuation of the land. Give this information to the appraisal staff who will review the contributory value increment to the land value. There is an area for entry on the value computation sheet, but the amount is not used in the MAV/RMV calculations.
13. Schedule 4 reports leased equipment. Verify that the owner's name has an account for reporting equipment. Cross-check that the identified equipment is reported on the owner's return. If no account exists for the lessor, assign an improvement only account number. An RPR return should be sent to the owner of that property for the following year. If the lessee is paying the tax for the lessor, an account must still be set up in the name of the lessor.
14. Check that prior year's RMV matches with the RMV on last year's return. Has the current value been adjudicated? If so, the value computation sheet must reflect the correct prior year's value as the starting point for the calculation of the value computation sheet. Be sure to footnote the change and the reason for the change.
15. Verify the group and cycle number for the B&S and M&E. If the building is general use, the trend is typically developed by the county and the depreciation factor is always 1.00.
16. There is a place for economic obsolescence on the value computation sheet. This is for "excess" obsolescence. Be sure to footnote information about any entry in this area.
17. Determine the exception value if any for the account. You must identify those items of value that meet the definition of a qualifying exception under Measure 50. The exception value is calculated by netting retirements and additions. Remember that not all additions used to determine RMV will qualify as an exception. Footnote any differences.
18. Review the personal property return. Most of the same items concerning such items as timely filed, etc., pertain to this return as for real property. Compare last year's return to this year's. Does it show any discrepancies? Review the Non-Inventory Supplies section. Has the taxpayer misreported M&E as personal or the reverse? If any discrepancies cannot not be resolved, call the taxpayer. If a late filing penalty is to be applied, remember that **the penalty on returns reporting only personal property is based on the tax and not on the value.**

REAL PROPERTY RETURN

Declaration of Property Costs, Operations,
and Other Related Information

— Confidential —

County Use Only
Date Received

File this return on or before MARCH 1, 2001
with the assessor of the county in which the property is located

Extension Number		
Business Name		
Mailing Address		
City	State	ZIP Code
Account Number	Type of Plant	
	Location (situs)	

ANNUAL REPORT REQUIRED

Oregon law (ORS 308.290)(1)(a) requires that each company must file this annual return with the county assessor on or before March 1. Failure to file will subject the company to late filing penalty (ORS 308.295). **This statement is subject to audit.**

ACCOUNTING RECORDS LOCATION			
Street Address	City	State	ZIP Code
CONTACT PERSON FOR AUDIT			
Name		Telephone Number ()	
Mailing Address	FAX Number ()	E-mail Address	
City	State	ZIP Code	

TAXPAYER DECLARATION

I declare under penalties of false swearing [ORS 305.990(4)] that this return, including attached schedules, has been examined by me and to the best of my knowledge and belief, is true, correct, and complete.

Full Legal Name (if incorporated)			
Signature of: <input type="checkbox"/> owner <input type="checkbox"/> officer <input type="checkbox"/> authorized agent			Date
X Typed or printed name of person signing above			Title
Name of Preparer (if other than taxpayer)			
Telephone Number ()	FAX Number ()	E-mail Address	

Be sure to read the instructions on page 7 before completing this return →

LIST OF PROPERTY TYPES

Real Property

Buildings, Structures

Include all building and structure costs, including excavation, floor, shell, interior and exterior finish, lighting, wiring and fixtures, plumbing, sprinkling systems, elevators, heating systems, ventilators, fire protection systems up to the dry valve including underground piping, valves, tanks and foundations. Also include indirect costs such as interest during construction, engineering, and design costs.

Process piping, power wiring, and foundations for the machinery and equipment should be included with Real Property—Machinery and Equipment.

Yard Improvements

Fences
Paving
Ponds
Railroad spurs on site
Retaining walls
Roads
Walks and curbs
Wharves and docks
Yard lighting

Machinery and Equipment

Include all costs for all process and manufacturing machinery and equipment that meets the definition of real property. Include power wiring, process piping, foundations, freight, and engineering, etc.

307.010 Definition of “real property” and “land.”

(1) “Real property” includes the land itself, above or under water; all buildings, structures, improvements, *machinery, equipment or fixtures erected upon, above or affixed to the same...*

Examples:

Aerators	Hoists
Bag machines	Hoppers
Banders	Knife sharpeners
Barkers	Leak detectors
Boilers	Shakers
Chillers	Shredders
Conveyors	Sifters
Cranes	Silencers
Edgers	Sizers
Furnaces	Slicers
Grinders	Sorters
Headrigs	Transfers

This list is not complete. If you have questions on other items, please call the assessor's office.

2001 REAL PROPERTY SCHEDULES

Reporting Period is January 1, 2000–December 31, 2000

You must complete a Real Property Schedule for each real property account listed on the front of the return.
Please attach a listing where space is insufficient.

REAL PROPERTY ACCOUNT NUMBER _____

COMPANY NAME _____

(Only one account per page)

SCHEDULE 1: Buildings, Structures, and Yard Improvements

(If building is leased, use this schedule to report leasehold improvements)

SCHEDULE 1–A: Completed Additions (See instructions, page 8)

1. Description	2. Starting Date	3. Completion Date	4. Costs Reported in Prior Years	5. Costs for Current Reporting Period not Previously Reported	6. Total Completed Costs

SCHEDULE 1–B: Retirements (See instructions, page 8)

1. Description	2. Date of Construction or Acquisition	3. Date Retired	4. Status of Property	5. Total Original Cost

SCHEDULE 1–C: Under Construction on January 1 (See instructions, page 8)

1. Description	2. Starting Date	3. Estimated Completion Date	4. Costs Reported in Prior Year Returns	5. Costs for Current Reporting Period not Previously Reported	6. Estimated Total Completed Cost

COMPANY NAME _____

(Only one account per page)

SCHEDULE 2: Machinery and Equipment

SCHEDULE 2-A: Completed Additions (See instructions, page 8)

1. Asset No.	2. Description (Name, model, location within plant)	3. Starting Date	4. Completion Date	5. Costs Reported in Prior Years	6. Costs for Current Reporting Period not Previously Reported	7. Total Completed Costs

SCHEDULE 2-B: Retirements (See instructions, page 8)

1. Asset No.	2. Description (Name, model, location within plant)	3. Year of Construction or Acquisition	4. Date Retired	5. Status of Property	6. Total Original Cost

SCHEDULE 2-C: Being Installed on January 1 (See instructions, page 8)

1. Asset No.	2. Description (Name, model, location within plant)	3. Starting Date	4. Estimated Completion Date	5. Costs Reported in Prior Year Returns	6. Costs for Current Reporting Period not Previously Reported	7. Estimated Total Completed Cost

OTHER SCHEDULES

Reporting Period is January 1, 2000–December 31, 2000

REAL PROPERTY ACCOUNT NUMBER _____

COMPANY NAME _____

(Only one account per page)

SCHEDULE 3: Land Site Development (See instructions, page 8)

1. Description	2. Starting Date	3. Completion Date	4. Costs Reported in Prior Years	5. Costs for Current Reporting Period not Previously Reported	6. Total Completed Costs

SCHEDULE 4: Real Property Equipment Leased from and/or Owned by Others (See instructions, page 8)

1. Owner's Name, Address, and Phone Number	2. Description (Include Model Year)	3. Yearly Lease Amount	4. Original Lease Date	5. Lease Expiration Date	6. Original Cost or Option to Purchase (when and amount)

REAL PROPERTY RETURN

General Instructions

— Please read all instructions before completing return —

Oregon law

The Real Property Return is authorized by Oregon law. It is used to determine the value of your real property. Its main purpose is to accurately account for all property on the site as of 1:00 A.M. on January 1, 2001.

You are required to report the information requested on this return. Oregon law (ORS 311.216 to 311.229) provides that property acquired during the reporting period and **not reported** on this return shall be presumed to be omitted property and subject to additional assessment. Also, when property is reported at understated costs, the understated cost amount shall be presumed to be omitted property and subject to additional assessment.

A person may be convicted for filing false information. A fine of not more than \$1,000 or imprisonment for not more than one year, **or both**, may be imposed (ORS 308.990).

Your return is confidential to the assessing authorities and is not public information. The penalty for disclosure is a \$10,000 fine and one year in jail.

Filing deadlines

You must file this return by March 1, 2001. If you have a filing extension, your return must be postmarked no later than April 16, 2001.

Penalty for late filing

Failure to file this return by the March 1 deadline will subject the property owner to a late filing penalty (ORS 308.295).

Penalty for late filing is \$1 for each \$1,000 (or fraction) of assessed value. This penalty shall not be less than \$10 and not more than \$250 (ORS 308.295).

Nonfiling penalty

All property in your possession on this site must be reported on this return unless the property is mentioned in the section, "What property not to report." Any person who refuses or neglects to file a return, with the intent to evade taxation, is subject to a penalty of \$10 for each day the return is late until the return is filed (ORS 308.300). **This return is subject to audit.**

Filing extensions

You may be granted a filing extension when a hardship exists. You must file your extension request with the assessor, **in writing**, on or before March 1. Applications are **not** automatic extensions. Extensions are granted for administrative need or good and sufficient cause. The assessor may grant the extension request to April 16.

Correct reporting

For this return to be complete, you **must sign** the Taxpayer Declaration, complete each schedule and answer each question. You may write in "no," "none," or "see attachment" on the form. "Same as last year" **is not acceptable**. As an alternative to entering all the required information for a given account on a copy of this form, you may supplement the return using an attached printed list. This list must include all the information requested on this form. Identify your attachments with the correct account, code area, county, and schedule number.

All real property, except as otherwise provided by law, is subject to assessment and taxation in Oregon. You must report: property in storage, non-inventory property held for sale, property on site but not in service, and property on site prior to installation. **Do not** report the same property on another Real Property Return.

Report changes to Taxable Real Property to include land development, buildings, structures, yard improvements, fixed machinery, and fixed equipment. For example: if a machine is attached to the land and/or building, by bolts, welds, cement, direct wiring, plumbing, ducting, or its own weight, or other methods, it is considered real property and should be reported.

Additional information required

The following information **must** be submitted with this Real Property Return. Please attach additional pages with this information, if necessary.

1. Explain any major changes during the last reporting period (1/1/00 through 12/31/00), that have, in your opinion, affected the value of the site.
2. If there is site contamination that affects the value of the property and the site is listed with the Environmental Protection Agency or the Department of Environmental Quality or has had a verifiable release of a hazardous substance, provide the following information: The DEQ number (if listed with the DEQ) and a schedule of the cost of the planned remedial work (see OAR 150-308.205(E)).
3. Are you applying for Cancellation of Assessment on Commercial Properties under Construction (ORS 307.330)? If so, please attach a copy of that form (150-310-020 Rev. 10-97). This form **should be filed with the county assessor by April 1, 2001**. Include the value to be exempt on Schedules 1-A and 1-C.
4. Are the buildings and structures, or land, leased from another party? If yes, a **separate** return must be filed by or for the owner of the buildings and structures under the correct account number.
If you are leasing a building, and you make leasehold improvements, report those improvements on Schedule 1 of this return. You do not have to file a separate return.
Leased machinery and equipment is listed on Schedule 4.
5. Inform us of any corrections to the information on the cover page.
6. Will someone other than an employee act as your agent for property tax purposes? If so, please attach an authorization for a specific power of attorney.

Additional information you may provide

Submit with this return any other information that should be considered in determining the value of the property. For example: plant closures, scheduled liquidations, governmental requirements or restrictions, verifiable presence of toxic contamination, your opinion concerning the value contribution of the additions, your estimate of the asset lives, your lease agreement for leased property, income and expense information, and issues which may indicate economic or functional obsolescence.

You may qualify for an economic obsolescence adjustment to the value of your property if indicated by the above information. If this is the case, the county may ask for additional information.

What property not to report

Do not report:

- The cost of raw land.
- Property that you reported on another 2001 Industrial, Real, or Personal Property Return (i.e., logging and construction equipment accounts not at this site).
- Property that is located outside the state of Oregon.
- Property used only for personal, nonbusiness use such as household goods and furniture, clothing, personal effects, tools, and equipment used exclusively in and around your home or in your hobby (ORS 307.190).
- Intangible personal property as defined by ORS 307.020: Money held at interest, bonds, notes, shares of stock in corporations, business records, computer software, surveys and designs, and the materials on which the data is recorded (paper, tape, film, etc.).
- Livestock, poultry, fur-bearing animals, bees, or products used or consumed in farm operations (ORS 307.325, 307.400).
- Inventories as defined by ORS 307.400. This refers to items of tangible personal property which are held for sale in the ordinary course of business.
- Licensed vehicles (such as cars and trucks). Fixed load and mobile equipment are taxable (ORS 801.285) and must be reported on the personal property return.
- Personal property farm machinery (ORS 307.400).
- Agricultural frost control systems, agricultural or horticultural trellises, hop harvesting equipment, mobile grass field incinerators (see ORS 307.390), and certain nursery stock held by growers for wholesalers (see ORS 307.315).

Real Property Instructions

Schedule 1—Buildings, structures, and yard improvements

1-A — Completed Additions. Describe the addition in enough detail to identify property. Include the starting date, completion date, costs reported in prior year returns, costs for current reporting period that were not previously reported, and total completed costs. See the List of Property Types for examples of build-ings, structures, and yard improvements. Include all direct and indirect costs, i.e., materials, labor, overhead, shipping, etc.

Note: Include process piping, power wiring, and foundations with machinery costs reported on Schedules 2-A and 2-C. Column 5 must reconcile with prior year returns. **If you believe the reported costs did not add value, then please attach an explanation for consideration.**

1-B — Retirements. Report the buildings, structures, and yard improvements you retired from service and that were removed from the site during the reporting period, January 1, 2000 through December 31, 2000. Describe the improvements in enough detail to identify property. Include the date of construction or acquisition, date retired, status of the property (see "What property to report"). Provide the total original cost.

Retired property is removed from the roll at its assessed (depreciated) value.

1-C — Under Construction on January 1. Improvements under construction on January 1 must be reported on this schedule. Include starting date, estimated completion date, costs reported in prior year returns, costs for current reporting period that were not previously reported, and estimated total completed costs. Include all direct and indirect costs, i.e., materials, labor, overhead, etc. **Column 4 must reconcile with prior year returns.** If reported costs did not add value, attach explanation for consideration. Report the cost of land site development on Schedule 3.

Schedule 2—Machinery and equipment

2-A — Completed Additions. The description of the additions should include the company asset number, name, model number, and location within the plant. Provide the starting date, completion date, costs reported in prior year returns, costs for current reporting period not previously reported, and the total completed costs. See the List of Property Types for examples of machinery and equipment.

Completed additions need to include the invoice cost, installation, engineering, and miscellaneous costs including foundations, power wiring, interest during installation, and freight. State the date of manufacture. If available, provide a breakdown similar to the following: machinery components, \$20,000; installation, \$10,000; engineering, \$2,000; interest during construction, \$1,000; miscellaneous, \$5,000; (total, \$38,000).

Transfers from other company locations should be noted and the cost basis explained. State the original cost when new. Column 5 must reconcile with prior year returns. If reported costs did not add value, attach explanation for consideration.

Did the addition replace machinery and equipment that were retired from service or removed from the site? If so, report the equipment being removed as retirements.

2-B — Retirements. Report the machinery and equipment improvements you retired from service and that were removed from the site during the reporting period, January 1, 2000 through December 31, 2000. Describe the improvements in enough detail to identify property, including company asset number, name, model, and location within the plant. Include the year of construction or acquisition and the date retired. Describe the status of the property that was removed from service during the reporting period, but was still on the site January 1, 2000. For example: for sale, to be demolished for scrap, abandoned in place, no plans to remove, etc. Provide the total original cost. Retired property is removed from the roll at its assessed (depreciated) value.

2-C — Being Installed on January 1. Machinery and equipment being installed on January 1 must be reported in this schedule. The description should include the company asset number, asset name, model number, and location within the plant. Provide the starting date, estimated completion date, costs reported in prior year returns, costs for current reporting period not previously reported, and estimated total completed cost. Column 5 must reconcile with prior year returns. If reported costs did not add value, attach explanation for consideration.

Other Schedules

Schedule 3—Land site development

Land site development is defined as anything you do that improves the land, such as draining, filling, leveling, rocking, and excavation. Do not include the cost of raw land in the costs reported on any schedule in this report.

Provide the costs of site alteration or improvements, as described above, that occurred during the reporting period, January 1, 2000 through December 31, 2000. The reported cost will not affect the value of improvements on this account. The county assessor will consider the reported costs when appraising the land.

Schedule 4—Real property equipment leased from and/or owned by others

List real property equipment leased from and/or owned by others. Submit lessor's/owners name, address, and phone number. Describe the asset similarly to Schedule 2-A. Provide yearly lease amount, original lease date, lease expiration date, original cost or option to purchase date, and amount. All real property must be assessed to the owner. The value of the real property equipment leased and owned by others will not be included in the real market value for your account.

Filing Deadline: March 1, 2001

If you have no personal property, fill in section "No Personal Property To Report," sign Taxpayer's Declaration and file this return.

PENALTY— Maximum penalty for late filing of personal property return is 100 percent of the tax attributable to the taxable personal property. (ORS 308.296)

Account Number Code Area

FOR ASSESSOR'S USE ONLY

1. Leased or Rented Property
2. Noninventory Supplies
3. Floating Property
4. Libraries
5. All Other Property
6.
7. Total Real Market Value
8. Late Filing Penalty

Make any name or mailing address corrections above. Date changed
This Return is Subject to Audit

LOCATION OF PERSONAL PROPERTY ON JANUARY 1, 2001.

File a separate return for each tax code area (or location). Attach a separate listing if needed.

Personal Property Location (street address, city)

Date business originated in county Type of Business

Was a return filed last year? YES NO

First Time Filer (See General Information, No. 1)*

2000 Assessment Cancelled by the Assessor (See General Information, No. 2)*

* Remember to sign the Taxpayer's Declaration at right.

No Personal Property to Report (See General Information, No. 3)*

Business closed? If so, date closed:
Business sold? Enter date of sale. Name of New Owner

Address of New Owner

TAXPAYER'S DECLARATION

Invalid if not signed. Under the penalties of false swearing in ORS 305.990(4), I declare that I have examined this return and all attachments. All statements made are true. To the best of my knowledge, all taxable personal property I own, possess, or control, which was in this county as of 1:00 A.M., January 1 has been reported.

Name of Firm/Owner

Assumed Business Name of Firm Assessed Phone No.

Mailing Address FAX No.

City State ZIP Code

Signature of Person Responsible for Return Date

Printed Name of Person Signing Return Title

THIS RETURN BEING FILED FOR:

An Individual A Partnership (No. of persons)
A Corporation A Limited Partnership
A Limited Liability Company Limited Liability Partnership

Submit your original return and attachments to your county assessor. Keep a photocopy and the attached instructions for your records.

SCHEDULE 1 — LEASED OR RENTED PERSONAL PROPERTY (Do not report real property. Enter "None" if no personal property to report)

Table with columns: Name and Address of Second Party Involved, Description, Payer of Taxes to County, AMOUNT OF LEASE / RENT, Date Agreement Began, Length of Agreement, No. of Units, Original Cost, Owner's Opinion of Market Value, Assessor's RMV.

SCHEDULE 2 — NONINVENTORY SUPPLIES (See instructions for examples)

Table with columns: General Office Supplies, Maintenance Supplies, Operating Supplies, Spare Parts, Other Noninventory Supplies, Owner's Opinion of Market Value, Assessor's RMV.

GENERAL INFORMATION

What other things should I know about filing a personal property tax return?

- 1 First Time Filer**—Submit your original return and attachments to the county assessor. Include only personal property in that county. Complete a separate return for each location in each county in which you have personal property.
- 2 2000 Assessment Cancellation**—If your assessment was cancelled last year by your county assessor, and if you have not added any taxable personal property, check the box, **sign and date the Taxpayer's Declaration** and submit the return to your county assessor.
- 3 No Property to Report**—If you do not have taxable personal property in the county sending you a return, attach a full explanation. Explain the disposition of property you reported last year. **Sign and date the Taxpayer's Declaration** and send it to the county assessor before the filing deadline.

What personal property is taxable?

Taxable personal property includes machinery, equipment, furniture, etc., used previously or presently in a business (including any property not currently being used, property placed in storage, or property held for sale).

What personal property is not taxable?

- Intangible personal property: Money held at interest, bonds, notes, shares of stock, business records, surveys and designs, and the materials the data is recorded on (paper, tape, film, etc. ORS 307.020).
- Computer software.
- Household goods, furniture, tools and equipment used **exclusively** for personal use in and around your home (ORS 307.190).
- Inventory held for resale.
- Livestock.
- Licensed vehicles and equipment other than fixed load and mobile equipment. Examples of taxable fixed load and mobile equipment are shown on the back page (ORS 801.285).
- Farm machinery and equipment used primarily in the preparation of land, planting, raising, cultivating or harvesting farm crops or feeding, breeding, management and sale of, or the produce of, livestock, poultry, fur-bearing animals or bees, dairies, agricultural or horticultural use.

INSTRUCTIONS FOR COMPLETING PERSONAL PROPERTY RETURN FORMS

At your request, the assessor's office will assist you in completing this return.

Schedule One—Leased or rented personal property

REPORT ALL LEASED OR RENTED ITEMS AS OF JANUARY 1.

If you do not lease equipment to or from others, write "None" in Schedule 1.

Equipment leased to others: Attach a list showing name and address of lessee, description, date of acquisition, and original cost. If manufacturer, report at real market value, rather than manufactured cost.

Equipment leased from others: Attach a list showing name and address of lessor, description, date of acquisition, and original cost. If original cost is not known, give length of lease and amount of the monthly payment. Advise if capitalized and included with other assets to avoid duplicate assessment.

Item 3: Who is responsible for paying the tax to the county? Check either the filer of this return or the second party listed in column 3, in Schedule 1 box.

A Reminder . . .

What reporting date should I use for the information requested on this return?

This return must show all taxable personal property which you own, possess, or control as of 1:00 A.M., January 1 (ORS 308.250).

When should I file?

File personal property returns with your county assessor on or before March 1. In special situations, the assessor may grant an extension if you submit your reasons in writing to the assessor. Your request must be received on or before the March 1 filing date (ORS 308.290).

What if I file late?

The penalty is **5 percent** of the tax owed if the return is filed after March 1, but on or before June 1. The penalty increases to **25 percent** of the tax owed if the return is filed after June 1, but on or before August 1. After **August 1**, the penalty is **100 percent** of the tax owed (ORS 308.296).

What happens if I falsify the information on the return?

Any person who furnishes false information is subject to the criminal penalty provisions of ORS 305.990(4).

What happens after the return is filed with the county assessor?

Your return will assist the assessor in the assessment of your personal property. In some cases an appraiser may inspect your property. Your return will remain a confidential record at all times. After October 25 you will receive a tax statement showing the value of your personal property and the amount of tax due.

When do these taxes become my responsibility?

On July 1 personal property taxes become a lien against the assessed property and any taxable personal property owned or in possession of the person in whose name the property is assessed. The taxes are a debt due and owed by the owner of the personal property (ORS 311.405(4)).

Keep a photocopy and these instructions for your records.

Schedule Two—Noninventory supplies

Report total cost on hand as of January 1, of any taxable item which will not become part of finished goods or which will not be directly sold to customers.

Examples:

Carpet samples	Diesel	Gasoline	Repair parts
Cleaning supplies	Envelopes	Maintenance supplies	Stationery
Copy paper	Fax paper	Packaging supplies	

Schedule Three—Floating property

Enter the information as requested. **Do not include** personal licensed boats used only for personal use. Report floating homes, docks, and boathouses on this form.

All other vessels

Report houseboats (self-propelled) used in rental businesses and other required floating vessels.

Schedule Four—Libraries

Report all professional libraries in this schedule format. All items should be listed on a separate page. Libraries include, but would not be limited to, those held by accountants, architects, attorneys, consultants, doctors, health science professionals, other science professionals, surveyors and title companies. Electronic, mechanical and other technical professionals should also use this schedule.

1. Enter type of library media (books, electronic media, compact discs, tapes, videos, etc. If "None," explain).
2. Enter the title of the reported book or set.
- 3/4. If the item reported is a multiple volume set, check the yes or no column to indicate if the set is complete or not.
5. Enter the number of volumes. If a set, enter the number you have, not the number of the original set.
6. Enter cost when purchased.
7. Enter the best possible estimate of the real market value for each item as of January 1. Reporters of law books should report the value as determined from the schedule published by the Oregon Department of Revenue in cooperation with the Oregon State Bar Association.
8. Leave blank.

Schedule Five—All other taxable personal property

Report all items not reported elsewhere on this return.

1. Enter property item by description, make, brand name, etc., in order by acquisition date.
2. Identify by model, size, capacity, etc.
3. Enter year of manufacture (for heavy logging and construction equipment enter serial number in column 2 if year of manufacture is unavailable. For other types of equipment enter your best estimate of manufacture date).
4. Enter month and year you purchased item.
5. Enter number of items of same description (model, size, age).
6. Enter your cost (each, total).
7. Enter your best estimate of the real market value as of January 1 by item and total.
8. Leave blank.
9. Report value of all small handtools not reported elsewhere on this return. Include estimate of real market value.

DO NOT REPORT LEASED EQUIPMENT ON SCHEDULE 5.

ATTACHMENTS. Complete itemized listings are acceptable. Please check the box indicated in each applicable schedule if these attachments are included. **Values reported on this return are not binding on the assessor.**

Examples of Taxable Personal Property to be Reported on This Return

This is not a complete list

Air conditioners	Frozen food cabinets	Radio and TV broadcast	Walk-in coolers
Aircraft equipment	Golf carts	Radio & TV repair equipment	Warehouse equipment
Amusement devices	Golf course equipment	Recording studio equipment	Washers
Appliances – free standing	Grocery store equipment	Rental equipment	Winery equipment
Art work	Handpieces (dental)	Restaurant equipment	Woodworking equipment
ATM machines–portable	Heavy equipment	Retail store fixtures	Workbenches
Auto diagnostic electric	Hospital equipment	Road construction equipment	X-ray equipment
Auto repair equipment	Hotel furniture/fixtures	Safe deposit boxes	
Backbars	Ice cream machines	Safes	FIXED LOAD AND MOBILE EQUIPMENT
Bakery equipment	Ice making machines	Satellite dish relays	Air compressors
Bank vaults (doors)	Juke boxes	Saw mills–portable	Air drills
Barber shop equipment	Landscaping equipment	Scanners	Asphalt/rock crushing plants
Battery chargers	Laser equipment	Scientific equipment	Asphalt spreaders
Beauty shop equipment	Lathes	Service station equipment	Backhoes
Bowling equipment	Libraries	Sewing/apparel equipment	Bituminous mixer
Bulk plant equipment	Lift trucks	Shake mills–portable	Bituminous plants
Butcher shop equipment	Linens	Sheet metal fabrication	Bituminous spreaders
Cabinet shop equipment	Logging equipment	Shelving	Bucket loaders
Cable TV systems	Machine shop equipment	Shingle mills–portable	Cement mixers
Calculators	Manufacturing – general	Signs	Concrete batch plants
Cameras	Meat processing equipment	Small tools (mechanics)	Cranes
Car wash equipment	Medical lab equipment	Small tools (medical)	Crawlers
Cash register	Medical office equipment	Soft drink equipment	Ditchers
Chain saws	Mining equipment	Steam cleaners	Earthmoving equipment
Chairs	Mobile radio/phones	Survey equipment	Electric generators
Child care furniture	Mobile yard equipment	Tanning equipment	Excavators
Coin-op laundry equipment	Modular offices	Tavern equipment	Fork lifts
Computers	Molds	Telephone systems	Front end loaders
Construction tools	Movie production equipment	Testing equipment	High lifts
Copiers	Motel furniture/fixtures	Theatre/projection	Levelling graders
Costume/tuxedo rentals	Musical instrument rentals	Tire recapping equipment	Lighting plants
Decor	Newspaper equipment	Tool boxes	Mixmobiles
Dental equipment	Nursing home equipment	Tractors	Motor graders
Desks	Office fixtures	TV sets	Paving equipment
Dictation equipment	Office furniture	Typewriters	Portable storage bins
Dies	Office machines	Unlicensed vehicles	Portable storage tanks
Dry cleaning equipment	Pallet jacks	Utility trailers–unlicensed	Power plants
Dryers	Pallets/bins/crates	VCRs	Rotary screens
Electronic mfg. equipment	Pay phones (leased)	Vending carts	Sand classifiers
Fiberglass/boat molds	Photographic equipment	Vending machines	Scrap metal balers
Filing cabinets	Pinball machines	Ventilating fans	Scrapers
Fish processing equipment	Pool tables	Video cases	Skidders
Fitness equipment	Popcorn machines	Video games	Tractors
Foster home furniture and supply	Printing equipment	Video recording equipment	Welding equipment
Freezers	Professional equipment	Video tape rental equipment	Yarders

REMEMBER: THE FILING DEADLINE FOR THIS RETURN IS MARCH 1, 2001.

Insert Industrial Property Return 150-301-032-1 (to come from Sally Moore)

LIST OF PROPERTY TYPES

REAL PROPERTY

Buildings, Structures

Include all building and structure costs, including excavation, floor, shell, interior and exterior finish, lighting, wiring and fixtures, plumbing, sprinkling systems, elevators, heating systems, ventilators, fire protection systems up to the dry valve including underground piping, valves, tanks and foundations. Also include indirect costs such as interest during construction, engineering, and design costs. Process piping, power wiring, and foundations for the machinery and equipment should be included with Real Property - Machinery and Equipment.

Yard Improvements

Fences
Paving
Ponds
Railroad spurs on site
Retaining walls
Roads
Underground utilities
Walks and curbs
Wharves and docks
Yard lighting

Machinery and Equipment

Include all costs for all process and manufacturing machinery and equipment that meets the definition of real property as described in the General Instructions. Include power wiring, process piping, foundations, freight, and engineering, etc.

Examples are M&E that produces:

Alcohol distilling
Bakery
Cement manufacture
Chemical products
Dairy products
Electrical manufacturing
Electronic process
Food processing
Foundry equipment
Glass products
Grain and mill products
Gypsum products
Lumber manufacture
Machinery manufacture
Metal working
Oil production
Paper manufacturing
Parts manufacturing
Petroleum refining
Plastic extrusion
Rock crushing
Shipbuilding
Textile products
Wood products

PERSONAL PROPERTY

General Office and Miscellaneous

Accounting machines
Air conditioners, fans
Bookcases, shelving
Calculators
Cameras
Cash registers
Cellular phones
Check protectors
Computers and peripherals
Copiers
Counters
Dictating machines
Display or storage cabinets
Facsimile machines
Filing cabinets
Freestanding appliances
Furniture
Kitchen equipment and utensils
Libraries
Microfiche machines
Portable safes
Print equipment
Radios, stereos
Tape recorders/players
Telephones, intercom equipment
Televisions
Typewriters
Vacuum cleaners
Vending machines
Video cameras, cassette recorders

Production

Baskets and carts
Battery chargers
Bins and totes
Chain saws
Dies, molds
Electrical manufacturing
Electronic process
Gas cans
Hoists
Jigs
Laundering equipment
Miscellaneous shop and hand tools
Motor analyzers
Pans
Pressure washers
Pressurized gas bottles
Small drill presses, grinders, lathes
Tooling
Welding equipment
Work benches

Mobile Equipment

Air compressors, hammers, drills
Asphalt and paving equipment
Backhoes, graders
Bituminous equipment
Bucket loaders
Cement mixers
Concrete batch plants
Cranes and shovels
Crushers and crushing plants
Ditchers
Earthmoving scrapers

PERSONAL PROPERTY (cont.)

Excavators
Fire trucks and equipment
Fixed load vehicles
Fork lifts, skidders
Generators, motors, engines
Lighting plants
Loaders, front end
Lumber carriers
Mixmobiles
Mobile power plants
Mobile light equipment
Motor scrapers
Portable storage bins and tanks
Power plants
Pumps
Rollers and compactors
Rotary screens
Sand classifiers
Scrap metal balers
Spreaders
Sprinkler trucks
Tractor, crawler
Unlicensed vehicles

NON-INVENTORY SUPPLIES

Office Supplies

Computer diskettes
Pens and pencils
Printer cartridges, copier toner
Stationery, printer paper

Operating Supplies

Fuels
Protective clothing/equipment
Reserve tanks of glycol, ammonia, CO₂
Solvents

Maintenance Supplies

Abrasives
Absorbent materials for spills
Belts and hoses
Fittings, pipe and bar stock
Industrial gases
Insulation
Lubrication oils and greases
Nuts and bolts, fasteners
Rock salt for ice and snow
Saw blades, drill bits
Welding rods
Wire and cable

Spare Parts

Bearings
Circuit breakers
Fittings
Fuses
Gears and gear drives
Light fixtures
Motors
Production and maintenance machine parts

Other Non-inventory Supplies

Fuels/Gasses in Storage

Gasoline, diesel
Hog fuel
Nitrogen
Propane

This list is not complete. If you have questions on other items, call our office at 503-945-8295.

INDUSTRIAL PROPERTY RETURN

General Instructions

— Please read all instructions before completing return —

Oregon law

The Industrial Property Return is a combined real and personal property return authorized by Oregon law. It is used to adjust the valuation of your real and personal property. Its main purpose is to accurately account for all property on the site as of 1:00 A.M. on January 1, 2001.

You are required to report the information requested on this return. Oregon law (ORS 311.216 to 311.229) provides that property acquired during the reporting period and **not reported** on this return shall be presumed to be omitted property and subject to additional assessment. Also, when property is reported at understated costs, the understated cost amount shall be presumed to be omitted property and subject to additional assessment.

All property in your possession on this site must be reported on this return unless the property is mentioned in the section, "What property not to report." Any person who refuses or neglects to file a return, with the intent to evade taxation, is subject to a penalty of \$10 for each day the return is late until the return is filed (ORS 308.300). **This return is subject to audit.**

A person may be convicted for filing false information. A fine of not more than \$1,000 or imprisonment for not more than one year, **or both**, may be imposed (ORS 308.990).

Your return is confidential to the Department of Revenue. The penalty for disclosure by a Revenue employee is a \$10,000 fine and one year in jail.

Filing deadlines

If you do not have a filing extension, your return must be postmarked no later than March 1, 2001. If you have a filing extension, your return must be postmarked no later than April 16, 2001.

Penalty for late filing

Failure to file this return by the March 1 deadline will subject the property owner to a late filing penalty (ORS 308.295).

Penalty for late filing is \$1 for each \$1,000 (or fraction) of assessed value. This penalty shall not be less than \$10 and not more than \$250 (ORS 308.295).

Filing extensions

You may be granted an extension for "administrative need" by applying to the department **in writing** on or before **March 1**. Applications are **not** automatic extensions. If you are granted an extension, you are required to calculate values for all personal property you report. Factors are supplied by the Department of Revenue when the extension is granted and are to be used on Schedule 4-a. Once granted, extensions are perpetual unless revoked for noncompliance (ORS 308.290(3)).

Correct reporting

There may be several tax accounts at each site. **You are required to complete an Industrial Property Schedule for each real property and each personal property account listed on the front of your return.** If a tax account is not listed on the front page of this form, and you believe that it should be included in this return, file additional schedules for the assets for that account with this return. Notify us of the account in the appropriate part of the section headed "Additional information required." **Do not** include accounts **not** at this site.

Do not report "land only" accounts.

For this return to be complete, you **must sign** the Taxpayer Declaration, complete each schedule and answer each question. You may write in "no," "none," "see attachment," or "see disk" on the form. "Same as last year" **is not acceptable.** You may supplement the return with:

1. An attached printed list. It must include all the information requested on this form. Identify your attachments with the correct account, code area, county, and schedule number.
2. A computer disk to supplement the reporting of personal property that conforms to the department's guidelines. If you have recently received a disk from the department, please follow the instructions you received with your latest corrected department disk copy. If you need information to file this way, please call 503-945-8295.

All real property and all tangible personal property, except as otherwise provided by law, is subject to assessment and taxation in Oregon. You must report: property in storage, noninventory property held for sale, property on site but not in service, and property on site prior to installation. **Do not** report the same property on another Industrial Property Return.

Taxable Real Property includes land development, buildings, structures, yard improvements, fixed machinery, and fixed equipment. For example: if a machine is attached to the land and/or building by bolts, welds, cement, direct wiring, plumbing, ducting, or its own weight, etc., it is considered real property and should be reported on either Schedule 1-A through 1-E (buildings) **or** 2-A through 2-E (machinery).

Taxable Personal Property includes moveable tangible property such as moveable machinery, furnishings, moveable equipment, tools, and noninventory supplies; and should be reported on Schedule 4 (personal property).

Additional information required

The following information **must** be submitted with this Industrial Property Return. Please attach additional pages with this information, if necessary.

- A. Explain any major changes during the last reporting period (1/1/00 through 12/31/00), that have, in your opinion, affected the value of the site.

- B. If there is site contamination that affects the value of the property, and the site is listed with the Environmental Protection Agency or the Department of Environmental Quality, or has had a verifiable release of a hazardous substance, provide the following information: The DEQ number (if listed with the DEQ) and a schedule of the cost of the planned remedial work (see OAR 150-308.205(E)).
- C. Have you applied for Enterprise Zone exemption (ORS 285.615)? If **yes**, attach a copy of the current Oregon Enterprise Zone Tax Exemption application, form 150-310-075 (Rev. 10-97) and attachments. This form **should be filed with the county assessor before April 2, 2001**. List all enterprise zone additions, retirements, and personal property on schedules 5A through 5E.
- D. Are you applying for Cancellation of Assessment on Commercial Properties Under Construction (ORS 307.330)? If so, please attach a copy of that form (150-310-020 Rev. 10-97). This form **should be filed with the county assessor by April 2, 2001**. Include the value to be exempt on Schedules 1-C and 2-C.
- E. Do you have exempt pollution control property (ORS 307.405)? If this is a new pollution control facility, attach a copy of your pollution control certificate and a list of all property that qualifies for ad valorem pollution control exemption and the certified cost. If this is not a new pollution control facility, attach a copy of the Exemption to Abate Pollution form (150-310-059 Rev. 6-98). This form **should be filed with the county assessor before April 2, 2001**. For ad valorem option only.
- If C, D, or E above are filed with the Department of Revenue within the time required, they shall be considered filed timely with the assessor (ORS 307.340(2)(1)).
- F. Do you have any other special property exemptions? If so, please attach the related forms and information.
- G. Have you sold a major portion of the site? A "major portion" of the site means real property improvements with a value of \$100,000 or more that will remain in place on the site. If **yes**, list the name, address, and phone number of the owner, along with a description of the property sold and the price on an additional sheet of paper.
- If property is sold and removed from the site, report under a retirement schedule.
- H. Are the buildings and structures, or land, leased from another party?
- If yes, a **separate** return must be filed by or for the owner of the buildings and structures under the correct account number.
- Leased machinery and equipment is listed on Schedule 2-D. Leased personal property is listed on Schedule 4-C.
- I. Will someone other than an employee act as your agent for property tax purposes? If so, please attach an authorization in the form of a specific power of attorney.
- J. Inform us of any corrections to the information on the cover page.

Additional information you may provide

Submit with this return any other information that should be considered in determining the value of the property. For ex-

ample: plant closures, scheduled liquidations, change in number of shifts, governmental requirements or restrictions, verifiable presence of toxic contamination, your opinion concerning the value contribution of the additions, your estimate of the asset lives, your lease agreement for leased property, income and expense information, and issues which may indicate economic or functional obsolescence.

You may qualify for an economic obsolescence adjustment to the value of your property if indicated by the above information. If this is the case, the Department of Revenue may ask for additional information.

What property not to report

Do not report:

- The cost of raw land.
- Property that you reported on another 2001 Industrial, Real, or Personal Property Return (i.e., logging and construction equipment accounts not at this site).
- Property that is located outside the state of Oregon.
- Property used only for personal, nonbusiness use such as household goods and furniture, clothing, personal effects, tools, and equipment used exclusively in and around your home or in your hobby (ORS 307.190).
- Intangible personal property as defined by ORS 307.020: Money held at interest, bonds, notes, shares of stock in corporations, business records, computer software, surveys and designs, and the materials on which the data is recorded (paper, tape, film, etc.).
- Livestock, poultry, fur-bearing animals, bees, or products used or consumed in farm operations (ORS 307.325, 307.400).
- Inventories as defined by ORS 307.400. This refers to items of tangible personal property which are held for sale in the ordinary course of business.
- Licensed vehicles (such as cars and trucks). Fixed load and mobile equipment are taxable (ORS 801.285) and must be reported.
- Personal property farm machinery (ORS 307.400).
- Agricultural frost control systems, agricultural or horticultural trellises, hop harvesting equipment, mobile grass field incinerators (see ORS 307.390), and certain nursery stock held by growers for wholesalers (see ORS 307.315).
- Egg equipment.

Real Property Instructions

Schedule 1—Buildings, structures, and yard improvements

1-A—Completed additions. Describe the addition in enough detail to identify property. Include the starting date, completion date, costs reported in prior year returns, costs for current reporting period that were not previously reported, and total completed costs. See the attached list of examples of buildings, structures, and yard improvements. Include all direct and indirect costs, i.e., materials, labor, overhead, etc. Note: Include machinery process piping, power wiring, and foundations with machinery costs reported on Schedule 1-A. Column must reconcile with prior year returns. **If you believe**

the reported costs did not add value, then please attach an explanation.

1-B—Retirements. Report the buildings, structures, and yard improvements you retired from service or that were removed from the site during the reporting period, January 1, 2000 through December 31, 2000. Describe the improvements in enough detail to identify property. Include the date of construction or acquisition, date retired, status of the property (see “What property to report”). Provide the total original cost.

Retired property is removed from the roll at its assessed (depreciated) value.

1-C—Under construction on January 1. Improvements under construction on January 1 must be reported on this schedule. Include starting date, estimated completion date, costs reported in prior year returns, costs for current reporting period that were not previously reported, and estimated total completed costs. Include all direct and indirect costs, i.e., materials, labor, overhead, etc. **Column 4 must reconcile with prior year returns.** If reported costs did not add value, attach explanation.

1-D—Land site development. Land site development is defined as anything you do that improves the land, such as draining, filling, leveling, rocking, and excavation. Do not include the cost of raw land in the costs reported on any schedule in this report.

Provide the costs of site alteration or improvements, as described above, that occurred during the reporting period, January 1, 2000 through December 31, 2000. The reported cost will not affect the value of your improvements on this account. The county assessor will consider the reported costs when appraising the land.

Schedule 2—Machinery and equipment

2-A—Completed additions. The description of the additions should include the company asset number, name, model number, and location within the plant. Provide the starting date, completion date, costs reported in prior year returns, costs for current reporting period not previously reported, and the total completed costs. See the attached list of examples of machinery and equipment.

Completed additions need to include the invoice cost, installation, engineering, and miscellaneous costs including foundations, power wiring, interest during installation, and freight. State the date of manufacture. If available, provide a breakdown similar to the following: machinery components, \$20,000; installation, \$10,000; engineering, \$2,000; interest during construction, \$1,000; miscellaneous, \$5,000; (total, \$38,000). Transfers from other company locations should be noted and the cost basis explained. State the original cost when new. Column 5 must reconcile with prior year returns. If reported costs did not add value, attach explanation.

Did the addition replace machinery and equipment that was retired from service or removed from the site? If so, report the equipment being removed as retirements.

2-B—Retirements. Report the machinery and equipment improvements you retired from service or that were removed from the site during the reporting period, January 1, 2000 through December 31, 2000. Describe the improvements in

enough detail to identify property, including company asset number, name, model, and location within the plant. Include the year of construction or acquisition and the date retired. Describe the status of the property that was removed from service during the reporting period, but was still on the site January 1, 2000. For example: for sale, to be demolished for scrap, abandoned in place, no plans to remove, etc. Provide the total original cost.

Retired property is removed from the roll at its assessed (depreciated) value.

2-C—Being installed on January 1. Machinery and equipment being installed on January 1 must be reported in this schedule. The description should include the company asset number, asset name, model number, and location within the plant. Provide the starting date, estimated completion date, costs reported in prior year returns, costs for current reporting period not previously reported, and estimated total completed cost. Column 5 must reconcile with prior year returns. If reported costs did not add value, attach explanation.

2-D—Real property equipment leased from and/or owned by others. List real property equipment leased from and/or owned by others. Submit lessor’s/owner’s name, address, and phone number. Describe the asset similarly to Schedule 2-A. Provide yearly lease amount, original lease date, lease expiration date, original cost or option to purchase date, and amount. All real property must be assessed to the owner (ORS 308.215(1)(a)). The value of the real property equipment leased and owned by others will not be included in the real market value for your account. List leased personal property on Schedule 4-C.

Schedules 1 and 2—Measure 50 instructions for additions

Report the **total cost of all** additions for buildings, structures, yard improvements, and machinery and equipment including those for minor construction and general ongoing maintenance and repair, on the appropriate schedules.

“General ongoing maintenance and repair” means activity that preserves the condition of existing improvements without significantly changing design or materials, does not create new structures or additions or replaces real or personal machinery and equipment. If you believe the addition falls into this category then identify it as such. You may also include an estimate of the amount that contributes to value (OAR 150-308.149-(A)).

Minor construction means “additions of real property improvements, the real market value of which does not exceed \$10,000 in any assessment year or \$25,000 for cumulative additions made over five assessment years” (ORS 308.149(6)). Report all additions, no matter how small. The assessor will track and calculate the totals for minor construction.

Schedule 3—Production report

3-A—Production. Enter actual production output, stated in units, appropriate for your specific industry for each of the past seven years. Enter full production amount as stated in annual projections, for each of the past seven years. Design capacity figures are based on perfect machine output on an annual basis for the years requested.

3-B—Changes. Enter any major changes in design capacity or production that have taken place during this reporting period. Explain the reason(s) for these changes. Use additional sheets of paper if necessary.

3-C—Work schedules. Explain the structure of the work schedules for 2000. If you have other shifts flexing between the regular production shifts, please explain these on a separate sheet of paper.

3-D—Units of measurement. Define the units of measurement based on a certain timeline specific to your industry. For example, sawmill industry measures in “board feet per shift.” Manufactured homes measures in “number of floors per day.” Food industry often measures in “pounds per hour/day.”

Personal Property Instructions

Schedule 4—Personal property

4-A—Personal property listing. Enclose a printed or computer disk list of all personal property owned by this company that should be included in this account. This list should include for each entry:

- a. The asset number, if any.
- b. Asset description and quantity.
- c. Date of acquisition.
- d. Original cost.

Provide the following as available:

- e. Date of manufacture.
- f. Company department, division, or account ledger number.
- g. Cost center number.
- h. Asset class or chart of accounts number indicating use.
- i. Asset manufacturer, model, capacity, and serial number.
- j. Date the asset was transferred from another location in your company or the date retired.
- k. Whether purchased new or used.

The values column (No. 7) may be used to report your estimate of market value when no original cost data is available for an item or group of items. For instance, small hand tools can be reported as an estimated lump sum value.

Molds, jigs, dies, and fixtures which are not already itemized on Schedule 4-A, can be reported as lump sums. However, they can be included with noninventory (operating) supplies if their useful life is less than one year. Small or miscellaneous spare parts must be reported in noninventory supplies if they are not on Schedule 4-A.

4-B—Noninventory supplies. Noninventory supplies include inventory items which will not become part of the finished goods and which are not held for sale to customers. These include: general office supplies, maintenance supplies, operating supplies, spare parts, and other noninventory supplies. Provide an estimate of your original cost within each category.

Report fuels and gasses as noninventory supplies under the heading “Fuels in Storage.” Report molds, dies, and

jigs as other noninventory supplies if not reported on Schedule 4-A.

The department may estimate a value for noninventory supplies if the taxpayer does not provide an acceptable estimate.

4-C—Personal property owned by others but in your possession.

1. Enter the name and address of the property owner or the owner’s contact person and their telephone number.
2. Enter the full description of each leased asset. Include information required for assets listed on Schedule 4-A.
3. Who should be billed for the taxes? Enter “O” for owner and “R” for lessee/renter/person in possession. Unless an election is made under ORS 308.290(1)(a), leased personal property or property owned by others will be assessed to the owner or the person in possession at the discretion of the department.
4. Enter the quantity of the item reported.
5. Enter the original cost of each item, if known.
6. Multiply columns 4 and 5. Enter the result in column 6.

If the asset is leased:

7. Enter the amount of the lease or rent **per month, OR**
8. Enter the amount of the lease or rent **per year.** (Enter only one of the two amounts. Do not enter both.)
9. Enter the date the original lease went into effect.
10. Enter the date the current lease began (if different from #9).
11. Enter the date the lease will end.
12. Enter your best possible estimate of market value as of January 1.
13. Leave blank.

Enterprise Zone Instructions

Schedule 5—Buildings and structures

5-A and B—Completed additions and retirements. List all additions and retirements of buildings, structures, and yard improvements that qualify for enterprise zone exemption. Provide the same information as is requested for assets reported on Schedules 1-A and 1-B.

Schedule 5—Machinery and equipment

5-C and D—Completed additions and retirements. List all additions and retirements of machinery and equipment that qualify for enterprise zone exemption. Provide the same information as is requested for assets reported on Schedules 2-A and 2-B.

Schedule 5—Personal property

5-E—Personal property listing. List all personal property eligible for enterprise zone exemption. Provide the same information about these assets as requested for the assets reported on Schedule 4-A.

2001 INDUSTRIAL REAL PROPERTY SCHEDULES

Reporting Period is January 1, 2000 — December 31, 2000

You must complete an Industrial Real Property Schedules form for each real property account listed on the front of the return. Please attach a listing where space is insufficient.

REAL PROPERTY ACCOUNT NUMBER _____

COMPANY NAME _____

(Only one account per page)

SCHEDULE 1: Buildings, Structures and Yard Improvements

(If leasing, use Schedule 1 to report leasehold improvements)

SCHEDULE 1-A: Completed Additions (See Instructions 1-A, Page 2-3)

1. Description	2. Starting Date	3. Completion Date	4. Costs Reported in Prior Years	5. Costs for Current Reporting Period not Previously Reported	6. Total Completed Costs

SCHEDULE 1-B: Retirements (See Instructions 1-B, Page 3)

1. Description	2. Date of Construction or Acquisition	3. Date Retired	4. Status of Property	5. Total Original Cost

SCHEDULE 1-C: Under Construction on January 1 (See Instructions 1-C, Page 3)

1. Description	2. Starting Date	3. Estimated Completion Date	4. Costs Reported in Prior Year Returns	5. Costs for Current Reporting Period not Previously Reported	6. Estimated Total Completed Cost

SCHEDULE 1-D: Land Site Development (See Instructions 1-D, Page 3)

1. Description	2. Starting Date	3. Completion Date	4. Costs Reported in Prior Years	5. Costs for Current Reporting Period not Previously Reported	6. Total Completed Costs

COMPANY NAME _____

SCHEDULE 2: Machinery And Equipment

SCHEDULE 2-A: Completed Additions (See Instructions 2-A, Page 3)

1. Asset No.	2. Description (Name, model, location within plant)	3. Starting Date	4. Completion Date	5. Costs Reported in Prior Years	6. Costs for Current Reporting Period not Previously Reported	7. Total Completed Costs

SCHEDULE 2-B: Retirements (See Instructions 2-B, Page 3)

1. Asset No.	2. Description (Name, model, location within plant)	3. Year of Construction or Acquisition	4. Date Retired	5. Status of Property	6. Total Original Cost

SCHEDULE 2-C: Being Installed on January 1 (See Instructions 2-C, Page 3)

1. Asset No.	2. Description (Name, model, location within plant)	3. Starting Date	4. Estimated Completion Date	5. Costs Reported in Prior Year Returns	6. Costs for Current Reporting Period not Previously Reported	7. Estimated Total Completed Cost

REAL PROPERTY ACCOUNT NUMBER

SCHEDULE 2-D: Real Property Equipment Leased From and/or Owned By Others (See Instructions 2-D, Page 3)

1. Owner's Name, Address, and Phone Number	2. Description (Include Model Year)	3. Yearly Lease Amount	4. Original Lease Date	5. Lease Expiration Date	6. Original Cost or Option to Purchase (when and amount)

SCHEDULE 3: Production Report (See Instructions Schedule 3, Page 4)

(A)	Actual Production	Full Production	Design Capacity	(B) Changes*	
2000					
1999					
1998					
1997					
1996					
1995					
1994					
1993					
(C) 2000 Work Schedules	Days per Week	Shifts per Day	Production Employees	Hours per Shift	(D) Define Units of Measurement*

* Use additional pages if necessary

2001 PERSONAL PROPERTY SCHEDULES

Reporting as of January 1, 2001

You must complete an Industrial Personal Property Schedules form for each personal property account listed on the front of the return. Please attach a listing where space is insufficient. PERSONAL PROPERTY ACCOUNT NUMBER

COMPANY NAME _____

This listing has been updated to reflect changes from additions and/or deletions.

(Only one account per page)

SCHEDULE 4-A: Personal Property Listing (See Instructions 4-A, Page 4)

Complete columns 6 and 7 only if you are granted an extension.

(Attach a complete list of all personal property. Use this format)

1. Asset No.	2. Description (Name and model)	3. Date Purchased	4. Original Cost	5. Depreciation Code	6. Deprec. Factor	7. RM Value

SCHEDULE 4-B: Noninventory Supplies (See Instructions 4-B, Page 4)

REPORT AT COST

1. Office Supplies	2. Operating Supplies	3. Maintenance Supplies	4. Spare Parts	5. Other Noninventory Supplies	6. Fuel/Gases in Storage	7. Total Noninventory Supplies

SCHEDULE 4-C: Personal Property Owned By Others But In Your Possession (See Instructions 4-C, Page 4)

1. Name and Address of Owner or Lessor	2. Description (Include Model Year)	3. Tax- payer	4. No.	Original Cost (if known)		Complete for Leased Property					Opinion of Market Value			
				5. Each	6. Total	Amount of Lease/Rent		Lease Term		9. Date Lease Began	10. From	11. To	12. TOTAL	13. Assessor's RMV (leave blank)
						7. Mo.	8. Yrly.	10. From	11. To					

2001 ENTERPRISE ZONE SCHEDULES

You must complete an Enterprise Zone Schedule for each real property and each personal property account that qualifies for an enterprise zone exemption. Please attach a copy of your completed Oregon Enterprise Zone Tax Exemption application.

REAL PROPERTY ACCOUNT NUMBER _____

COMPANY NAME _____

SCHEDULE 5: Buildings and Structures

SCHEDULE 5-A: Enterprise Zone — Completed Additions (See Instructions 5-A, Page 4)

1. Description	2. Starting Date	3. Completion Date	4. Costs Reported in Prior Years	5. Costs for Current Reporting Period not Previously Reported	6. Total Completed Costs

SCHEDULE 5-B: Enterprise Zone — Retirements (See Instructions 5-B, Page 4)

1. Description	2. Date of Construction or Acquisition	3. Date Retired	4. Status of Property	5. Total Original Cost

SCHEDULE 5: Machinery and Equipment

SCHEDULE 5-C: Enterprise Zone — Completed Additions (See Instructions 5-C, Page 4)

1. Asset No.	2. Description (Name, model, location within plant)	3. Starting Date	4. Completion Date	5. Costs Reported in Prior Years	6. Costs for Current Reporting Period not Previously Reported	7. Total Completed Costs

SCHEDULE 5-D: Enterprise Zone — Retirements (See Instructions 5-D, Page 4)

1. Asset No.	2. Description (Name, model, company asset no., location within plant)	3. Date of Construction or Acquisition	4. Date Retired	5. Status of Property	6. Total Original Cost

SCHEDULE 5: Personal Property

PERSONAL PROPERTY ACCOUNT NUMBER _____

SCHEDULE 5-E: Enterprise Zone (See Instructions, 5-E, Page 4) (List all personal property eligible for Enterprise Zone exemption. Use this format)

Complete columns 6 and 7 only if you are granted an extension.

1. Asset No.	2. Description (Name and Model)	3. Date Purchased	4. Original Cost	5. Depreciation Code

6. Deprec. Factor	7. RM Value



PROPERTY RETURN EXTENSION REQUEST

Revenue Use Only	
Extension No.	Date Received

An extension may be granted to taxpayers who are either a principal or secondary industrial account appraised by the Department of Revenue or a taxpayer who has reporting requirements in more than one county. **Note:** If real or personal property is being reported by a leasing company, the lessor must have sole responsibility for payment of taxes charged to all property items.

If your request is granted, it must be postmarked by April 15. You must file your report this way:

- Personal property returns filed with the assessor's office shall include a complete asset list or summary and have value factors applied by the taxpayer according to property classification, to compute the value.
- Real property returns or Industrial Property returns filed with the department or the assessor shall have trending and depreciation factors applied to the asset listing or summary, for reporting purposes where requested. Retirements shall be itemized.

To obtain an extension, complete this form and send to the address below by March 1.

This extension will be in effect for subsequent years unless revoked for sufficient cause by the department. Returns are subject to audit. You must agree to use the trending and depreciation schedules supplied in reporting your property.

Company Name

BIN No.	EIN No.	County
---------	---------	--------

Contact person for this extension	Telephone No. ()
-----------------------------------	--------------------------

Mailing Address	City	State	ZIP Code
-----------------	------	-------	----------

List your reason for requiring an extension of time for filing your property forms

SIGN HERE →	Signature X	Date
	Title (must be an owner or authorized representative)	

150-301-015 (Rev. 11-99)

Send to: **Valuation Section — Property Tax Division**
Oregon Department of Revenue
PO Box 14003
Salem OR 97309-2502

OREGON ENTERPRISE ZONE TAX EXEMPTION APPLICATION

For Qualified Property in Use or Occupancy by a Qualified Business Firm Located Within an Enterprise Zone

- File application with the **assessor** in the county where the project is located.
- File after January 1 and no later than April 1.
- A separate application is required for each separate location.
- If any property for which the exemption is requested is leased, the owner of the leased property must complete the last section of this form.
- Applications for primary or secondary industrial property (ORS 306.126) may be filed with the Dept of Revenue after January 1 and no later than April 1.
- A late application may be filed with the county assessor after April 1 and by June 1. A late filing fee of \$200 or 1/10 of 1% of real market value (whichever is greater) will be charged.

FOR ASSESSOR'S USE ONLY		
Date Received	Received By	<input type="checkbox"/> Approved <input type="checkbox"/> Denied
Assessor's Account Number	Code Area Number	Late Filing Fee \$
Briefly explain reason for denial.		
Approved For:		
<input type="checkbox"/> 3 years, 100% <input type="checkbox"/> Other: _____ years (assigned by zone sponsor)		

Name of Business Firm		Telephone Number	
		()	
Mailing Address	City	State	ZIP Code
1 Contact Person	Title	Map and Tax Lot No.	
Enterprise zone where the qualified business firm and the qualified property are located:		County where the qualified business firm and the qualified property are located:	

PRECERTIFICATION

2 Was your firm's precertification approved? Yes No If yes, Date precertification submitted _____. Date approved _____.

(Check one) First time filing for the enterprise zone exemption under this precertification Filing for an additional enterprise zone exemption under this precertification

FIRST SOURCE AGREEMENT

3 Did your firm sign a First-Source Hiring Agreement with local "contact agency?" Yes (**attach a copy to this application**) No

ELIGIBLE BUSINESS

4 **Business Activity** — Check the one that applies.

I hereby certify that the information as contained in the precertification application, and as used to determine the business firm's eligibility, is accurate and has not changed, and that the business firm remains an eligible business firm.

I hereby certify that certain information pertaining to the business firm's eligibility in the precertification application is no longer accurate or has changed, but that the business firm is still an eligible business firm, for the reasons indicated and explained on the next page.

Initial by business firm signer under declaration: _____

EMPLOYMENT CERTIFICATION

I hereby certify that the following information (#5–8) relates only to full-time, permanent jobs engaged in eligible operations, that this information is confirmed to be accurate, and that substantial curtailment of employment during the exemption period will be reported to the county assessor or the zone sponsor/local zone manager. In addition, I certify that if employment is insufficient to remain qualified, I will submit timely notice to both the assessor and sponsor on or before July 1, following the year in which minimum employment is not satisfied. I understand that without such notice a 20 percent penalty will be added to and made due with the back taxes owed on disqualified property.

Initial by business firm signer under declaration: _____

EMPLOYMENT

5 Firm's number of employees within the zone on or before April 1 of year this application is filed: _____ Date: _____

6 Firm's average annual number of employees for the 12 months prior to precertification: _____ (from precertification application)

7 Did your firm move any operations into the zone from a site or sites within 30 miles of the zone boundary?

Yes No If yes —

- Firm's average annual employment within the zone **and** the site(s) for the 12 months prior to precertification: _____
- Firm's total employment within the zone **and** at this site or these sites outside the zone by April 1: _____ (at least 110% of above)

8 Did your firm, or any other firm under common control, close or permanently curtail operation in another part of the state more than 30 miles from the nearest boundary of the enterprise zone, in which the firm seeks a property tax exemption, in order to invest in that enterprise zone?

Yes No If yes, attach explanation of closures, curtailments and lost jobs (when, where, how many, etc.).

SPECIAL CASES

9 (Check all that apply to your firm)

- | | |
|---|---|
| <input type="checkbox"/> Previously received an exemption for construction-in-process on this investment. | <input type="checkbox"/> \$25 million or more investment by existing business not meeting hiring requirement with special zone sponsor approval/resolutions (attach documentation). |
| <input type="checkbox"/> Change in information pertaining to firm's eligibility (see #4 on previous page). | <input type="checkbox"/> Extended exemption period—up to total of five years. (Ensure that assessor has copy of required written agreement with sponsor.) |
| <input type="checkbox"/> Local incentives provided by sponsoring jurisdiction(s). | <input type="checkbox"/> Urban zone with additional conditions of the zone sponsor. |
| <input type="checkbox"/> Partial occupancy of an eligible building. | <input type="checkbox"/> Zone boundary was changed for this investment. |
| <input type="checkbox"/> Two corporations under common ownership. | <input type="checkbox"/> Terminated enterprise zone. |
| <input type="checkbox"/> Building acquired or leased after construction or reconstruction that began prior to application for precertification. | <input type="checkbox"/> Grandfathered firm, precertified after zone termination. |

Briefly explain checked items (attach additional pages if necessary). _____

QUALIFYING PROPERTY

10 Summary of Cost of Qualified Property for which an Exemption is Claimed —

New building or structure with a cost of \$25,000 or more \$ _____
 Addition to or modification of an existing building or structure with a cost of \$25,000 or more \$ _____
 Machinery and equipment newly purchased, leased, or transferred from outside the county:
 Real property \$ _____
 Personal property costing \$1,000 or more for each item and used exclusively for producing tangible goods \$ _____
 Personal property costing \$50,000 or more for each item, regardless of use, except self-propelled motorized vehicles \$ _____
Total Cost (\$25,000 minimum) \$ _____

Note: For an addition or modification of an existing building or structure the exemption is based on any increase in assessed value.

PERSONAL PROPERTY

11 Personal property is machinery and equipment which is readily movable. It is generally unattached in any way to a building or structure and is also not connected to other real property machinery and equipment. Attach additional pages if necessary.

Location of Property:

Street Address	City	State	ZIP Code
----------------	------	-------	----------

Property Description:

Owned / Leased (check one)		Make / Model / Type	Serial Number	Purchase Date	Purchase Price	Date Installed	Date In Use
<input type="checkbox"/>	<input type="checkbox"/>						
<input type="checkbox"/>	<input type="checkbox"/>						
<input type="checkbox"/>	<input type="checkbox"/>						
<input type="checkbox"/>	<input type="checkbox"/>						
<input type="checkbox"/>	<input type="checkbox"/>						

Describe your firm's enterprise zone investments (e.g., shaker belts for sorting plastics, shredder, washer, compactor and bailer for plastic recycle business) and how machinery and equipment costing less than \$50,000 is used in tangible production. Attach additional pages if necessary.

REAL PROPERTY MACHINERY AND EQUIPMENT

12 Real property machinery and equipment is machinery and equipment that is not easily movable. Machinery and equipment means any property used in the business activity or process except land, buildings, and structures. It does not include furniture, commercial fixtures, or structural components of a building such as standard wiring, plumbing, heating or cooling systems. Attach additional pages if necessary.

Location of Property:

Street Address	City	State	ZIP Code
----------------	------	-------	----------

Property Description:

Owned / Leased (check one)	Make / Model / Type	Serial Number	Purchase Date	Purchase Price	Date Installed	Date In Use
<input type="checkbox"/> <input type="checkbox"/>						
<input type="checkbox"/> <input type="checkbox"/>						
<input type="checkbox"/> <input type="checkbox"/>						
<input type="checkbox"/> <input type="checkbox"/>						
<input type="checkbox"/> <input type="checkbox"/>						

Describe investments (e.g., computerized veneer lathe with floating chucks, computerized clipper, punch press, ovens or saws). Attach additional pages if necessary.

BUILDINGS AND STRUCTURES

13 New building or structure and addition to or modification of an existing building or structure: (check one)

Own Lease Both (describe below)

Location of Property:

Street Address	City	State	ZIP Code
----------------	------	-------	----------

Date site preparation began

Date foundation poured

Date addition or modification began

Date addition or modification complete

Date first used or occupied for production of income

Total construction cost \$

Describe project buildings and structures (e.g., new 60' x 60' building to recycle/process cardboard) and individual investment costs per building or structure. Attach additional pages if necessary.

DECLARATION FOR QUALIFIED BUSINESS FIRM

14 I declare under penalties of false swearing (ORS 305.990(4)) that I have examined this document and attachments, and to the best of my knowledge, they are true, correct, and complete. I have concluded that my firm satisfies the requirements of a qualified business firm and complies with all applicable local, Oregon and federal laws. I request that my firm receive an enterprise zone property tax exemption.

Signature X	Date
-----------------------	------

DECLARATION FOR LEASED QUALIFIED PROPERTY — CERTIFICATION OF PROPERTY OWNER

Attach additional pages as necessary for other lessors, along with copies of executed lease agreement(s).

15 I declare under penalties of false swearing (ORS 305.990(4)) that I have examined this document and attachments, and to the best of my knowledge, they are true, correct, and complete. The qualified business firm leasing the qualified property is required by the lease agreement to compensate my firm for the entire amount of the property taxes of the leased property.

Name (please print or type)	Title
Signature X	Date

Oregon Enterprise Zone Extended Exemption Period Criteria

Nonurban and Urban Zones Less Than 400,000 MSA Residents

The sponsor may set a period of abatement of up to five consecutive tax years, if the qualified business firm agrees (in writing), with the sponsor at the time of precertification to —

- Compensate all new employees at an average rate of not less than 150 percent of the county's average annual wage until the end of the tax exemption period. If the zone is in more than one county, the county with the highest average annual wage shall be used. Such "compensation" includes nonmandatory financial benefits.

and

- Meet any additional requirements the zone sponsor may reasonably request.

Urban Zones More Than 400,000 MSA Residents (Portland Area)

The sponsor may set a period of abatement of up to five consecutive tax years, if the qualified business firm agrees (in writing), with the sponsor at the time of precertification to meet any additional requirements the zone sponsor may reasonably request.

Oregon Enterprise Zone Tax Exemption Application Instructions

The following instructions will help a precertified business firm fill out an "Oregon Enterprise Zone Property Tax Exemption Application." To receive a tax exemption, file your application with the **county assessor** after January 1 and no later than April 1. To qualify, your investment must have been completed between January 1 and December 31 preceding the year of application.

Applications for primary or secondary industrial property (ORS 306.126) may be filed with the Department of Revenue after January 1 and no later than April 1. Applications received by the Department of Revenue will be forwarded to the county assessor.

A late application may be filed with the county assessor after April 1 and by June 1. A late filing fee of \$200 or $\frac{1}{10}$ of 1% of real market value (whichever is greater) will be charged.

1. The person who fills out and signs the form must be authorized to represent the company. If the person is not an employee of the company, the company must attach a letter authorizing the person to sign the application.
2. If "no," the firm is **not** eligible to apply for the property tax exemption, unless the precertification requirement is waived by the Department of Revenue. Up to three consecutive exemption applications may be filed for the same precertification/investment.
3. If "no," your firm may **not** receive the tax exemption unless the requirement for the First-Source Hiring Agreement is waived or delayed by the Economic and Community Development Department.
4. Only "eligible business firms" qualify in an enterprise zone. Besides having to be a for profit business, eligibility depends on the business firm's operations and activities in the zone (such as manufacturing). Eligibility is determined at the time of precertification, and the reasons for it should generally not change. However, any correction to the precertification application must be indicated here, and the reasons why the applicant is otherwise eligible, explained under "special cases."
5. Do not count temporary, seasonal or part-time positions. Full-time is a person working more than 32 hours per week.
6. Your firm is qualified for the exemption **only** if the number in section 5 is at least one greater than the number here, **and** at least 110 percent of the number here. In addition, these same minimums must be met as annual averages throughout the exemption period.
7. If you move operations into the zone, the 110 percent employment requirement must also be met for combined jobs within the zone **and** at affected sites within 30 miles.
8. If "yes," your firm does **not** qualify if the number of jobs lost elsewhere is significant.

9. For additional information on special cases, see precertification application instructions or contact the local zone manager, county assessor's office or state coordinators.
10. To receive the exemption, your qualified property must be at least \$25,000 in cost with this application.

Machinery and equipment must be newly purchased or leased or newly transferred into an enterprise zone from outside the county in which the zone is located.

Property **not** qualified for the tax exemption includes:

- Land or additional value from site preparation.
- A new building, a new structure, or an addition to or modification of an existing building or structure, with a cost of less than \$25,000. (*To satisfy the minimum cost requirement of \$25,000 for an addition or modification to an existing building or structure, the costs of two or more additions or modifications made in one calendar year to a single building or structure may be combined.*)
- Any item of personal property costing less than \$1,000.
- An item of personal property with a cost of less than \$50,000 unless it is used exclusively for the production of tangible goods.
- Self-propelled motorized vehicles (car, truck, airplane, tugboat, etc.) or rolling stock.
- Property occupied or in use within the zone 12 months before January 1 of first exemption year.
- Property used in an "ineligible" activity.
- Property already constructed, installed, under (re)construction or assessed in the county when the enterprise zone was designated or the zone boundary was amended to include the site of the property.

Property under construction on January 1 is not eligible for an enterprise zone exemption. But it may be eligible for construction-in-process (CIP) property tax exemption.

11. Itemize your qualifying personal property.
12. Itemize your qualifying real property machinery and equipment.
13. Provide the requested details for your qualifying buildings and structures.
14. An owner, authorized executive or legal representative of the business firm must sign this application.
15. For any and all qualified property that is leased by the business firm, the property owner or legal representative of any such lessor must also endorse this application, and a copy of the executed lease agreement must be included.



POLLUTION CONTROL FACILITIES EXEMPTION

(ORS 307.420)

File each year with your county assessor on or before April 1

Check one:

- Original application
- Statement to continue exemption

INSTRUCTIONS:

- Original application:** Complete Section A of the application, sign the DECLARATION and attach a copy of the Pollution Control Facility certificate issued by the Oregon State Environmental Quality Commission. File with the county assessor on or before April 1. See ORS 307.420 for extension of the April 1 filing date if the election to receive ad valorem tax relief, as required by ORS 468.170, is made after April 1 and before July 1.
- Statement to continue exemption granted prior year:** Complete Section B, sign the Declaration and file with the county assessor on or before April 1.

Applications for primary or secondary industrial property (ORS 306.126) may be filed with the Oregon Department of Revenue after January 1 and no later than April 1.

Taxpayer's Name		
Address		Telephone Number ()
City	State	ZIP Code

ASSESSOR'S USE ONLY		
Date received	RMV of facility	MAV of facility
Date certification received	Percent exempt	
Year exemption expires	RMV value exempt	MAV value exempt
<input type="checkbox"/> Approved <input type="checkbox"/> Denied		By: _____
		Tax exempt
		J.V. number
Tax rate		

PROPERTY DESCRIPTION

1. Assessor's account number (as shown on your tax statement)

SECTION A: ORIGINAL FILING FOR EXEMPTION ("I" below, means person or corporation)

- I claim exemption from ad valorem taxes under ORS 307.405 to 307.430 on the pollution control facility at this address:

- This business is a: CO-OP NONPROFIT ORGANIZATION (ORS 307.405)
- The trade or business which requires, utilizes, or operates the pollution control facility is one which (check one of the following four boxes):
 - I own I am buying under a contract.
 - I operate under a written lease that states I pay the ad valorem taxes.
 - I operate under a written agreement that states I pay the ad valorem taxes.
 Enter the date of purchase, written lease, or written agreement: _____
- The completion date of the erection, construction, or installation of the facility was _____ and it first began operating _____.
- (a) _____ percent of the facility that functions to prevent pollution from operations conducted on the property identified above qualifies under ORS 307.405(5).
(b) _____ percent of the total facility certified qualifies as a pollution control facility under ORS 468.170
- Environmental Quality Commission certificate number _____ dated _____ is attached to this claim.
- I have not taken income tax relief on the facility (ORS 315.304).

SECTION B: STATEMENT TO CONTINUE EXEMPTION GRANTED PRIOR YEAR

- Environmental Quality Commission certificate number _____ was issued _____ 19 _____.
- Ad valorem tax exemption was granted the prior year to the facility; its ownership and use are unchanged; its E. Q. C. Certificate (ORS 468.185) remains in force.

DECLARATION	I declare under the penalties for false swearing (ORS 305.990(4)) that I have examined this document and to the best of my knowledge it is true, correct, and complete.		
	X	_____	_____
	Signature	Title	Date

PROPERTY SUBJECT TO TAXATION; EXEMPTIONS

Oregon Revised Statutes

(Pollution Control Facilities)

307.405 Pollution control facilities; qualifications; expiration; revocation; limitations. (1) A pollution control facility or facilities which have been constructed in accordance with the requirements of ORS 468.165 (1), and have been certified by the Environmental Quality Commission pursuant to ORS 468.170 are exempt to the extent of the highest percentage figure certified by the Environmental Quality Commission as the portion of the actual cost properly allocable to the prevention, control or reduction of pollution. The exemption shall be allowed only if the taxpayer is a corporation organized under ORS chapter 62 or 65, or any predecessor to ORS chapter 62 relating to incorporation of cooperative associations, or is a subsequent transferee of such a corporation. If the subsequent transferee is organized under other than ORS chapter 62 or 65, the exemption shall only be allowed if the transfer occurs after the expiration of five years from the date of original certification by the commission.

(2) To qualify for the ad valorem tax relief:

(a) The pollution control facility must be erected, constructed or installed in connection with the trade or business conducted by the taxpayer on Oregon property owned or leased by said taxpayer.

(b) The taxpayer must be the owner of the trade or business that utilizes Oregon property requiring a pollution control facility to prevent or minimize pollution or a person who, as a lessee under a written lease or pursuant to a written agreement, conducts the trade or business that operates or utilizes such property and who by the terms of such lease or agreement is obliged to pay the ad valorem taxes on such property. As used in this subsection, "owner" includes a contract purchaser.

(3) The ad valorem exemption of a facility shall expire, in any event, 20 years from the date of its first certification for any owner or lessee by the Environmental Quality Commission.

(4) Upon any sale, exchange, or other disposition of a facility, notice thereof shall be given to the Environmental Quality Commission who shall revoke the certification covering such facility as of the date of such disposition. The transferee may apply for a new certificate under ORS 468.170, but the number of years of ad valorem tax exemption that may be claimed by the transferee is the remainder of the exemption period specified in subsection (3) of this section.

(5) If the facility also functions to prevent pollution from operations conducted on other property owned or leased by the taxpayer the Environmental Quality Commission shall state in its certification of the facility the percentage of the facility used to prevent pollution from such qualifying trade or business conducted on such qualifying property. The exemption from ad valorem taxes under this section shall be limited to such percentage of the value of the facility. [1967 c.592 §13; 1969 c.340 §1; 1971 c.678 §1; 1973 c.831 §7]

307.420 Necessity of filing claim and certificate to secure exemption; annual statements of ownership. (1) Before any exemption from taxation is allowed under ORS 307.405, the person claiming the exemption shall file with the

county assessor a written claim for such exemption prepared on a form prescribed by the Department of Revenue and furnished by the assessor, and shall file with the assessor with the first claim for exemption the certificate issued by the Environmental Quality Commission under ORS 468.170 covering the property for which exemption is sought. The claim shall be filed not later than April 1 of the assessment year for which the exemption is claimed; except; that if the person receives a certificate after April 1 but before July 1, the person may file a claim on or before July 15 of that year. The county clerk shall record the certificate in the county record of deeds, upon presentation by the assessor. Each year thereafter to continue such exemption, the taxpayer must file not later than April 1 a statement with the county assessor, on a form prescribed by the Department of Revenue and furnished by the assessor, stating that the ownership of all property included in the certificate and its use remain unchanged.

(2) If a claim required by subsection (1) of this section relates to principal or secondary industrial property as defined by ORS 306.126 and is filed with the Department of Revenue within the time required by subsection (1) of this section, the claim shall be deemed timely filed with the assessor. [1967 c.592 §14; 1973 c.831 §10; 1983 c.637 §5; 1991 c.459 §58; 1993 c.270 §79; 1997 c.541 §120]

307.430 Correction of assessment and tax rolls; termination of exemption.

(1) Upon receipt of notice of the revocation of a certification of a pollution control facility pursuant to ORS 468.185 (1)(a), the county assessor shall proceed to correct the assessment and tax roll or rolls from which the facility was omitted from taxation, in the manner provided in ORS 311.216 to 311.232, and in all cases shall add interest in the manner provided in ORS 311.229. The five-year limitation provided for in ORS 311.205 shall not apply to such corrections.

(2) Upon receipt of notice of the revocation of a certification of a pollution control facility pursuant to ORS 458.185 (1)(b), if the final revocation occurs before September 15 of any assessment year, the exemption otherwise allowable shall terminate and not be allowed beginning with the assessment and tax rolls prepared as of January 1 of the assessment year. [1967 c.592 §15; 1991 c.459 §59; 1997 c.541 §121]

Oregon Administrative Rules

(Pollution Control Facilities)

150-307.405 Certified pollution control facilities meeting the requirements of ORS 468.165 and 468.170, are exempt from ad valorem taxes to the extent of the highest percentage figure certified by the Environmental Quality Commission. This percentage is then applied to the amount of value the certified pollution control facilities contribute to the total property value. The value contribution of the pollution control facility can differ from its original cost because of inflation, depreciation, obsolescence, or other economic factors. Whenever the property is reappraised the value contribution of the certified pollution control facility shall be identified in the conclusion of value. The annual value changes will be recorded by the appraiser on county Form 310-089.

Hist: Filed 9/20/88 and Eff. 12/31/88

**APPLICATION FOR CANCELLATION OF ASSESSMENT ON
COMMERCIAL FACILITIES UNDER CONSTRUCTION**

As provided by ORS 307.330 and 307.340

Account # _____

Filed with the Oregon Department of Revenue for 20 _____ .

Filed with the _____ County Assessor for 20 _____ .

- File application with the county assessor on or before April 1.
- Applications for primary or secondary industrial property (ORS 306.126) may be filed with the Oregon Department of Revenue on or before April 1. (Applications received by the Department of Revenue will be forwarded to the county assessor for processing.)
- This exemption applies only to buildings that are being constructed in furtherance of the production of income. Also applies to any machinery or equipment on the construction site that is or will be installed in or attached to the building.
- See other side for applicable administrative rules.
- This exemption may precede most enterprise zone exemptions.

ASSESSOR'S USE ONLY			
Received by	Date	Approved by	Date
Assessed Value Cancelled			
Building or Addition _____			
Machinery and Equipment _____			
Total _____			

Applicant's (building owner's) name		Code		Telephone number	
Address		City		State ZIP Code	

DESCRIPTION OF PROPERTY

Account number(s)		Deed volume and page or instrument no.		City	
Lot(s)	Block(s)	Addition			
Subsection	Section	Township	Range	Acres	

The undersigned owner makes application to the county assessor for the cancellation of assessment on commercial facilities under construction as provided by ORS 307.340 for the year noted above and affirms that the facility:

- Is either new or an addition to an existing structure,
- Has been exempt from taxation for no more than the current tax year,
- Is in the process of construction on January 1,
- Is not in use or occupancy on January 1,
- Has not been in use or occupancy at any time prior to such January 1 date,
- Is constructed to produce income, **and**
- Is first used or occupied not less than one year from the time construction begins (for nonmanufacturing facilities). Construction is not considered begun until any demolition is completed.

Owner of land			Telephone number		
Street address		City		State	
Address of improvement (street)		City		State	
Starting date of construction	Date of demolition, if any, completed at building site		Estimated completion date of construction		

Cost of building, structure, or addition \$ _____	Describe use of building, structure, or addition: _____ _____ _____
Primary use of the building, structure, or addition: <input type="checkbox"/> Manufacturing <input type="checkbox"/> Nonmanufacturing	

Attach a list of all machinery and equipment located at the construction site on January 1 of the year noted above, that is or will be installed in or attached to the above-described building, structure, or addition. Use the following format:

Machinery/Equipment Make/Model/Type	Serial Number	Purchase Date	Purchase Price	Date Installed
--	------------------	------------------	-------------------	-------------------

Was the above-named machinery and equipment included on your personal property return?

No Yes, the report was made in the name of _____

DECLARATION

I declare under the penalties for false swearing as contained in ORS 305.990(4) that this document has been examined by me and to the best of my knowledge is true, correct, and complete.

X _____ Title _____ Date _____
Signature of owner or officer making application

OREGON ADMINISTRATIVE RULES

OAR 150-307.330 Exemption of Buildings During Construction.

1. Property Subject to Exemption:

a. *Building or structure*, whether new or existing, includes all real property improvements erected upon the land. Hotels, office buildings, retail stores, and manufacturing plants are typical examples of the type of buildings subject to the exemption. Related improvements such as ramps, loading docks, wharfs, and paved areas used for parking or storage are examples of structures subject to the exemption. Fills, excavations, or grading and leveling associated with preparation of the site for construction are part of the land and are not subject to exemption.

b. *Addition to an existing building or structure*, includes any enlargement or modification of such building or structure. An example of enlargement of a building would be the construction of additional stories or the erection of a new wing on a building already standing on the site. Modification of a building occurs when all or part of the existing structure is used in the erection of a new building. For example, the walls of an existing theater building are used in the construction of a retail store. In order to qualify for the exemption, the modification must change the nature of the building or structure. Merely adding a new store front or modernizing an existing building is not enough to qualify for exemption. Installation of additional equipment in a building subsequent to its original construction does not qualify for further exemption. For example, installation of an air-conditioning system or an elevator in an existing building does not qualify the building for exemption.

c. *Machinery or equipment* which qualifies for exemption includes all machinery or equipment installed in or affixed to such building, structure or addition, and all personal property that would qualify as real property under OAR 150-307.010(1) when installed or affixed which is actually situated at the place of construction on January 1, of each year in which the exemption is claimed.

Machinery or equipment subject to exemption includes mechanical items associated with the building such as heating equipment, elevators, ventilating systems, and similar equipment normally installed as part of the building construction. Machinery and equipment housed within the building for the purpose of manufacturing, or otherwise processing raw or finished materials, is also subject to exemption.

2. Conditions of Exemption:

a. The building, structure or addition must be in the process of construction on January 1, of each year in which the exemption is claimed. Construction is in process once work has begun or the foundation for the building, structure, or addition was partially or wholly laid. Land is not a part of this exemption. Therefore, site preparation is not considered as any part of the process of construction. If the building, structure,

or addition has been completed and is ready for use or occupancy on January 1, although not in use, it is taxable. If completed and leased on January 1, but not occupied by the lessee, it is taxable.

b. The exemption for manufacturing facilities cannot be claimed for more than two years. If claimed for two years, they must be successive. Conditions for exemption must exist on January 1, of each year in which exemption is claimed.

c. The building, structure or addition must be intended primarily for the furtherance of the production of income.

d. No exemption may be allowed if use or occupancy is made of the building, structure or addition, or any part thereof, on or before January 1, of any year in which the exemption is claimed. Use or occupancy refers to that commercial use or occupancy for which the building is intended upon completion. For example, the use of a warehouse for storage of materials or the rental of an apartment in a new apartment building will defeat the exemption. Testing of equipment preparatory to operation is allowable during the period of construction. "Testing" can include a limited trial production run as a check of equipment and system performance. "Testing" in the context used does not contemplate the processing in substantial quantity of finished and marketable products that are or can be disposed of through the usual channels of trade.

e. In the case of nonmanufacturing facilities, an exemption cannot be claimed if the facility is occupied or used within one year from the date the construction began. "Construction" does not include demolition of existing buildings.

f. All of the conditions listed in this section are mandatory and a failure to meet any one of such conditions results in denial of any exemption.

Note: The date change first applies to the 1992-93 tax year.

Hist: Eff. 11/59, Amended 11/61, 7/64, 1/66, 12/66, 3/70, 11/71, 12/31/97

OAR 150-307.340 Claim for Exemption under ORS 307.330.

Where exemptions are being claimed for two consecutive years, as permitted by ORS 307.330, a separate claim must be timely filed for each year.

Example: On January 1, a building meeting all the requirements for exemption is under construction. Exemption may be claimed by filing documentary proof of exempt status with the assessor on or before April 1. In the event the building is still under construction and eligible for exemption on the following January 1, documentary proof of eligibility must again be filed with the assessor on or before April 1. These same conditions and requirements likewise apply to the nonmanufacturing facilities except that any use or occupancy of the property for which the facility is intended within one year following the construction starting date will nullify the cancellation of assessment.

Hist: Eff. 11/59, Amended 7/64, 1/66, 2/68, 3/70, 11/71, 12/31/91, 12/31/97



SECURITY LAWS CERTIFICATE

I certify that I have read the following provisions of law prohibiting disclosure of confidential information, that they have been explained to me, that I have been furnished with a copy of the relevant laws, and that I understand them and the penalties for violation of these laws:

Personal Property Laws	ORS 308.290(7)
Industrial Plants	ORS 308.413
Penalties	ORS 308.990(5)

PRINT Your Full Name

County

Office Phone Number

Signature

Date

X

Witness Signature

Date

X

SECURITY CLAUSE

To: County assessors and members of the Board of Property Tax Appeals

YOU MAY NOT REVEAL CONFIDENTIAL INFORMATION. Confidential records include personal property returns and any industrial plant information obtained by the Department of Revenue, the county assessor or the Board of Property Tax Appeals upon the condition that it be kept confidential.

As you handle information that falls into these special groups, note what type of information is confidential and requires special handling. The Department of Revenue, the county assessor, and the Board of Property Tax Appeals should have written procedures to ensure that protected information is not disclosed.

The following statutes explain the types of information that are confidential and the penalties for disclosure. These nondisclosure provisions must be strictly observed by all persons who have access to confidential information. If you have questions during performance of your duties, ask **before** giving information to anyone. You may get clarification from your legal counsel.

PERSONAL PROPERTY

ORS 308.290 Returns of taxable property.

(7) All returns filed under the provisions of this section and ORS 308.525 and 308.810 shall be confidential records of the office in which such returns are filed; except that all such returns shall be available to the Department of Revenue or its representative, to the representatives of the Secretary of State or to an accountant engaged by a county under ORS 297.405 to 297.555 for the purpose of auditing the county's personal property tax assessment roll (including adjustments to returns made by the Department of Revenue), to the county tax collector or the tax collector's representative for the purpose of collecting delinquent personal property taxes, **to any reviewing authority as to those returns relating to appeals by taxpayers**, to the Adult and Family Services Division of the Department of Human Services, to the Division of Child Support of the Department of Justice and district attorney regarding cases for which they are providing support enforcement services under ORS 25.080 and to the Legislative Revenue Officer or authorized representatives for the purpose of preparation of reports, estimates and analyses required by ORS 173.800 to 173.850. The Department of Revenue may exchange property tax information with the authorized agents of the federal government and the several states on a reciprocal basis.

INDUSTRIAL PLANTS

ORS 308.413 Confidential information furnished under ORS 308.411; exception.

(1) Any information furnished to the county assessor or to the Department of Revenue under ORS 308.411 which is obtained upon the condition that it be kept confidential shall be confidential records of the office in which the information is kept, except as follows:

(a) All information furnished to the county assessor shall be available to the department, and all information furnished to the department shall be available to the county assessor.

(b) **All information furnished to the county assessor or department shall be available to any reviewing authority in any subsequent appeal.**

(c) The department may publish statistics based on the information furnished if the statistics are so classified as to prevent the identification of the particular industrial plant.

(2) The Department of Revenue shall make rules governing the confidentiality of information under this section.

(3) Each officer or employee of the Department of Revenue or the office of the county assessor to whom disclosure or access of the information made confidential under subsection (1) of this section is given, prior to beginning employment or the performance of duties involving such disclosure, shall be advised in writing of the provisions of this section and ORS 308.990(5) relating to penalties for the violation of this section, and shall as a condition of employment or performance of duties execute a certificate for the department or the assessor in a form prescribed by the department, stating in substance that the person has read this section and ORS 308.990(5), that these sections have been explained to the person, and that the person is aware of the penalties for violation of this section.

PENALTIES

ORS 308.990 Penalties.

(5) Subject to ORS 153.022, any willful violation of ORS 308.413 or of any rules adopted under ORS 308.413 is punishable, upon conviction, by a fine not exceeding \$10,000, or by imprisonment in the county jail for not more than one year, or by both.

THEODORE R. EULONGOSKI
ATTORNEY GENERAL

THOMAS A. BALMER
DEPUTY ATTORNEY GENERAL



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Salem, Oregon 97310
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DEPARTMENT OF JUSTICE
GENERAL COUNSEL DIVISION

November 21, 1995

Art Fish
Enterprise Zone Project Coordinator
Regional Development Division
Oregon Economic Development Department
775 Summer Street NE
Salem, OR 97310

Re: Question on eligibility of Target Stores' Distribution Center's for Cancellation of Assessment on Commercial Facilities Under Construction (CIP) for tax years 1995-1996 and 1996-1997 once beginning testing and training activities
DOJ File No. 123-200-G0024-87

Dear Mr. Fish:

In your letter to Assistant Attorney General Wendy A. Robinson, dated October 16, 1995, you stated details and concerns of the involved parties to a new facility being built by Target Stores in the Albany area and asked eight questions for the General Counsel Division to answer. Because these questions relate to the tax code, Ms. Robinson asked that I respond to your letter. You also supplied us with a copy of Target's Statement of Facts upon which I rely to answer your questions, below.

Question 1.

Does "use" or "occupancy" under ORS 307.330 mean "any use or occupancy" or does it mean "use or occupancy * * * for its intended purpose upon completion?"

Answer

It means "use or occupancy for any of the intended purposes of the building, structure or addition."

Question 2

Does installation of equipment, while in the process of construction, constitute "use" or "occupancy" for purposes of ORS 307.330?

Answer

The answer is no, if the equipment being installed is part of the construction project.

Question 3

Does testing of equipment in the facility, while in the process of construction, constitute "use" or "occupancy" for purposes of ORS 307.330?

Answer

The answer is no, if the equipment is part of the construction project and the testing is only to make the equipment ready or to assure that the equipment is ready so that the building, structure or addition may be used or occupied for its intended purpose. The answer would be yes, if one of the purposes of the building is to test such equipment, in other words, to serve as a testing facility.

Question 4

Does training employees, while in the process of construction, on how to use the equipment in the facility and how to maintain and repair the equipment constitute "use" or "occupancy" for purposes of ORS 307.330?

Answer

The answer is no, if (as you have stated) the principal purpose of the building, structure or addition is to serve as a distribution facility. However, the answer would be yes, if it also serves as a training facility concerning the use, maintenance and repair of such equipment at other locations.

Question 5

Does storing merchandise in the facility to test the computer system's sorting, storing, and retrieval mechanisms constitute "use" or "occupancy" for

purposes of ORS 307.330? The question assumes that products will not be shipped from the facility during this testing or "shakedown" period.

Answer

The answer is no, provided (a) that storing merchandise is reasonably related to testing whether the computer equipment is ready for its use, (b) the computer equipment being tested is an interdependent part of the structure as a distribution center, and (c) one of the ultimate commercial purposes of the structure is not to make such tests of the computer system, but rather to use the computer system.

Question 6

Is there any mandatory basis according to statutes and court cases for treating manufacturing and "non-manufacturing" facilities differently under CIP (other than the requirement that non-manufacturing facilities are not eligible under ORS 307.330(1)(c) if the facility is used within one year after the commencement of construction)?

Answer

No.

Question 7

Does *Multnomah County v. Depr. of Rev.*, 13 OTR 223 (1995), have any effect on whether Target qualifies for CIP? If so, please indicate any such relevance.

Answer

The court does provide some guidance in this instance. It holds that there is no basis under ORS 307.330 for severing parts of the same structure based on function; any use or occupancy consistent with the structure's purpose will preclude the exemption.

Question 8

What are the obvious distinctions and commonality between CIP's definitions and the meaning of the phrase "in use or occupancy" as used for enterprise zones -- ORS 285.597(1)(b), (5)(c) and (d) and (6)?

Answer

See discussion below.

Discussion

I. Background

We begin with ORS 307.330 itself, which states, in pertinent part:

(1) Except for property centrally assessed by the Department of Revenue, each new building or structure or addition to an existing building or structure or addition is exempt from taxation for each year of not more than two consecutive years if the building or structure or addition:

- (a) Is in the process of construction on July 1;
- (b) Is not in use or occupancy on July 1;
- (c) Has not been in use or occupancy at any time prior to such July 1 date;
- (d) Is being constructed in the furtherance of income; and
- (e) Is, in the case of non-manufacturing facilities, to be first used or occupied not less than one year from the time construction commences.

Our object in interpreting a statute is

simply to ascertain and declare what is, in terms or in substance, contained therein, not to insert what has been omitted, or to omit what has been inserted; and where there are several provisions or particulars such construction is, if possible, to be adopted as will give effect to all.

ORS 174.010. The intention of the legislature is to be pursued if possible. A particular intent shall control a general one that appears inconsistent with it. See ORS 174.020. Statutes granting property tax exemptions are strictly, but reasonably, construed. See *Philips Industries v. Dept. of Rev.*, 5 OTR 462, 469 (1974).

You ask whether "use and occupancy" encompasses testing of equipment and training of employees on how to use the equipment at the facility. "Use or occupancy" is not defined, either in statute or in a rule applicable to this statute, but the language of ORS 307.330(1)(d) suggests that use or occupancy should bear some relationship to "the furtherance of income." If so, the exemption shall not apply if the structure is no longer under construction for the production of income or, if still under such construction, is already being used or occupied for the income producing activity for which it is being constructed. Moreover, ORS 307.330 plainly does not permit any "use or occupancy" of the facility even if the construction is not complete. However, determining both "completion" and "use or occupancy" depend in part upon the facts relating to the purpose and commercial viability of the structure. As the Tax Court has noted:

Each case must be decided on its own facts. It is conceivable that in some instance it would be plain that the completion of the last amenity would be requisite to "use or occupancy."

Allen v. Dept. of Rev., 5 OTR 185, 192 (1973).

One of the earliest, if not the earliest, reported cases on this issue was *Collier Carbon v. Dept. of Rev.*, 5 OTR 1 (1972). In that case, the court interpreted the word "structure" in ORS 307.330. The property was a plant designed for a very specific use (i.e., receiving, storage, handling and transshipment of prilled urea, used as fertilizer), "and not adaptable for any other purpose." 5 OTR at 7. "[T]he contract was a 'turn key' project; i.e., one in which the contractor designs and constructs the facility and turns the completed project over to the owner, ready for use." 5 OTR at 3. During the period in question, all but \$50,000 of the \$1.7 million project had been completed. Yet, certain equipment had not yet been installed and water and sewer lines had not yet been connected. The main warehouse would qualify for the exemption, but the remainder of the plant would not.

The court observed that the completion of a particular building does not necessarily signify the completion of the "structure" contemplated by the taxpayer. It found, in that case, that because of the uncompleted aspects of the structure, the property could be regarded as useless and therefore still "under construction." It cited the following comments from

Oakwood In Forest Hills, Inc. v. Tax Commission, 30 NY App Div2d 863, 293 NY2d 58, 60 (1968), construing an "occupancy" statute:

The underlying test, in accordance with the intent of the statute, is whether the construction of the building has reached the point where an economically viable structure is in existence as of the critical cut-off date. If the statute were not so construed, it would be possible for a situation to arise where it would be economically beneficial to the owner of a building to forego rents for a month or two and thereby avoid property tax for a full year.

However, in *Allen v. Dept. of Rev.*, 5 OTR 185 (1973), the court held that a building was not "under construction" when it was substantially completed and operating, but at less than full capacity and when testing in question could not lead to any economic production. ORS 307.330 does not require "an economically viable structure." *Allen*, 5 OTR at 191.

In order to forestall abuse of the exemption, the interpreter of the statute is forced to conclude that the extent of the exempt construction must be limited to the basic functional and substantially necessary elements of the structure.

Id. Finding that a plant existed which could turn out the product for which the plant was designed, from available raw material, although with difficulty, the court affirmed the denial of the exemption.

In contrast, in *Multnomah Co. v. Dept. of Rev.*, 5 OTR 437 (1974), following *Collier*, the court found that the improvements on the property constituted a structure, all the components of which were essential for the production of specific substances through chemical change and each part of the improvement was useless unless it and all other parts were capable of being operated for the purposes of production of any other product. The fact that, during the period in question, the plant produced a substantial amount of the iron pellets it ultimately was designed to produce was not conclusive, because this production consisted of trial runs that did not meet commercial standards.

In *Phillips Industries* the court addressed these questions: (i) is testing of a structure part of construction, and (ii) may part of a structure be entitled to a tax exemption under ORS 307.330 and 307.340? The improvements consisted of the building and some special-purpose machinery and office equipment. The building in question was of standard construction and usable for many widely varied commercial purposes. As of the tax exemption cut-off date, the building itself was substantially completed, but certain equipment had not yet been tested to make the facility ready for commercial use. The court held, based in part upon then existing administrative rules relating to the testing issue, that the purpose to which the developer puts the property is fundamental to the exemption and that the building

was still under construction if the equipment, for which it was constructed, had not yet been tested. *Phillips* at 473. The court found evidence of intent that the building or structure must be operable for production of income in the provision, of ORS 307.330(2), that extends the exemption of the facility to associated machinery and equipment located on the site. *Phillips* at 472. It also determined that the exemption could apply to part of a structure. *Phillips* at 474. However, that rule was subsequently reversed by *Multnomah County v. Dept. of Rev.*, 13 OTR 223, 230 (1995).

Next, in *Multnomah County v. Dept. of Rev.*, 13 OTR 147 (1994), the court determined that the owner's use of a "related improvement," an adjoining bridge and roadway, to complete an apartment complex was not "use or occupancy" for purposes of disqualification for the exemption. "Use of the bridge for construction is not the same as use of the bridge to produce income." *Id.* at 151. Thus, the property remained exempt.

Finally, in *Multnomah County v. Dept. of Rev.*, 13 OTR 223 (1995), the tax court considered a denial of an exemption of a four-story building with rental housing units, commercial space and two levels of parking. During the period in question, the developer opened the public portion (but not the private, apartment portion) of the parking facility for use. The court reversed its earlier rule that part of the facility could be exempt and found that the entire project was not qualified for the exemption.

Any use or occupancy consistent with the intended design or purpose of the building or structure will end the qualifying period.

There is no basis in ORS 307.330 for severing parts of the same building or structure based on function.

Id. at 230.

II. Meaning of "Use or Occupancy"

The cases cited above clearly establish that "use or occupancy" means "use or occupancy for any of the intended purposes of the building upon completion." In fact, the use or occupancy must relate to the commercial purposes of the structure. Merely using part of the structure to complete the rest of the structure or use of the structure for testing of equipment is not sufficient to disqualify the structure from the exemption.

III. Installation of Equipment

Installation of equipment while the structure is in the process of construction is not sufficient to end the exemption on the ground that the installation constitutes "use or

occupancy." However, the facility will no longer qualify for the exemption if it is substantially complete, and may be used for the production of income, and the equipment is not an essential part of the facility.

IV. Testing of Equipment

Clearly, the testing of equipment does not constitute "use or occupancy" unless the structure is intended to serve as a commercial equipment testing facility. In contrast, testing of equipment necessary to make the facility commercially viable may be evidence that the facility is still "under construction." However, if the facility is substantially complete and testing is not essential to make the facility economically viable, the facility is no longer qualified for the exemption.

V. Training of Employees

Training of employees does not constitute "use or occupancy," unless the structure is intended to serve as a commercial training facility. Assuming the structure is still under construction and no part of it is yet ready for the production of commercial-grade output, or income, training of employees at the facility on how to use and repair the equipment will not disqualify the structure for the tax exemption. Such training, if essential to making a new facility economically viable, may be viewed as an analogue to necessary testing of equipment. Conversely, eligibility for the exemption ends once any part of the facility is completed and ready for the production of commercial-grade output, or income, regardless of whether additional training would improve or expand the economic potential of the facility.

VI. Storing of Merchandise

Again, assuming the structure is still under construction and not yet commercially viable, storing of merchandise in the structure merely to test the computer's sorting, storing and retrieval mechanisms does not necessarily constitute "use or occupancy" for purposes of ORS 307.330. This answer, as the answers to the two previous questions, depends greatly on the applicable facts and, in particular, the essential purpose of the facility. The assessor may well wish to ask for further details concerning why the physical structure is not yet ready for commercial use and why the testing, training and storage is necessary to make the structure ready for commercial use.

The courts have not yet provided guidance regarding the effect of storage that is not part of "testing," but rather is essential "pre-stocking" that is necessary to make a facility, such as a distribution facility, ready for commercial use. However, we believe that the courts would hold that storage may be evidence that the structure is economically viable, especially if one of the purposes of the structure is storage. Thus, even assuming that the

facility is being constructed for the furtherance of income and is still under construction, it is likely that the courts would hold that such pre-stocking itself constitutes "use or occupancy" that disqualifies the structure for the exemption.

You have asked, in your letter of November 17, 1995, whether, under the CIP tax exemption, "distribution" and "shipping" could be duly characterized as the *only* intended end-purpose for the Target Stores facility being built in Albany. We cannot. Such determinations lawfully must be made by the county assessor, in the first instance, and by the Department of Revenue, in reviewing any such decision. Moreover, as the courts have warned, such determinations are necessarily based upon the facts and additional facts may alter the conclusion.

For example, it would seem that a distribution center, even one that stores goods only briefly, can also be a warehouse. Indeed, on page of your letter, you write: "Target's Northwest Distribution Facility is not designed merely to 'warehouse' goods, but rather is a state-of-the-art 'Distribution Center' designed to distribute products to retail stores." Thus, at least one of the commercial purposes of the structure will be to serve as a warehouse. It should follow, then, that pre-stocking, beyond that which is necessary to test the facility equipment to make it ready, would constitute "use or occupancy" that disqualifies the facility for the exemption.

VII. Treating Manufacturing and Non-Manufacturing Facilities Differently

The different treatment accorded to non-manufacturing facilities with respect to eligibility for the cancellation of assessment for commercial facilities under construction is purely a product of a policy choice of the legislature, but undoubtedly reflects differences it perceives in the administration of property tax laws for manufacturing and non-manufacturing commercial facilities.

VIII. Effect of 1995 Multnomah County Decision

The key point of the tax court decision in *Multnomah County v. Dept. of Rev.*, 13 OTR 223 (1995), relates to the question of severability. Under the ruling in that case, if any part of the structure is used or occupied for commercial purposes during the period in question, the entire facility loses its qualification for the cancellation of the assessment.

IX. Compare and Contrast "Use or Occupancy" in ORS 285.597 with ORS 307.330

"Use or occupancy" probably has a generally similar meaning in both ORS 285.597 and 307.330, although there are some obvious differences. In ORS 287.597(1) "use or occupancy" of "qualified property" is a qualifying condition for the exemption; in ORS

307.330 "use or occupancy" for commercial purposes disqualifies the property for the exemption.

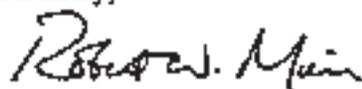
Also, in ORS 285.597(1)(b), the exemption may apply even if only a "portion of the property for which the exemption is sought was in use or occupancy no later than August 31 of the tax year for which the exemption is sought." In contrast, as noted above, use or occupancy of even a part of the facility disqualifies the property for cancellation of assessment under ORS 307.330. Obviously, in the first law, the aim is to encourage early occupancy. In the second law, the aim is to shelter the property only during the construction phase.

In ORS 285.597(5)(c) and (d), the "use and occupancy" requirement relates to the timing of the application and qualification for exemption. No exemption shall be granted, if the property was in a qualifying "use or occupancy" more than twelve months preceding the first tax year for which the application for exemption was made or if the property was not used or occupied in the tax year immediately following completion of construction.

ORS 285.597(6) extends the application period, during and after the first year in which a tax exemption for the firm's initial investment in qualified property was approved, for businesses that have increased the number of employees of the firm by 10 percent within the enterprise zone not later than August 31 following the tax year in which the additional investment in qualified property was completed and the firms meet the applicable requirements of ORS 287.597 and 285.600 to 285.615. Use or occupancy is only indirectly relevant in this paragraph.

This advice is provided for your official use only and may not be used or relied upon by anyone other than officers and employees of the State of Oregon and the Tax Conservation and Supervising Commission of Multnomah County. However, I see no reason why this advice should remain confidential, should you wish to disclose it to others. If we may be of further assistance, please advise.

Sincerely,



Robert W. Muir
Attorney-in-Charge
Tax and Finance Section

RWM:msh/JGG/C&FB

cc: Wendy Robinson, Assistant Attorney General
Richard Mann, Director, Department of Revenue



DEPARTMENT OF JUSTICE

TAX DIVISION
100 State Office Building
Salem, Oregon 97310
Telephone: (503) 378-4444

January 6, 1983

r. Glenn Coxen
Industrial Section
Assessment & Appraisal Division
56 Revenue Building
Salem, Oregon

Re: Property Tax Exemption of
Pollution Control Facilities
under ORS 307.405

Dear Mr. Coxen:

Your request for an informal opinion, dated October 29, 1982, presented three questions involving treatment of the pollution control ad valorem taxation exemption under ORS 307.405. Since one of your questions involved an issue before the Department of Revenue, in the Matter of the Appeal of Reynolds Metals Company, Opinion and Order No. VL B2-1200(A), I wanted to review the Department's opinion dated December 3, 1982 before responding to your request.

FIRST QUESTION PRESENTED

Should the exemption election for pollution control equipment from ad valorem taxation be based on annual value contribution to the unit-of-property or be based on certificate amount for each year eligible?

ANSWER GIVEN

The exemption election for pollution control equipment from ad valorem taxation should be based on the market value contribution to the unit-of-property.

DISCUSSION

In Mr. de Looze's opinion letter of June 21, 1978, OP 2239-V, the question was asked whether the percentage figures certified by the Environmental Quality Commission applied to the assessed

Mr. Glenn Coxen
January 6, 1983
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value, market value or cost as listed on the pollution control facility certificate. In regard to that question the following observations were made:

"The county assessor is not bound by the cost of the facility in determining its true cash value. The cost may be the true cash value in the first year of assessment, but the assessor may allow depreciation or obsolescence in valuing for ad valorem tax purposes in subsequent years. The statutory direction is, of course, that property be assessed at its 'true cash value', which is further defined under Oregon law to be 'market value'. * * * Therefore, I interpret ORS 307.405 as requiring the percentage certified to be applied to the true cash or market value of the facility, in its statement that the facilities 'are exempt to the extent of the highest percentage.'"

While not having researched the legislative records, I concur with your opinion that the legislative intent must have been to exempt specific pollution control equipment from taxation (varying annually depending upon what the tax liability would otherwise be) rather than granting a constant exemption amount applied to the total plant taxable value. To apply an exemption amount either greater or lesser than the current market value of the specific pollution control equipment would deviate from this intent. This would obviously occur where a constant amount is exempted each year from the total true cash value of the industrial plant's machinery and equipment and such total true cash value (including exempt pollution control equipment) changes to reflect the changes in the market value.

Where the exempted amount remains constant and depreciation or obsolescence have occurred to the pollution control equipment, the resulting effect would be to exempt taxable property, and "There is no provision in the law for any of the amount actually certified as a cost and actually exempt to be transferred to or applied to other property or properties." Opinion letter of Mr. de Looze, December 2, 1969, OF 1132-V. Likewise, if the market value of the pollution control equipment increases through inflationary forces or other means, a constant exemption amount would deprive the taxpayer of the full exemption entitled under the statute.

SECOND QUESTION PRESENTED

When the county board of equalization, Department of Revenue or Tax Court alters the value of an industrial plant that contains

Mr. Glenn Coxen
January 6, 1983
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certified pollution control equipment and there is no taxpayer's testimony pertaining to the value contribution of said equipment, is the adjusted value to be allocated to component categories, including pollution equipment?

ANSWER GIVEN

Yes.

DISCUSSION

This answer follows the above answer. The true cash value of exempt pollution control equipment will probably vary from year to year as will the taxable property of the plant facility. Each year the proportion that such exempt property represents of the total true cash value of the plant will likewise vary. If the board of equalization, Department of Revenue or Tax Court determine the true cash value of the plant facilities which contain exempt pollution control equipment and there is no evidence regarding the true cash value of just the exempt pollution control equipment, the Department has no other method than to determine the exempt value based upon the most recent acceptable determination of apportionable contribution to the total true cash value.

As with the application of a constant exemption amount, application of an exemption amount which does not reflect the same method of appraising as used for the rest of the plant facilities (even though this method may be a compromise between the taxpayer's method and the Department's) will either effectively exempt nonexempt property or deny the full exemption benefits to the taxpayer.

THIRD QUESTION PRESENTED

Should the pollution control exemption amount be deducted from the true cash value or assessed value?

ANSWER GIVEN

Pollution control exemptions should be deducted from the true cash value prior to applying the assessment ratio.

DISCUSSION

This issue was addressed in the Matter of the Appeal of Reynolds Metals Company, Opinion and Order No. VL 82-1200(A).

Mr. Glenn Coxen
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dated December 3, 1982. The hearing officer's opinion, with which I concur, is attached.

While the instant issue was not addressed in Mr. de Looze's opinion letter of June 21, 1978, referenced above, that opinion did address the issue of how to apply more than one exemption to property, and concluded that exemptions should not "double up." By applying an assessment ratio to the total true cash value of a plant's facilities, including exempt property, and then subtracting the exempt property, a form of "doubling up" and "leveraging" occurs.

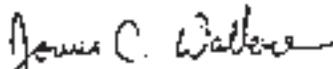
From the language of Opinion and Order No. VL 82-1200(A), it appears the taxpayer argued ORS 308.232 to support the double use of exempt property:

"All real or personal property within each county shall be valued at 100 percent of its true cash value and shall be assessed at a percentage of its true cash value as provided in ORS 309.160."

However, ORS 309.160 provides that property on assessment and tax rolls shall be divided into homesteads and "all other locally assessed taxable property" to which the assessment ratios are applied. It can be argued that the intent was to limit the application of the assessment ratios to taxable property excluding exempt property.

This letter is written at the request of the Department of Revenue for the purpose of assisting the Department of Revenue in the interpretation and application of the tax laws. It is not a formal or official opinion of the Attorney General.

Sincerely,


James C. Wallace
Assistant Attorney General
Tax Section

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enc.



DEPARTMENT OF JUSTICE

GENERAL COUNSEL DIVISION
Justice Building
Salem, Oregon 97310
Telephone: (503) 378-4986

July 11, 1988

Pete Burnell
Valuation Section
Assessment & Appraisal Division
256 Revenue Building
Salem, OR 97310

Re: Pollution Control Facilities Property Tax Exemptions
(150-301-4-01118)

Dear Mr. Burnell:

You have asked for clarification of my opinion dated April 18, 1986, issued to Glenn Coxen, concerning the availability of a pollution control facility property tax exemption for a facility which is inoperative. In that opinion I advised that a pollution control facility must be in use and operating in order to continue to be eligible for property tax exemption. You have specifically asked:

1. At what point during the year must the assessor determine whether a pollution control facility is in use and operation? The assessor must make this determination as of January 1 of the assessment year.

2. What is the effect on the exempt status of a pollution control facility which is not operational from October 1987 until October 1988? The facility is subject to taxation for the 1988-89 tax year.

Discussion

I concluded in my April 18, 1986 letter to Glenn Coxen that a plant closure constitutes a change in use of a pollution control facility for which the assessor may deny ad valorem tax exemption. Your questions concern the timing of disqualification if a pollution control facility ceases

Pete Burnell
Page 2
July 11, 1988

operation. ORS 311.410 governs the effect of a change in use of property on its taxable or exempt status for property tax purposes. ORS 311.410 provides in pertinent part:

"(1) Real property or personal property having a status as such on January 1 which is subject to taxation on July 1 shall remain taxable and taxes levied thereon for the ensuing fiscal year shall become due and payable, notwithstanding any subsequent transfer of the property to an exempt ownership or use. Real property exempt from taxation on July 1 shall remain exempt for the ensuing fiscal year, notwithstanding any transfer within such year to a taxable ownership or use.

* * * * *

"(3) Real or personal property is exempt if it is transferred or changed from a taxable to an exempt ownership or use at any time between January 1 and June 30, both inclusive, of any year; however, if such property is exempted under any provision of ORS 307.010 to 307.690, 307.850 and 307.990 which requires the filing of a claim for exemption, the transfer shall not operate to render such property exempt from taxation for such year unless the required claim for exemption is filed on or before April 1 in such year or within 30 days from the date of acquisition or change of use of the property, whichever is the later."

Pollution control facilities which enjoy a property tax exemption obtain that exemption under the provisions of ORS 307.405. ORS 307.420 requires the owner of a pollution control facility which is eligible for property tax exemption to file on April 1 of each year a statement with the county assessor, stating that the ownership of all property included in the pollution control facility exemption certificate and its use remain unchanged. In the fact situation you pose, a pollution control facility ceases operation in October, 1987. The facility does not begin operation again until October, 1988.

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July 11, 1988

Under the terms of ORS 311.410, the taxable or exempt status of the property is to be determined as of January 1. See also ORS 308.210. If the property is not in use on January 1, it is not exempt from taxation. If the property continues to lie idle after June 30, 1988, it is subject to taxation for the 1988-89 tax year. The fact that the facility is put into operation again in October, 1988 does not change the fact that it is taxable for the 1988-89 tax year.

If the property is in use and operation again on January 1, 1989, the owner files the necessary statement required under ORS 307.420, and the use and operation of the facility continues after June 30, 1989, the property will again be exempt for the 1989-90 tax year.

As noted in my letter to Glenn Coxen of April 18, 1986, the requirement that the pollution control facility be in continuing use and operation in order to enjoy property tax exemption is independent of the existence of a valid certificate from the Environmental Quality Commission.

Very truly yours,



Elizabeth S. Stockdale
Attorney-in-Charge
Tax Section

ESS:gcw/1602t
cc: George Weber
Michael Buston, AIC, Natural Resources Section, DOJ

State of Oregon
DEPARTMENT OF ENVIRONMENTAL QUALITY

Certificate No 1727

Date of Issue 2/24/84

Application No. T-1652

POLLUTION CONTROL FACILITY CERTIFICATE

Issued To: Stayton Canning Company Cooperative 930 W. Washington Street Stayton, Oregon 97383	Location of Pollution Control Facility: Stayton Plant No. 1 Elmer and Charlie Perry Property Stayton, Oregon
As: <input type="checkbox"/> Lessee <input checked="" type="checkbox"/> Owner	
Description of Pollution Control Facility: The facility is an extension to an existing waste water irrigation mainline consisting of 2,000' of 10" transite pipe and associated butterfly control valves.	
Type of Pollution Control Facility: <input type="checkbox"/> Air <input type="checkbox"/> Noise <input checked="" type="checkbox"/> Water <input type="checkbox"/> Solid Waste <input type="checkbox"/> Hazardous Waste <input type="checkbox"/> Used Oil	
Date Pollution Control Facility was completed: <u>June 17, 1983</u> Placed into operation: <u>June 27, 1983</u>	
Actual Cost of Pollution Control Facility: \$ <u>25,512.98</u>	
Percent of actual cost properly allocable to pollution control: <u>80 percent or more</u>	

Based upon the information contained in the application referenced above, the Environmental Quality Commission certifies that the facility described herein was erected, constructed or installed in accordance with the requirements of ORS 466.175 and subsection (1) of ORS 466.165, and is designed for, and is being operated or will operate to a substantial extent for the purpose of preventing, controlling or reducing air, water or noise pollution or solid waste, hazardous wastes or used oil, and that it is necessary to satisfy the intents and purposes of ORS Chapters 454, 459, 467 and 468 and rules adopted thereunder.

Therefore, this Pollution Control Facility Certificate is issued this date subject to compliance with the statutes of the State of Oregon, the regulations of the Department of Environmental Quality and the following special conditions:

1. The facility shall be continuously operated at maximum efficiency for the designed purpose of preventing, controlling, and reducing the type of pollution as indicated above.
2. The Department of Environmental Quality shall be immediately notified of any proposed change in use or method of operation of the facility and if, for any reason, the facility ceases to operate for its intended pollution control purpose.
3. Any reports or monitoring data requested by the Department of Environmental Quality shall be promptly provided.

NOTE — The facility described herein is not eligible to receive tax credit certification as an Energy Conservation Facility under the provisions of Chapter 512, Oregon Law 1979, if the person issued the Certificate elects to take the tax credit relief under ORS 316.021 or 317.072.

Signed James E. Petersen
 Title James E. Petersen, Chairman
 Approved by the Environmental Quality Commission on
 the 24th day of February, 1984

HARDY MYERS
ATTORNEY GENERAL

DAVID SCHUMAN
DEPUTY ATTORNEY GENERAL



1162 Court Street NE
Salem, Oregon 97310

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DEPARTMENT OF JUSTICE
GENERAL COUNSEL DIVISION

December 19, 1997

Mr. James W. King
Assessment & Taxation Standards Section
Property Tax Division
Department of Revenue
Salem, OR

Re: Request for legal opinion regarding Oregon Laws 1997, Chapter 819, Sections 5 and 6: Late Filing Penalties for Industrial Property Returns
DOJ File No. 150-303-GT0457-97

Dear Mr. King:

This letter is in response to your request for advice regarding penalties for delinquent property returns.

Oregon Laws 1997, Chapter 819, Sections 5 and 6, changed the late filing penalty for taxpayers who file only personal property returns (Section 5), but not for taxpayers who file real property returns or returns reporting both personal and real property (Section 6).

Currently, the counties send separate returns for each real and personal property account to taxpayers. The department sends a combined personal and real property return for every account of primary and secondary industrial property located at one site, together with a cover letter identifying the different accounts at the site and instructing the taxpayer to file a return for each account located at the site.

You indicated that the counties and department are considering the use of a single combined return for every account of any and all industrial property. You ask:

Would such a form allow the counties to apply section 5 penalties to each personal property account and section 6 to each real property account located at a given site or complex?

The short answer is that section 5 penalties may not be assessed where real property is reported in the return. Penalties are assessed per delinquent return, not per delinquent account. Section 5 penalties apply to delinquent returns reporting only personal property. If a combined return is used and a taxpayer reports real property only or real and personal property, then only section 6 penalties may be imposed for late filing. The same is true regardless of how many schedules, accounts, or locations are reported in a single return.

Mr. James W. King
December 19, 1997
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Also, you should note that, except for primary and secondary industrial property which has been delegated to the county for appraisal, the use of combined returns by the counties, which you are considering, will require modifications to ORS 308.290.

With regard to the department's combined return, you also ask:

Does the penalty provision in ORS 308.295 contemplate the penalty be applied on each account located at the site or on a site basis?

Penalties are assessed for delinquent returns. Under ORS 308.295, penalties are measured by the amount of assessed value of "the property," presumably including all property in each return which is reported or filed late. Under section 5 of Oregon Laws 1997, chapter 819, penalties are measured by the amount of tax "attributable to the taxable personal property of the taxpayer," but, presumably, limited to the personal property which is reported late.

Although you have not asked me to address this issue, it is not clear whether counties may require a separate return for each personal and real property account. If they may, then penalties may be assessed per delinquent return for each account. However, the combined returns currently used by the department for primary and secondary industrial property require reporting for both real and personal property, presumably, in most cases, in more than one account. Similarly, it is not clear whether the department may require a separate combined return for each site or location or for each account. If it may, then penalties may be assessed per delinquent return for each site or for each account.

LAW

Oregon Laws 1997, Chapter 819, Section 5, provides as follows:

SECTION 5. (1) Each person, firm, corporation or association required by ORS 308.290 to file a return reporting only taxable personal property, who or which has not filed a return within the time fixed in ORS 308.290 or as extended, shall be subject to a penalty as provided in the section.

(2) A taxpayer who files a return to which this section applies after March 1, or after April 15, if the taxpayer received an extension, but on or before June 1, is subject to a penalty equal to five percent of the tax attributable to the taxable personal property of the taxpayer.

(3) A taxpayer who files a return to which this section applies after June 1, but on or before August 1, is subject to a penalty equal to 25 percent of the tax attributable to the taxable personal property of the taxpayer.

Mr. James W. King
December 19, 1997
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(4) A taxpayer who files a return to which this section applies after August 1 shall be subject to a penalty equal to 100 percent of the tax on the return.

(5) If a delinquency penalty provided in this section is imposed, the tax statement for the year in which the penalty is imposed shall reflect the amount of the penalty and shall constitute notice to the taxpayer.

The pertinent parts of Oregon Laws 1997, Chapter 819, Section 6, provides as follows:

SECTION 6. ORS 308.295 is amended to read:

308.295. (1) Each person, firm, corporation or association required by ORS 308.290 to file a return, other than a return reporting only taxable personal property, who or which has not filed a return within the time fixed in ORS 308.290 or as extended, is delinquent.

(2) A delinquent taxpayer is subject to a penalty of \$1 for each \$1,000 (or fraction thereof) of assessed value of the property as determined under ORS 308.232, but such penalty shall not be less than \$10 or more than \$250. (Emphasis added.)

ORS 308.290(1)(a), in part, provides:

Every person and managing agent or officer of any firm, corporation or association owning, or having in possession or under control taxable personal property shall make a return of the property for ad valorem tax purposes to the assessor of the county in which such property has its situs for taxation; ***.

ORS 308.290(1)(b) provides:

Every person and the managing agent or officer of any firm, corporation or association owning or in possession of taxable real property shall make a return of the property for ad valorem tax purposes when so requested by the assessor of the county in which such property is situated.

In 1991, current subsection (4) of ORS 308.290 was added. ORS 308.290(4)(a) provides:

Mr. James W. King
December 19, 1997
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In lieu of the returns required under subsection (1)(a) or (b) of this section, every person * * * owning or having in possession or under control taxable real and personal property that is either principal or secondary industrial property as defined by ORS 306.126(1) and is appraised by the department shall file a combined return of the real and personal property with the department.

ORS 308.290(4)(d) provides:

If the department has delegated appraisal of the property to the assessor under ORS 306.126(3), the department shall notify the person otherwise required to file the combined return under this subsection as soon as practicable after the delegation that the combined return is required to be filed with the county assessor.

DISCUSSION

Prior to the 1997 enactment, effective beginning the 1998 tax year, personal property returns were assessed the same delinquency penalties as real property returns. The 1997 change created different delinquency penalties for taxpayers "required by ORS 308.290 to file a return reporting only taxable personal property."

Currently, the law does not permit counties to use combined returns or taxpayers to send combined to county assessors, unless the department has delegated appraisal responsibility for primary or secondary industrial property to the county assessor. ORS 308.290(4)(d). Assuming changes are made authorizing counties to use combined returns for all industrial property, but no changes are made to the provisions governing penalties, then penalties will remain assessable only on the basis of delinquent returns. Further, the phrase "a return reporting only taxable personal property" should be construed to mean a return which reports only taxable personal property, and only such returns which are delinquent may be assessed penalties under section 5 of Oregon Laws 1997, chapter 819. Other returns which report real property or a combination of real and personal property are subject to the penalties of section 6 of Oregon Laws 1997, chapter 819, or ORS 308.295.

I have assumed that the county practice of sending a return for each account and the department practice of sending a combined return for each account at each site is permissible. However, the statutory requirements for taxpayers to report taxable property are not account or site specific, i.e., they do not expressly require taxpayers to report property on an account-per-return basis.

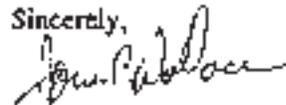
Mr. James W. King
December 19, 1997
Page 5

ORS 308.290(1)(a) requires a taxpayer to "make a return of the [taxable personal] property" "to the assessor of the county in which such property has its situs for taxation." There is no express requirement to file a return for each account of personal property. For real property, ORS 308.290(1)(b) requires the filing of a return of taxable real property when required by the assessor of the county in which such property is located. Both of these provisions require the taxpayer to file "a return" of all personal property and "a return" of all real property on a county-wide basis. Similarly, ORS 308.290(4)(a) requires a taxpayer to file "a combined return" of real and personal property, and other provisions impliedly indicate the combined return should report property on a county-wide basis.

Taxpayers may argue they have the right to report on a county-wide basis. This issue may affect the maximum penalty which may be assessed for delinquent returns which report real property. ORS 308.295(2). I bring this to your attention because it may affect your consideration of new forms for new property returns, potential department rules defining a "return" of property to be reported per return, or new legislation regarding property returns.

Please let me know if you would like further advice on these matters.

Sincerely,



James C. Wallace
Assistant Attorney General
Tax and Finance Section

1:Robert W. Meir, Attorney-in-Charge, Tax & Finance Section
RCW:cm10011008



DEPARTMENT OF JUSTICE
GENERAL COUNSEL DIVISION

November 4, 1999

Mr. Dean Schmidt
Principal Appraiser Analyst
Valuation Section
Property Tax division
Oregon Department of Revenue
955 Center Street N.E.
Salem, OR 97310

Re: Industrial Personal Property Reporting and Assessment
DOJ File No. 150-311-GT0440-99

Dear Mr. Schmidt:

You have asked a series of questions relating to the reporting and assessment of industrial personal property. Your questions focus on situations where personal property molds, dies, and jigs are held or used by an industrial firm but owned by a third party. The Oregon Department of Revenue is responsible under ORS 306.126 for the valuation of the property of the industrial firms in possession of the molds, dies, and jigs. Your questions are restated below, followed in each instance by a brief answer and a discussion.

1. Does the department have the authority to require state responsibility industrial companies to report molds, dies, and jigs in their possession on the annual industrial property return?

Yes. ORS 308.290(4)(a) provides:

In lieu of the returns required under subsection (1)(a) or (b) of this section, every person and the managing agent or officer of any firm, corporation or association owning or having in possession or under control taxable real and personal property that is either principal or secondary industrial property as defined by ORS 306.126 (1) and is appraised by the department shall file a combined return of the real and personal property with the department.

The returns referred to in subsection (1)(a) or (b) of ORS 308.290 are required for taxpayers " * * * owning, or having in possession or under control taxable personal property * * * ." ORS 308.290(1)(a). Subsection (1)(b) expresses a similar filing requirement for real property. Thus, the combined industrial return described in ORS 308.290(4) is in lieu of separate

Mr. Dean Schmidt
November 4, 1999
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real and personal property returns by parties owning or in possession of taxable real and personal property. Since the personal property in question, molds, dies, and jigs, is in the possession of an industrial taxpayer, it must be included on the combined industrial property return.

ORS 308.290(4)(b) provides that "[t]he contents and form of the return shall be as prescribed by rule of the department." Relying on this subsection, the department may define the nature of the industrial property return to include a section on molds, dies and jigs owned by others. Requested information might include the type of property, the owner and owner's address, the original cost, the date of manufacture, the date of acquisition, and an estimate of value. Additionally, if the property is potentially exempt, such as property owned by the federal government and held by a contractor for use as part of a defense contract, the detailed filing information may help avoid improper assessment. See, e.g., ORS 307.065.

Subsection (1)(a) further provides that "* * * however, as between a mortgagor and mortgagee or a lessor and lessee, the actual owner and the person in possession may agree between them as to who shall make the return and pay the tax * * *." ORS 308.290(1)(a).

The combined industrial property return described in ORS 308.290(4)(a) is in lieu of the personal property return in ORS 308.290(1)(a). We do not read the requirement for a combined return to eliminate the possibility that an owner and party in possession may agree between them as to who shall pay the tax. However, the department may require the industrial taxpayer to report all personal property in its possession even if the industrial taxpayer is not immediately liable for the assessment, whether by agreement with another party or otherwise. We recommend that, in cases where a written agreement between the property owner and the party in possession is on file with the county assessor, that the department require that the industrial return clearly state this fact and include the name, address and county personal property account number of the party responsible for the tax.

2. Does the department have the authority to add the Real Market Value of these molds, dies, and jigs to the personal property accounts of the companies in possession?

Yes. ORS 308.105(2) provides, in pertinent part, "Personal property may be assessed in the name of the owner or of any person having possession or control thereof." The department should report the real market value of any assessable personal property in possession of an industrial taxpayer to the county assessor. If a personal property account already exists in the name of the industrial taxpayer, the value of the property in possession may be added to that account. If no personal property account exists in the name of the industrial taxpayer, the department may take steps to establish an account for the taxpayer with the county assessor. We recommend that the description, owner (if known), and value of the property in possession be provided to the assessor in much the same manner as information regarding leased personal property has been traditionally transmitted to the assessor. In the event that an owner has also filed for this property, such information may help avoid double assessment.

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3. Does the department have the statutory authority to require the county assessor to assess these molds, dies, and jigs to the companies in possession?

Yes, provided that the assessor has not received an election from the party in possession and the property's owner indicating that the owner will be responsible for filing and paying the tax. ORS 306.115(1) provides, in pertinent part:

The department may do any act or give any order to any public officer or employee that the department deems necessary in the administration of the property tax laws so that all properties are taxed or are exempted from taxation according to the statutes and Constitutions of the State of Oregon and of the United States.

As discussed above, personal property may be assessed to the party in possession. However, the controlling statute, ORS 308.105(2) requires only that personal property be assessed to the owner or the party in possession. The dominant note of the statute is that the property must be assessed to someone. If the party in possession and the owner agree that the owner will file and pay the tax, and written notice of this agreement is filed with the assessor, so long as the owner follows through and pays the tax, ORS 308.105 has been satisfied.

ORS 308.290(1)(a) provides that, as between lessees and lessors, and mortgagees and mortgagors, also more generally described as "the actual owner" and "the party in possession," they may elect as to who will file and pay the tax. This election is binding on an officer in charge of the roll " * * * who has notice of the election." ORS 308.290(1)(a). Therefore, in a case where such an election was made in writing, the department would be without authority to order the assessor to contravene the written election of the parties. However, absent such an election, if the assessment roll did not reflect the correct value for personal property in the name of the party in possession, the department could issue an order under its supervisory powers directing the assessor to correct the roll.

4. Does the department have statutory authority to assess unreported molds, dies and jigs as omitted property to the company in possession?

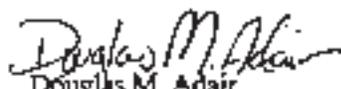
The department has no direct authority to assess industrial property. However, the department may notify the county assessor of its belief that property had been omitted from the assessment rolls in previous years. The assessor may then proceed to assess such property as provided by ORS 311.216 *et. seq.* Consistent with our prior discussion, the property is assessable to either the party in possession or to the owner. Presumably, if the property is omitted, no written agreement between the owner and the party in possession is on file with the assessor. In that case, the assessor (at the department's direction) is entitled to send notice of an intent to assess omitted property to the party in possession as provided in ORS 311.219. The notice of intent to assess " * * * shall be given to the person claiming to own the property or occupying it or in possession thereof * * *." ORS 311.219 (emphasis added). During the 20 day period after notice is given, the notified party is entitled to appear and " * * * show cause, if any, why the property should not be added to the assessment and tax roll and assessed to such

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person." ORS 311.219. The show cause hearing under ORS 311.219 provides a reasonable opportunity for the party in possession of the omitted property to provide additional information about the property or other potentially responsible parties.

We trust our answers have been responsive to your requests. If we can be of further assistance, please advise.

Sincerely,


Douglas M. Adair
Assistant Attorney General
Tax & Finance Section

DMA:dma/GEN33926
C: Robert W. Muir, AIC Tax & Finance

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DEPARTMENT OF JUSTICE
GENERAL COUNSEL DIVISION

May 26, 1998

Dean Schmidt
Valuation and Cartography Section
Property Tax Division
Department of Revenue
955 Center Street NE
Salem, OR 97310

Re: Audit Authority
DOJ File No. 150-301-GT0196-98

Dear Dean:

You have asked us to review a memorandum from you to Grant Merrill describing a proposed Industrial Audit/Review Program, as background to three legal questions. In the memo you note that, with the passage of Measure 50 and the repeal of the requirement in ORS 308.234 that each parcel of property be appraised at least once every six years, the department is seeking ways to make the best use of its appraiser's time. One proposal is an industrial audit program, which has been suggested as a pilot project for the current year. Presumably in lieu of an appraisal of all accounts, the department will review the accounts to identify those with valuation issues. It will then send appraisers to audit identified properties to focus on resolving those specific issues. Given the foregoing, you ask: What is the department's authority to conduct audits of industrial properties? Does an audit meet the legal requirements of an appraisal? Would such an audit constitute an exception to adjudicated value under ORS 309.115(3)?

Brief Answers

Although you have not defined exactly how you will conduct the audits, we have no doubt that the department may conduct audits for purposes of valuing industrial property. The department by rule may authorize audits to assist it in annually valuing each industrial property at 100 percent of its real market value. Without a definition or specific description of the audit methodology, we cannot say whether the audit would meet the legal requirements of an appraisal, such as those specified in ORS 308.411. An audit would constitute an exception to the adjudicated value limitation of ORS 309.115(1) only if it assists in a reappraisal of the value of the property which is part of a "routinely scheduled reappraisal under ORS 306.125."

Discussion

Question 1: May Revenue conduct audits of industrial sites?

You have not provided us with a specific definition or description of the audit activity. Webster's 9th New Collegiate dictionary defines "audit" as "a formal examination of an organization's or individual's accounts or financial situation." This involves a process of sampling and testing of financial information and accounting systems to establish the accuracy of financial information in conformity with generally accepted accounting standards. An "audit" for ad valorem tax purposes has no specific meaning. Like financial auditing, tax auditing could be limited to the verification of the accuracy of booked or reported figures. It could also involve an valuation of a limited number of items or groups of items. Alternatively, it could encompass a review of everything in the plant, with the intention of potentially expressing a new opinion of value. However, your memorandum to Grant Merrill states these examples of proposed audits of industrial facilities: checking for additions to and retirements of property that should have been reported on the industrial property return (IPR); review of the accuracy of the cost of the additions, where high cost net additions have been made to the property; review of a wide variety of issues on accounts that have been marked for review during the IPR processing.

There is no question but that the department may conduct such audit activities. "The department may do any act * * * so that all properties are taxed * * * according to the statutes * * * ." ORS 306.115(1). Revenue is responsible for appraisal of primary and secondary industrial facilities and must annually advise the assessor of value for those sites. ORS 306.126. The department has the duty to value each industrial property at 100 percent of its real market value each year and to report this value to the assessor. ORS 308.232. "Real market value in all cases shall be determined by methods and procedures in accordance with rules adopted by the Department of Revenue." ORS 308.205(2). Moreover, the law no longer requires a physical appraisal at least once every six years; instead, "[e]ach parcel of real property shall be appraised using method of appraisal approved by the Department of Revenue by rule." ORS 308.234. Clearly, the examples of audit activity listed in your memorandum could serve to establish the proper valuation of industrial properties, assuring thereby that those properties are "taxed * * * according to the statutes."

However, the statutes require the department to adopt and approve methods of appraisal by rule. Methods and procedures for the valuation of industrial property are found in OAR 150-308.205-(D). Section (4) provides:

- (4) Basic information for an appraisal utilizing the annual report method. Basic data normally includes the following:
- (a) Reports of addition
 - (b) Reports of retirements

- (c) Knowledge of miscellaneous technical and economic conditions that affect value
- (d) Trending factors
- (A) Separate factors for yard improvements, buildings, and equipment classified as real property shall be developed.
- (B) The development of the factors shall utilize data published by the United States Department of labor, the Oregon Building Construction Trades Council, and other sources deemed appropriate.
- (C) Data developed by physical inspection together with appraising a segment of the total property or making a general review of the total value under certain circumstances may supplement the data utilized in (A) above.
- (e) Depreciation allowances
- (f) Real market value for prior year

If the department wishes to employ audits as part of its industrial appraisal process, it should amend this rule to express this policy.

Question 2: Does an audit meet the legal requirements to be an appraisal?

An appraisal is a valuation of the property. As noted above, the law requires an annual valuation or appraisal of industrial property. ORS 308.411 prescribe specific procedures and methods for an industrial appraisal. These include consideration of the three standard approaches, market, cost and income, to a valuation. They also include notification to the taxpayer, a preliminary survey, and the opportunity for the taxpayer to elect whether to produce financial information in return for the utilization of the income approach to value. However, as recently noted by the Tax Court in *Brummell v. Revenue* (TC 3911), slip op at 7, "appraising is an art as much as science." "[T]he assessor has discretion to determine which method most accurately measures the value of the property." The same may be said about how the information is gathered to support one or more of the three valuation approaches.

An audit is not an appraisal. Rather it is a method for gathering information for an appraisal. An appraisal consists in the analysis of the whole property to establish its real market value. An audit performed in conjunction with the annual report and annual maintenance revaluation could affect valuation in two ways. It could result in a change in value solely of the additions and retirements for the current period. Alternatively, it could result in changes to value for more than current period additions and retirements. However, neither of these should be considered a true appraisal unless the requirements of ORS 308.411 are met. Valuation changes based solely on physical changes in the property, such as additions or retirements, traditionally have not been viewed as a true reappraisal. See, e.g., ORS 309.115 (defining allowable adjustments to an adjudicated value). Therefore,

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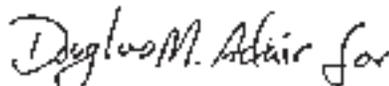
even if the requirements of ORS 308.411 are met, where the only valuation change relates to current period property changes, this is not a reappraisal of the "property" as a whole.

Question 3: Does an audit cancel an adjudicated value?

ORS 309.115 provides that a final order of a board or court shall not be changed for five years with certain exceptions. Of the exceptions listed in ORS 309.115(3), the only one relevant to audits of industrial properties is changes in value as a result of a "[r]eappraisal as part of routinely scheduled physical reappraisal under ORS 306.126." ORS 306.126 authorizes the department to appraise industrial facilities but makes no mention of any routine schedule. "Routine schedule" historically referred to the six year cycle formerly required by ORS 308.234. Although ORS 308.234 no longer contains any schedule, it contains a directive for the department to promulgate rules that could be responsive to this issue. However, whatever the schedule prescribed by rule, the audit would constitute an exception to adjudicated value only if it used to reappraise the property as part of routinely scheduled physical reappraisal under ORS 306.126.

We trust that this satisfactorily addresses your questions. If we may be of further service, please advise.

Sincerely,



Robert W. Muir
Attorney-in-Charge
Tax and Finance Section

RWM:rwm/JGG:HED



DEPARTMENT OF JUSTICE
GENERAL COUNSEL DIVISION

September 16, 1998

DISCUSSION DRAFT

Dean Schmidt
Valuation Section
Department of Revenue

Re: Changed Property Ratio
DOJ File No. 150-303-GT0460-98

Dear Dean:

You have asked a question regarding the correct procedure for calculating the ratio of the average maximum assessed value over the average real market value for the assessment year. This ratio is called the "change property ratio," or the "CPR," by appraisers at the Department of Revenue, although that term is not a statutory term. The CPR is used in calculating the maximum assessed value of new property or new improvements to property, pursuant to ORS 308.153, or the maximum assessed value of property that is subdivided, partitioned, rezoned, omitted, and disqualified from exemption or special assessment, as provided in ORS 308.156.

Specifically, you ask whether the CPR calculation includes or excludes the portion of property in a property tax account that is not new property or new improvements to property, partitioned or subdivided, rezoned, omitted property or disqualified from exemption or special assessment. In other words, should the existing, or base, property in a property tax account be included in the calculation of the CPR, even though it is affected by one of the enumerated events? Our answer is that ORS 308.149 requires that the base property be included in the CPR calculation.

ORS 308.149 provides, in pertinent part:

- (1) "Property class" means the classification of property adopted by the Department of Revenue by rule, except that in the case of property assessed under ORS 308.505 to 308.665, "property class" means the total of all property set forth in the assessment roll prepared under ORS 308.540.
- (2) "Area" means the county in which property, the maximum assessed value of which is being adjusted, is located except that "area" means this state, if the property for which the maximum assessed value is being adjusted is property that is centrally assessed under ORS 308.505 to 308.665.

- (3) (a) "Average maximum assessed value" means the value determined by dividing the total maximum assessed value of all property in the same area in the same property class by the total number of properties in the same area in the same property class.
- (b) In making the calculation described under this subsection, the following property is not taken into account:
- (A) New property or new improvements to property;
 - (B) Property that is partitioned or subdivided;
 - (C) Property that is rezoned and used consistently with the rezoning;
 - (D) Property that is added to the assessment and tax roll as omitted property; or
 - (E) Property that is disqualified from exemption, partial exemption or special assessment.
- (c) Paragraph (b)(B), (C), (D) and (E) of this subsection does not apply to the calculation of average maximum assessed value in the case of property centrally assessed under ORS 308.505 to 308.665.
- (4)(a) "Average real market value" means the value determined by dividing the total real market value of all property in the same area in the same property class by the total number of properties in the same area in the same property class.
- (b) In making the calculation described under this subsection, the following property is not taken into account:
- (A) New property or new improvements to property;
 - (B) Property that is partitioned or subdivided;
 - (C) Property that is rezoned and used consistently with the rezoning;
 - (D) Property that is added to the assessment and tax roll as omitted property; or
 - (E) Property that is disqualified from exemption, partial exemption or special assessment.
- (c) Paragraph (b)(B), (C), (D) and (E) of this subsection does not apply to the calculation of average maximum assessed value in the case of property centrally assessed under ORS 308.505 to 308.665.

ORS 308.149(1) to (4). (Emphasis added.)

For both average maximum assessed value and average real market value, the changes described in subsections (B), (C), (D) and (E) will likely affect the entire property tax account. Property that is subdivided, for example, will be valued as single lots, instead of a single large parcel, so the entire property tax account is affected, and would not be included in either the "total number of properties" in the area or the "value of all property" in the area. See ORS 308.149(3)(b)(B) and (4)(b)(B). Similarly, rezoning, partition, removal from exemption or special assessment, and, in some cases, omitted property, will affect the value of the whole property in a property tax account. ORS 308.149(3)(b)(B)(C)(D)(E) and (4)(b)(B)(C)(D)(E) expressly prohibit the inclusion in the CPR calculation of property that is affected by the described events. These events, in contrast to those in (A), necessarily affect the entire property.

ORS 308.149(3)(b)(A) excludes from the CPR calculation only property that meets the definition of "new property or new improvements to property." ORS 308.149(5)(a) defines "new property or new improvements" to mean "changes in value of property" as the result of new construction, reconstruction, major additions, remodeling, renovation or rehabilitation of property, as well as the addition of machinery, fixtures, furnishings, equipment or other taxable real or personal property. Thus, the only portion of the property in a property tax account that is excluded from the CPR calculation is the property that has changed as a consequence of being either new property or new improvements to property. Conversely, a new property that comprises all property in the tax account would be excluded from the CPR calculation.

The (B)(C)(D)(E) events do not apply to the calculation of CPR for centrally assessed utility properties; only (A) applies. See ORS 308.149(3)(c). The (A) property is treated separately from the (B)(C)(D)(E) property events in ORS 308.153 and 308.156, respectively. This differentiation is a reflection of the differing character of these "exceptions" to the calculation of maximum assessed value. On the other hand, industrial, commercial and residential properties may be affected by (A) through (E), so in most (B)(C)(D)(E) situations the entire property tax account must be excluded from both the "value of all property" in the same area and the "total number of properties" in the same area, in calculating the CPR. However, the base property is properly included in calculating the CPR if the property in the account is affected only by the addition of "new property or new improvements to property," because that is the only property in the property tax account that is not taken into account in calculating the CPR. See ORS 308.149(3)(b)(A) and (4)(b)(B).

In the case of industrial and some commercial properties, the "new property or new improvements to property" may be easily distinguished from the previously existing, or base, property in the property tax account. For example, the value of an industrial plant, excluding the value of new machinery and equipment, can be readily determined, so the account can be included in the total number of properties, and the value in the value of all property. On the other hand, new improvements to a residential property, such as in a complete renovation, may change the value of every part of the property in that property account so completely that it virtually becomes an entirely new property, and appropriately should be excluded from the CPR calculation, just as if the property had been rezoned.

In conclusion, ORS 308.149 requires all property in the same area in the same property class, other than the property that is expressly excluded by the language of that section, to be included in calculating the CPR (the ratio of the average maximum assessed value over the average real market value). If new property or new improvements to property are added to the property in the property tax account, all of the property in the affected property tax account must be excluded from the CPR calculation only in those instances where the maximum assessed value or the real market value of that property cannot be determined without respect to the resulting changes in value. In other words, the base property must be included in the CPR calculation if it can be readily distinguished from the new property or new improvements to property. If the base

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property value is ascertainable apart from the new property or new improvements to the property, the base property should be included in both the value of all property in the same area and the total number of properties in the same area, for purposes of calculating the CPR.

Please let me know if you have further questions.

Sincerely,

Marilyn J. Harbur
Assistant Attorney General
Tax & Finance Section

MJM:mjh/GENR1997
c. Robert W. Muir, Attorney-in-Charge

[Filed April 20, 1891]

JAMES HELM ET AL. v WM. GILROY ET AL.

PRELIMINARY INJUNCTION — PROVISIONAL REMEDY — TITLE. — A preliminary injunction is a provisional remedy, the sole object of which is to preserve the subject in controversy in its then condition; and courts of equity in granting or refusing the same, should in no manner anticipate the ultimate determination of the question of right involved.

WHEN APPEAL WILL LIE FROM ORDER GRANTING OR REFUSING SAME. — An order granting or refusing a preliminary injunction does not ordinarily partake of the nature of a final judgment to such an extent as to warrant an appeal therefrom; but when the court not only refused the injunction, but entered a decree settling the rights of the parties, an appeal will lie.

ASSIGNEE UNDER GENERAL ASSIGNMENT LAW, TITLE OF. — An assignee, under the general assignment law, takes no better title than his assignor, and is affected by all the equities existing against him.

FIXTURES, WHEN AS BETWEEN MORTGAGOR AND MORTGAGEE, MACHINERY IS. — As between mortgagee and mortgagor, machinery necessary for and used in the operation of a saw and door and planing mill, when affixed to the building by screws, bolts, pulleys and bands, is a fixture, and subject to the lien of the mortgage.

Jackson county: L. R. WENSTER, Judge.

Plaintiff appeals. Modified.

The property in controversy in this suit is certain machinery necessary for and used in operating what is known as a saw and door factory and planing mill at Ashland, Oregon. This machinery was purchased on April 22, 1887, of the Parke & Lacy Machinery Company, of Portland, by defendant Wm. M. Gilroy, and one Youle, who were the owners of the real estate, water-power and building in which the machinery was placed. The agreement between the P. & L. M. Co. and Gilroy & Youle was, in form, a lease for twelve months, at a stipulated rental of \$2,093, payable \$900 in cash, and balance at stated times during the year; and upon the payment of this rent Gilroy & Youle were to have the right to purchase the property for two dollars. By this lease, Gilroy & Youle agreed that they would not permit the machinery, or any part thereof, to be affixed to real estate. After said machinery was received at Ashland, it was placed in the building prepared for it, and attached thereto by screws, bolts, pulleys and bands in the manner such machinery is usually attached to buildings. Gilroy & Youle used and operated said mill and machinery for some time, when Gilroy purchased the interest of Youle and continued to use and operate the same until May 13, 1889, when he and his wife executed and delivered to one G. F. Pennebaker their mortgage to secure the payment of the sum of \$3,500 on or before one year after date, which mortgage was subsequently assigned to plaintiffs. This mortgage in terms only describes the real estate upon which said mill is situ-

ated and its appurtenances. Two days after the execution of the mortgage, Gilroy made a general assignment for the benefit of his creditors to defendant Rogers of all his property. On January 30, 1890, there remained due from Gilroy & Youle to the P. & L. M. Co. on the purchase price of said machinery, \$879.89. Rogers paid the same from money in his hands as assignee, and received from the company a bill of sale of said machinery. On May 18, 1890, no payments having been made on the mortgage, plaintiffs commenced a suit to foreclose the same, making Gilroy and wife and Rogers defendants, but neither of them appeared or made defense thereto. On August 11, 1890, the plaintiff filed an amended complaint, which, among other things, particularly described said machinery, and alleged that it was a part of the realty and subject to the lien of plaintiff's mortgage, and that defendant Rogers, as assignee of Gilroy, was in possession of the property and threatened to remove the machinery and sell and dispose of the same, and would do so unless enjoined by order of the court, and praying for a preliminary injunction. Rogers answered, denying that the machinery was a part of the realty or subject to the lien of plaintiff's mortgage, and alleging the purchase by him of the P. & L. M. Co. A reply having been filed, the cause was heard before the court on the 26th of August, 1890, and a decree entered adjudging that the machinery was not part of the real estate described in plaintiff's mortgage, nor subject to the lien thereof; and hence this appeal.

H. K. Hanna, for Appellant.

Austin S. Hammond, for Respondant.

BRAN, J.—This case comes here on appeal from an order denying a preliminary injunction. The record is in a very unsatisfactory condition. In place of trying the issue between the parties in the original suit to foreclose plaintiff's mortgage, as should have been done, it seems it was tried on a proceeding for a preliminary injunction, in aid of the original suit. In this proceeding, the court, after hearing the evidence, not only denied the writ, but entered a decree determining the question as to whether the property in controversy was subject to the lien of plaintiff's mortgage, thereby splitting up the original cause of suit; in the original suit entering a decree foreclosing the mortgage and ordering the real prop-

erty sold to satisfy the amount due plaintiff, and in the ancillary proceedings for an injunction, determining the question as to whether the machinery was a part of such realty, when the entire question should have been put in issue either by the original or an amended complaint and determined by one decree.

A preliminary injunction is only a provisional remedy, the sole object of which is to preserve the subject in controversy in its then condition and without determining any question of right, merely to prevent the further perpetration of wrong, or the doing of any act whereby the right in controversy may be materially injured or endangered. In granting or refusing temporary relief by preliminary injunction, courts of equity should in no manner anticipate the ultimate determination of the question of right involved. They should merely recognize that a sufficient case has or has not been made out to warrant the preservation of the property or rights *in statu quo* until a hearing upon the merits, without expressing a final opinion as to such rights. (1 High Inj. § 4; Hill's Code, §§ 408, 411.) The granting or refusing such an injunction rests largely within the discretion of the court, and being merely an interlocutory order, made during the progress of the cause, does not ordinarily partake of the nature of a final judgment or decree to such an extent as to warrant an appeal therefrom. (2 High Inj. § 1603.) But in this case, the court not only refused the injunction but entered a decree settling the rights of the parties, and in effect determined the suit so as to prevent a decree therein, so far as this machinery is concerned, and therefore it must necessarily be an appealable order or decree under section 535, Hill's Code; (*Smith v. Walker*, 57 Mich. 456; *Tel. A. A. & N. Mich. Ry. v. Det. L. & N. R. R.* 61 Mich. 9.)

From what has already been said, it follows that so much of the decree of the court below as adjudges and decrees "that the machinery referred to and described in plaintiff's complaint for injunction is not a part of the real estate in controversy in this suit, and not included in plaintiff's mortgage," must be reversed. But since the question seems to have been determined in the court below on a full hearing of the evidence, which is made a part of the transcript, and both parties expressed a desire on the argument that we

should examine the case on its merits, we have concluded to do so.

It is argued for respondent that under the agreement between the P. & L. M. Company and Gilroy & Youle, the machinery in controversy did not become fixtures, but retained its character as chattels, notwithstanding its annexation to the building in which it was placed, and was therefore not subject to the lien of the plaintiff's mortgage. Before discussing this question, it will be well to understand the relationship of the parties to this record. The defendant Rogers, who alone is contesting plaintiff's claim, is the assignee of the defendant Gilroy, plaintiff's mortgagor, under the general assignment law of this state. As such assignee he succeeds only to the rights of his assignor, and is affected by all the equities existing as against him. He takes the property subject to all existing valid liens and charges. He acquires no better title than his assignor, and in this suit can make no defense to the mortgage that his assignor could not make. (*Jacobs Bros. & Co. v. Ervin*, 9 Or. 52; *Gambons v. Holman*, 11 Or. 284; *Burrill on Assignment* § 391.) The fact that he may have paid the P. & L. M. Co. with funds belonging to him as assignee the balance due to it from Gilroy & Youle on the purchase price of the machinery, does not change his relationship to the property in any way. It is in effect the same as if Gilroy himself had made the payment. He does not acquire title to this property by virtue of the bill of sale from the P. & L. M. Co., but by virtue of the deed of assignment from Gilroy. While the agreement between the P. & L. M. Co. and Gilroy & Youle was in form a lease, it was in effect a sale, and whatever right if any the company may have had as against this property was never asserted by it. It follows, therefore, that if the property in controversy was subject to the lien of plaintiff's mortgage, as between them and Gilroy, such lien exists as against this defendant. The question then as to whether this machinery became a fixture as to the P. & L. M. Co. is immaterial in this case, and we forbear to express an opinion thereon.

It has often been remarked that the law of fixtures is one of the most uncertain titles in the entire body of jurisprudence. The line between personal property and fixtures is often so close and so nicely drawn that no precise rule has

or can be laid down to control in all cases. Each case must depend largely on its own particular facts. The reports and text-books are filled with decisions and discussions of this question, but none of the rules laid down are infallible or of universal application. We shall not attempt to quote from them, nor enter into any detailed discussion of the the question. We could not hope to throw any new light upon the vexed question. The weight of modern authority, keeping in mind the exceptions as to constructive annexation, admitted by all the authorities to exist, seems to establish the doctrine that the true criterion of an irremovable fixture consists in the united application of several tests: (1) Real or constructive annexation of the article in question to the realty. (2) Appropriation or adaptation to the use or purpose of that part of the realty with which it is connected. (3) The intention of the party making the annexation, to make the article a permanent accession to the freehold, this intention being inferred from the nature of the article affixed, the relation and situation of the party making the annexation, the policy of the law in relation thereto, the structure and mode of the annexation and the purpose or use for which the annexation has been made. (*Henkle v. Dillon*, 15 Or. 610; *Ewell on Fixtures*, 21; *Teaff v. Hewitt*, 1 Ohio St. 511; *Thomas v. Davis*, 76 Mo. 72; *Clare v. Lambert*, 78 Ky. 224; *Southbridge Sav. Bank v. Necess Tool Co.* 130 Mass. 547.) Applying these rules to the facts in hand, it is clear that the property in controversy as between the mortgagor and mortgagee must be regarded as fixtures. Its annexation to the realty was sufficiently permanent to enable it to be used for the purposes intended, and was of the character usual with such machinery. It is not the plaintiff in that action suffered some damage. This view of the subject disposes of the estoppel.

The defense of the statute of limitations must also fail. Mrs. Owens, under whom defendant claims, says she never set up or intended to claim any land not within the calls of her deed; and, further, it very clearly and conclusively appears from the evidence that for a great many years, whatever authority she exercised over the premises in dispute was permissive on the part of Mr. Abraham: that she fully recognized his title, and that he agreed with her that he would never disturb her as long as she wished to occupy

it. It would be a misnomer and a confusion of all legal distinctions to call such an occupancy adverse, or to suppose that by a continuance for any length of time it might be the source of title by adverse enjoyment.

The decree appealed from must therefore be affirmed.

BEAN, J., having presided at the trial of this case in the court below, did not sit here.

SEVEN-UP BOTTLING CO. OF SALEM, INC.

v.

DEPARTMENT OF REVENUE

(TC 2398)

Court found that the subject property was "affixed" or "erected upon" real property and not readily movable. Therefore, based upon ORS 307.010 and 307.020, the court ruled that the property was "real," not "personal."

Taxation - Real property in general

1. "Real property" includes "machinery, equipment or fixtures erected upon, under, above or affixed to the same." (ORS 307.010(1)).

Taxation - Personal property in general

2. "Personal property" includes "all chattels and movables." (ORS 307.020(3)).

Statutes - Construction and operation - Judicial authority and duty

3. Courts are statutorily mandated not to add to or subtract from a statute but to interpret it according to the terms therein. (ORS 174.010).

Statutes - Construction and operation - Meaning of language

4. In construing a statute, words of common usage are to be given their natural and obvious meaning.

Taxation - Liability of persons and property - Nature of property

5. The context of the "law of fixtures" is to be distinguished from the determination of real and personal property for *ad valorem* tax purposes.

Taxation - Constitutional requirements - Equality and uniformity

6. *Ad valorem* tax laws are intended to promote uniformity of taxation and reasonable ease of administration. These objectives cannot be met if assessors must rely on the common law test of "fixtures."

Administrative law - Rules and regulations - Validity

7. Although not binding on the court, an administrative rule is entitled to great weight.

Administrative law - Rules and regulations - Validity

8. To the extent that OAR 150.307.010 attempts to narrow the statute, it is invalid.

Trial held in courtroom of Oregon Tax Court, Salem, on December 16, 17 and 29, 1986.

David A. Rhoten, Salem, represented plaintiff.

Joseph A. Laronge, Assistant Attorney General, Department of Justice, Salem, represented defendant.

Decision for defendant rendered March 13, 1987.

CARL N. BYERS, Judge.

Plaintiff is the owner of certain machinery and equipment used in its business of bottling and distributing soft drinks. Plaintiff's property was assessed for the 1984-85 tax year as real property by the Marion County Assessor. Defendant upheld the assessor's characterization of the machinery and equipment and plaintiff appeals to this court seeking a determination that the property is personal property, not real property.¹

The property in question consists of the machinery and equipment one would expect to find in a soft drink bottling plant. Numerous conveyors connect the machines used for washing, filling, capping, labeling and packaging the bottles. There are fluid tanks, air compressors, heaters, water treatment and a palletizing machine. All of these are integrated and interrelated by pipes, wiring and conveyors as is necessary to process and produce plaintiff's product. The court viewed the premises to enable it to better understand the evidence submitted in this case.

Much of the testimony related to how the equipment was attached to the buildings or to other equipment. Some of the equipment, such as the large bottle washer, the palletizer and some conveyors is not attached to the building but merely rest in place by virtue of its weight. However, these items are attached to other equipment such as conveyors, pipes or wiring. Some equipment is attached to the building by bolts or screws, but, as plaintiff points out, it could be removed without significant damage to the building. In some areas the building has been modified to accommodate the conveyors, pipes and heating ducts which pass through the walls or the roof.

The single issue before the court is whether plaintiff's machinery and equipment is "movable" within the meaning of ORS 307.020(3).

Plaintiff makes much of the fact that the building in

¹ Plaintiff's counsel explained that while both real and personal property are taxable, real property values are generally trended up with inflation while personal property values are decreased in accordance with certain set depreciation schedules. If this is true, it certainly raises questions as to the accuracy of the assessment in one of the two directions.

which the equipment is housed is not owned by plaintiff and is readily adaptable to other light industrial or commercial uses. For the reasons set forth below, ownership of the building by another party has little bearing on the determination of the issue at hand.²

Resolution of the issue in this case is aided by the fact that the Court can look to two statutes rather than just one. ORS 307.010(1) defines real property while ORS 307.020(3) defines personal property. The issue posed in this case requires the court to draw the line between the two definitions for purposes of administering the tax statutes.

1. 2. The statutory definitions with which we are concerned are as follows:

“ ‘Land,’ ‘real estate’ and ‘real property’ include the land itself, above or under water, all buildings, structures, improvements, machinery, equipment or fixtures erected upon, under, above or affixed to the same; * * *.” (ORS 307.010(1).)

“ ‘Tangible personal property’ means and includes all chattels and movables, such as boats and vessels, merchandise and stock in trade, furniture and personal effects, goods, live-stock, vehicles, farming implements, movable machinery, movable tools and movable equipment.” (ORS 307.020(3).)³

3. The first rule of the search in statutory construction is to focus on the statute itself. *Whipple v. Howser*, 291 Or 475, 632 P2d 782 (1981). The court is expressly admonished by the legislature in ORS 174.010 not to add to or subtract from a statute but “simply to ascertain and declare what is, in terms or in substance, contained therein.” In interpreting this statutory direction, the Oregon Supreme Court has said:

“We ought never to import into a statute words which are not to be found there, unless from a careful consideration of the entire statute it be ascertained that to import such words is necessary to give effect to the obvious and plain intention and meaning of the legislature. Under the directions of the statute

² Even if it did in this case it is questionable whether it should be given much weight since the shareholders of plaintiff are the owners of the building.

³ Both parties have alluded to the legislative history of the statute defining tangible personal property, pointing out that the 1979 amendment which added “all machinery and equipment used in the manufacture of raw or partially manufactured products” was deleted 20 years later. While this history was interesting, it is, as plaintiff points out, not very helpful.

last referred to [ORS 174.010] we are not at liberty to give effect to any supposed intention or meaning in the legislature, unless the words to be imported into the statute are, in substance at least, contained in it." *Barrett et al. v. Union Bridge Co.*, 117 Or 566, 570, 245 P 308, 45 ALR 527 (1926), quoted in *Whipple v. Howser, supra*, at 480.

4. Having thus established a line of sight, one final admonition with regard to statutory construction is appropriate.

"In construing a statute, words of common use are to be taken in their natural and obvious meaning and significance. That sense of the word is to be adopted which best harmonizes with the context and promotes the policy and objectives of the legislation." *State ex rel Nilsen v. Ore. Motor Ass'n*, 248 Or 133, 137, 432 P2d 512 (1967). See also *Canteen Company of Oregon v. Dept. of Rev.*, 8 OTR 450 (1980).

In beginning its search, the court recognizes that the term "movable" is broad enough in the ordinary sense to cover a wide area. Somewhere in that vast semantic plain between the immovable mountain and the constantly moving ocean is to be found the line between real and personal property. The purpose of the legislature in crafting its definitions was to distinguish the two types of property for purposes of administering the laws of property taxation. This suggests that a simple rule, one easy to understand and to apply, is desirable and intended by the legislature.

Defendant, in the course of administering the property tax laws, has promulgated a rule which more specifically defines real property with regard to machinery and equipment. OAR 150-307.010(1)(2)(b). (1) and (2) define "erected upon" and "affixed" as follows:

"'Erected upon' means being permanently situated in one location on real property and adapted to use in the place. For example, a heavy piece of machinery or equipment is set upon a foundation without being fastened thereto, but is an integral part of the function or design of the facility.

"'Affixed' means being securely annexed to the real property. For example, items attached by bolts, screws, nails or built into the structure are securely annexed; items attached by electrical connections are not securely annexed."

Plaintiff contends that this rule is "an unconstitutional expansion" of the statute. (Plaintiff's Memorandum, at 18.) Plaintiff asserts that "erected" is synonymous with "built" and that if the subject property falls within the definition of ORS 307.010 it is because it is "annexed,"⁴ not "erected upon."

Upon examination, the court agrees that the administrative rule goes beyond the statute, but not necessarily in the direction plaintiff claims. Plaintiff claims that the rule is too broad, whereas in the court's view it may be too narrow.

5. Defendant's administrative rule appears to have adopted to some extent the common law "three-prong test" of annexation, adaptation and intention. *Waldorf v. Elliott*, 214 Or 437, 442, 330 P2d 355 (1958). It should be noted that the test is usually applied in the "law of fixtures." *Highway Com. v. Feves et al*, 228 Or 273, 365 P2d 97 (1961). That context is to be distinguished from the determination of real and personal property for ad valorem tax purposes.

ORS 307.010(1) uses the terms "affixed to," and "erected upon." As can be seen from the regulations quoted above, defendant has interpreted the word "affixed" to mean "securely annexed." While the term affixed in and of itself connotes an element of permanence, the court is not sure that it also connotes "securely." In fact, large items may be found constructively "affixed" to the land or buildings merely by virtue of their weight and size. *Waldorf v. Elliott*, 214 Or 437, 330 P2d 355 (1958).

Likewise, the term "erected upon" does indeed, as plaintiff contends, connote the idea of assembling, building or constructing. The regulation's definition of erected upon contains two elements: (1) That the item be "permanently situated in one location," and (2) that it be "adapted to use in the place." While these elements may be consistent with the concept of being built or constructed upon, they do not constitute a complete definition. Many large machines are brought on

⁴The statute uses the term "affixed," not "annexed." While there may be some overlapping in meaning and general usage, it would appear that the term "affixed" connotes being physically attached while "annexed" is a broader term which implies an addition to something without the particular means by which it is added. See Webster's Third New International Dictionary 87 (1961).

site in pieces and assembled or "erected." Even large machines which are brought on site as a unit often require special foundations, modification of the building's electrical panels and switches, special wiring, plumbing, venting, access ramps, openings and other forms of construction. In this sense, then, such machines are "erected upon" the real property.

To the extent that the regulation requires more than what the common ordinary words convey, it goes beyond the statute. For example, in subparagraph (4) of OAR 150-307.010(1)(2), the regulation indicates that if, after applying the tests of "annexation and adaptability" there is still doubt, ~~then~~ it is appropriate to look to the "intention of the parties." Again, these are the common law tests relating to law of fixtures. The statute does not use these terms. The statute does not say "affixed with intent" or "affixed and adapted." It simply says "affixed." There is no indication in the statute itself that the legislature intended application of the common law test.

6. Not only is the common law test not required by the statute, it is generally inconsistent with the statute. Ad valorem tax laws are intended to promote uniformity of taxation and reasonable ease of administration. These objectives cannot be met if the assessor must rely upon the common law test.

"[U]niformity of taxation cannot be attained unless a uniform classification of real and personal property is established. Just as assessors are not bound by private agreements, they should not be frustrated or hindered in performing their vital function by the necessity of ferreting out the often undisclosed and secret intentions of lessors and lessees relative to the terms of a lease. For the most part, assessors must be allowed to act on the basis of outward appearances." *Trabue Pittman Corp. v. Los Angeles County*, 29 Cal 2d 385, 175 P2d 512, 517 (1946).

This view is consistent with the holding in *Warm Springs Lbr. Co. v. Tax Com.*, 217 Or 219, 225, 342 P2d 143 (1959), where the court held that an agreement between parties "cannot control the action of the state when exercising its taxing power." Citing *Trabue Pittman Corp. v. County of Los Angeles*, *supra*. If the intent of the parties cannot control for tax purposes, how can the common law test be properly applied?

7. The court recognizes that defendant's administrative rule has been in effect for many years and is entitled to great weight.

"[T]he interpretation of an ambiguous statute by an agency charged with its administration is entitled to great weight, although it is not binding on the courts." *Curly's Dairy v. Dept. of Agriculture*, 244 Or 15, 21, 415 P2d 740 (1966).

8. The court also recognizes that it has previously applied the common law test in construing ORS 307.020(3). *Bylund v. Dept. of Rev.*, 9 OTR 76 (1981).⁵ Nevertheless, the court now recognizes that the statute is not as narrow as might be interpreted under the common law test. For example, a machine "affixed to" a building is real property regardless of the intent of the parties or its "adaptability." To the extent that the regulation attempts to narrow the statute, it is invalid.

Returning to the issue in this case, having considered the field of meaning from the perspective of real property, it is now appropriate to view the field facing from the ocean and consider the definition of personal property. It is apparent that ORS 307.020(3) emphasizes the notion of movement or movability. Defendant correctly argues that the structure of the statute invites application of the statutory rule of construction *ejusdem generis*.

"Where general words follow specific words in a statutory enumeration, the general words are construed to embrace only objects similar in nature to those objects enumerated by the preceding specific words. Where the opposite sequence is found, i.e., specific words following general ones, the doctrine is equally applicable, and restricts application of the general term to things that are similar to those enumerated.

"* * * If the general words are given their full and natural meaning, they would include the objects designated by the specific words, making the latter superfluous. If on the other hand, the series of specific words is given its full and natural meaning, the general words are partially redundant. The rule 'accomplishes the purpose of giving effect to both the particular and the general words, by treating the particular words as

⁵ In *Bylund v. Dept. of Rev.*, 9 OTR 76 (1981), this court did apply the common law "three-prong test" to determine whether TV cable drops were real or personal property. The court in that case may have been unduly influenced by the fact that the parties all agreed that the three-prong test may be used.

indicating the class, and the general words as extending the provisions of the statute to everything embraced in that class, though not specifically named by the particular words.'

"The resolution of this conflict by allowing the specific words to identify the class and by restricting the meaning of general words to things within the class is justified on the ground that had the legislature intended the general words to be used in their unrestricted sense, it would have made no mention of the particular words." 2A Sutherland Statutory Construction § 47.17 (4th ed).

Under this rule, the general terms "machinery," "tools" and "equipment" are more narrowly viewed in light of the specific types of property listed in the statute. As a general rule, the specific types of items listed in the statute are not "affixed" to anything. Consequently, they are "readily movable as opposed to apparently stationary or fixed items." OAR 150-307.020(3). In this light, machinery, tools and equipment which are nailed, bolted, screwed or glued to real property are not "movable" within the meaning of the statute.

The "bright line" sought by plaintiff distinguishing real from personal property may be substantially dimmer and less distinct than hoped for. However, the court believes that the above conclusions provide a view which facilitates administration of the tax laws. As a general rule, the assessor is not required to consider the intention of the parties or the adaptability of the property. He merely has to determine whether the property is "affixed to" or "erected upon" land or buildings. The court recognizes that under this rule there may still be some cases in which there is a question as to whether an item is real or personal property. It is difficult to conceive of a general rule which would aptly fit all the possible types of property. The one principle that abides is that the statute must be the standard.

Applying the above to the subject property, the court finds that most of the subject property is "affixed" or "erected upon" real property. Most of the equipment is bolted or screwed to the walls, ceilings or floor and attached by pipes, ducts and conduits. This equipment is not moved except when modifying the operational layout. In fact, movement of the equipment would be inconsistent with the operation and function it performs. Movement would usually result in misalignment, leaks and faulty application of the products. The very

purpose of the small bolts and screws plaintiff refers to is to prevent movement.

It seems likewise clear that the equipment in question is not "freely movable" as asserted by plaintiff. (Plaintiff's Memorandum, at 8.) "Freely movable" suggests something that, if not designed to be moved on its own wheels, rails or pontoons, could easily be placed on such means of movement and moved. What actually would be required in this case would be the disassembly of a complex arrangement of equipment. Numerous pipe fittings and connections would have to be undone, machinery, pipes and valves would have to be detached from walls, floors and ceilings and a number of holes would have to be patched or plugged in the building. By plaintiffs' own evidence, it would take approximately 20 days to remove the subject property from the building. It would not reasonably take anywhere near the time to remove a like amount of "boats and vessels, merchandise and stock in trade, furniture and personal effects, goods, livestock, vehicles" or "farming implements" from the building. The difference between the latter types of property and the subject property is that the subject is "affixed to" or "erected upon" real estate while the latter is "readily movable."

In finding that "most" of the subject property is not personal property but real property, the court recognizes that there may be some items which are not real property. Specifically, some of the smaller tanks in the syrup room, which are not attached to the building but are free-standing, and which are not connected with plumbing connections but drained through flexible rubber hoses, are personal property. Such items are readily movable from one part of the room or plant to another. On the other hand, the large stainless steel tank, pictured in Exhibit 5, is attached by solid plumbing connections. Its weight and bulk, as well as the plumbing attachments, render it not "movable." There may be other specific property which is an exception to the court's general finding that the subject machinery and equipment is real property, not personal property. If the parties are unable to agree on such items, they may submit a list of such items to the court for specific determination before judgment is entered. Costs to neither party.

Argued June 18; reversed October 20; rehearing denied
November 17, 1942

**FIRST NATIONAL BANK OF PORTLAND v.
MARION COUNTY ET AL.**

(130 P. (2d) 8)

Taxation—National banks

1. "National banks" are "agencies of the United States", created under its laws to promote its fiscal policies, and the property of such banks may not be taxed under state authority except as Congress consents, and then only in conformity with such restrictions as Congress may impose.

Taxation—Bank fixtures and equipment

2. Since Congress has not consented to the taxation by states of personalty of national banks, banking fixtures and equipment of national bank, if taxable at all by the state as the property of the bank, could be taxed only as realty.

Taxation—Trade fixtures

3. If trade fixtures are classified as personalty for purpose of taxation, they must be taxed, if at all, as personalty and not as realty, and, if such fixtures are a part of the realty and are to be taxed as realty, the assessors have no authority to assess them as personalty.

Taxation—National banks

4. National bank's trade fixtures and equipment all, or practically all, of which could be removed from leased premises without any substantial injury to building, could not be taxed to the national bank as "realty".

See 26 R. C. L. 109.

61 C. J., Taxation, 272.

Before KELLY, Chief Justice, and BAILEY, LUSK,
RAND, ROSSMAN and BRAND, Associate Justices.

Appeal from Circuit Court, Marion County.

L. G. LEWELLING, Judge.

Suit by The First National Bank of Portland against Marion county, A. C. Burk, as sheriff of Marion county, R. Shelton, as assessor of Marion county, and Earl L. Fisher, Charles V. Galloway, and Wallace S. Wharton, as members of and constituting the State Tax Com-

mission of the state of Oregon, to enjoin the foreclosure of an alleged tax lien against property owned by the plaintiff, and for a decree declaring assessment of the tax null and void. From a judgment in favor of the defendants, the plaintiff appeals.

REVERSED. REHEARING DENIED.

V. V. Pendergrass and *R. R. Bullivant* (Pendergrass, Spackman & Bullivant), all of Portland, for appellant.

Miller B. Hayden, District Attorney, of Salem (George L. Belt, of Salem, on the brief), for respondents Marion county, A. C. Burk, and R. Shelton.

Ralph R. Bailey and *James G. Smith*, Assistant Attorneys General, on the brief, for respondents Earl L. Fisher, Charles V. Galloway, and Wallace S. Wharton, as members of State Tax Commission.

Platt, Henderson, Warner & Cram, of Portland, for United States National Bank of Portland, amicus curiae.

BAILEY, J. This suit was instituted by The First National Bank of Portland against Marion county, the sheriff and the assessor of Marion county, and the individual members of the state tax commission, to enjoin the foreclosure of an alleged tax lien against property owned by the plaintiff, and for a decree declaring the assessment of the tax null and void. From a decree in favor of the defendants the plaintiff has appealed.

The property here involved, which was attempted to be assessed by Marion county, consists of banking fixtures and equipment located on the first and mezzanine floors and in the basement of the First National

Bank building in Salem, Oregon. The purported tax lien covers attempted assessments of such property for the years 1929 to 1939, inclusive. The banking fixtures and equipment were assessed as real property, to the plaintiff's vendor and later to the plaintiff. The land on which the building is located, together with the building, was during those periods assessed as real property to T. A. Livesley, Inc., an Oregon corporation, the owner of the fee.

1, 2. National banks are agencies of the United States, created under its laws to promote its fiscal policies, and the property of such banks may not be taxed under state authority except as Congress consents, and then only in conformity with such restrictions as Congress may impose: 12 U. S. C. A., § 548; *First National Bank of Guthrie Center v. Anderson*, 269 U. S. 341, 70 L. Ed. 295, 46 S. Ct. 135. Congress has not consented to the taxation by states of the personal property of national banks; hence the banking fixtures and equipment involved herein, if taxable at all by the state of Oregon as the property of national banks, may be taxed only as real property.

On January 22, 1927, First National Bank in Salem, a national banking association, leased from T. A. Livesley, Inc., for a period of twenty-five years, "the first story and mezzanine floor in the rear or south end" of an eleven-story building, "together with convenient space for a vault, stairway, corridor and lavatory in the basement thereof, and ingress and egress thereto," for the purpose of conducting a general banking business. In a supplemental agreement entered into February 19, 1927, it was provided that "the said lessee is empowered and authorized to remove from said premises so leased all furniture and mov-

able equipment and all improvements and furnishings placed in said premises by said lessee, including oak and walnut woodwork, marble work, lighting fixtures, bronze and iron grillwork, vault doors and all other vault equipment, and the same shall not be considered for the purposes of such lease as fixtures." The premises leased to First National Bank in Salem comprised the entire ground floor of the structure known as the First National Bank building, with the exception of that part thereof used as a general lobby and entrance to the upper floors of the building.

Shortly after entering into this lease, First National Bank in Salem proceeded to install in the leased premises various trade fixtures, including counters, desks, tellers' cages, wickets, partitions, files and lighting fixtures, a vault door and vault equipment, including safe-deposit boxes, also marble work, including marble counters and check desks, benches and wainscoting on the vestibule walls.

After conducting a banking business on the leased premises for five or six years, First National Bank in Salem went into liquidation. Sometime during the summer of 1933 The First National Bank of Portland, plaintiff herein, purchased from First National Bank in Salem certain assets of the latter bank, including notes, bonds, bank accounts, furnishings and banking equipment. Among the assets so purchased were the following:

- “8 upright steel lockers
- 2 lobby benches
- 2 marble and bronze glass top lobby check desks
approximately 3' 2" x 8' 8"
- 1 drinking fountain
- 3 large and 2 small chandeliers

All cage and counter fixtures, comprising 8 marble front, glass and bronze top cages, with returns, partitions, shelving, backs and doors, and approximately 70 lineal feet of marble front and top counter railing, together with doors, gates and glass plate, forming a part of such fixtures; also safe-deposit booths, bookkeeping room partitions, and all wainscoting, both marble and wood, and mezzanine rail partition, consisting of metal, wood and glass paneling.

One electric wall clock

1 12-inch Herring Hall Marvin Safe Co. circular vault door, four movement time lock, together with frame, casings and architraves.

1 9-inch emergency entrance vault door with Sargent and Greenleaf, 3 movement time lock, together with frame and casings."

The plaintiff is a national banking association with its principal place of business in Portland, Oregon. It operates a branch bank in Salem in the quarters formerly occupied by First National Bank in Salem, which premises on September 25, 1933, it leased from T. A. Livesley, Inc., for a period of ten years with an option for ten additional years. The leasing agreement contains this provision:

"The lessee has purchased from the First National Bank in Salem all the fixtures, equipment and appurtenances, of every kind and nature, installed by said bank in the leased premises, including, among other things, all oak and walnut woodwork, marble work, lighting fixtures, bronze and iron grillwork, vault doors and vault equipment. All of said fixtures, improvements or appurtenances of every kind and nature, including any that may be hereafter installed in any portion of the leased premises by the lessee, shall belong to the lessee and may be removed by it at any time,

either prior to the termination of this lease or within a reasonable time thereafter."

In the erection of the First National Bank building, T. A. Livesley, Inc., constructed a vault with concrete walls, ceiling and floor. The vault door was supplied by First National Bank in Salem, and with its frame or vestibule was delivered to the premises as a unit. It was installed in the vault opening by the tenant bank, by placing about two inches of sand and cement (not concrete) between the vault walls and the door frame. The door and its frame or vestibule weighed between fifteen and seventeen tons and could be removed by chipping away the sand and cement between the frame and the main walls of the vault, without injury to the building.

The evidence is to the effect that it is customary for banks to remove such vault doors to replace them or to set them up in new quarters. The installation of vault doors is well described by the opinion in *San Diego Trust & Savings Bank et al. v. San Diego County et al.*, 16 Cal. (2d) 142, 105 P. (2d) 94, 133 A. L. R. 416.

Chandeliers furnished by the tenant bank were fastened to the ceiling in the usual manner required by their varying sizes. Much of the banking equipment was fastened to the floor with anchors or bolts of bronze or other metal and was readily removable by unscrewing or cutting the bolts. A large part of the equipment has been moved about by the plaintiff. All, or practically all the banking fixtures and equipment involved herein can be removed without any substantial injury to the building.

At the time First National Bank in Salem leased from T. A. Livesley, Inc., that part of the building which it later occupied, the interior thereof was un-

finished. The bank at its own expense laid a marble floor, painted and decorated the walls and ceiling and installed marble wainscoting. Whether the assessor attempted to assess the marble floor and the painting and decoration of the walls and ceiling to the plaintiff and its vendor does not appear. In relation to this matter the plaintiff in its brief states:

" * * * In so far as the painting and decorations are concerned, appellant agrees that they constitute a part of the building and that it has no interest whatsoever in attempting to remove the paint from the walls. . . .

"In other words, if the county wants to assess the painting and decorations and the marble which appellant's predecessor may have placed upon the floor, it should do so because they constitute a part of the building and such assessment should be to the owner of the building."

For the year 1929 the assessor of Marion county made an assessment against T. A. Livesley, Inc., covering "fr. Lots No. 1 and 2, Block No. 34, value of all lots \$20,800.00, value of improvements on town lots, \$90,000.00, total value of taxable property as equalized by board of equalization, \$110,800.00." Immediately after the name of T. A. Livesley, Inc., appeared the following: "First National Bank in Salem, fr. Lots No. 1 and 2, Block No. 34, value of all lots \$....., value of improvements on town lots \$25,000.00, total value of taxable property as equalized by board of equalization. \$25,000.00."

That notation was continued up to and including the tax year 1933-1934. From 1935 to 1939, inclusive, the property formerly assessed to First National Bank in Salem was taxed under the same description to The First National Bank of Portland, with the

exception that for the years 1937 to 1939, inclusive, the valuation was reduced from \$25,000 to \$15,000.

On July 6, 1939, pursuant to § 110-820, O. C. L. A., the sheriff of Marion county as tax collector amended the description in the assessment against the banks to read as follows: "All fixtures, equipment and appurtenances of every kind and nature, including among other things, all oak and walnut woodwork, marble work, lighting fixtures, bronze and iron grillwork, vault doors and vault equipment affixed to the premises described as follows: Fractional part of lots 1 & 2 block 34, Salem Original."

The assessments for the years 1929 to 1934, inclusive, were made by Oscar Steelhammer, county assessor. In 1935 Mr. Steelhammer died, and R. Shelton, chief deputy assessor since 1918, was appointed as his successor and has continued in office. Mr. Shelton as a witness was unable to state what property of First National Bank in Salem had been included in the assessments made by Mr. Steelhammer. After Shelton became assessor he continued the assessments under the same designation used by his predecessor in office, without personally checking on the property assessed. He reduced the valuation in 1937, as above noted, because he was of the opinion that The First National Bank of Portland had not acquired all the property formerly assessed to First National Bank in Salem.

The plaintiff contends that the relief sought by it should have been granted for the following reasons: (1) That the banking fixtures and equipment attempted to be taxed by the defendant county were trade fixtures, hence personal property and therefore not taxable to a national bank; (2) that the tax laws of the state make no provision for the assessment of

trade fixtures as real property to the owner thereof who is a lessee of the premises where such fixtures are used; and (3) that the description of the property sought to be taxed is so indefinite and uncertain that the various assessments here involved are, in their entirety, void.

Unless authority be found in the tax laws to assess trade fixtures as real property to the tenant in possession of the premises where such fixtures are used, the assessment in the instant case must be declared void. We shall therefore first consider the second reason advanced by the plaintiff as above noted. The assessments here in question covered, as heretofore stated, a period from 1929 to 1939, inclusive. Attention will necessarily be given first to the laws in effect at the time the first such assessment was made.

Section 69-102, Oregon Code 1930, is in part as follows:

"The terms 'land,' 'real estate' and 'real property,' as used in this act, shall be construed to include the land itself, whether laid out in town lots, or otherwise, above and under water, all buildings, structures, substructures, superstructures and improvements erected upon, under or above, or affixed to the same, and all rights and privileges thereto belonging or in any wise appertaining; also any estate, right, title or interest whatever in land or real property, less than the fee simple".

That section further provides that in all cases in which the grantor of land has, in the deed conveying the same, reserved unto himself "the right to enter upon and use any or all of the surface ground necessary for the purpose of exploring, prospecting for, developing or otherwise extracting" minerals, gases or oils,

such reservation "shall be deemed, and is hereby declared to be, an estate and interest in land". It also declares that all franchises and privileges granted pursuant to any law or municipal ordinance and owned or used by any person or corporation, other than the right to be a corporation, all water rights, water power, and all "mines, minerals, quarries, fossils, and trees in or upon the land" are interests in land.

By § 69-109, Oregon Code 1930, it is provided that lands held on a contract for the purchase thereof and belonging to the state, county or municipality, and school and other state lands, shall be considered for the purpose of taxation as the property of the person so holding the same, and the improvements thereon shall be considered as real property for all purposes of taxation, and as the property of the person so holding the same.

It is specifically provided by § 69-211, Oregon Code 1930, that whenever any mineral, gas, coal, oil or other similar interests in real estate are owned separately and apart from and independently of the rights and interests owned in the surface of real estate, such interests may be assessed and taxed separately from such surface rights and may be sold for taxes in the same manner and with the same effect as other interests in real estate are sold for taxes.

Section 69-231, Oregon Code 1930, provides the mode of assessing property for taxation. By that section the assessor is required to enter upon the assessment roll a full and complete assessment of all property in his county on March 1 of each year, "including a full and precise description of the lands and lots owned by each person therein named, on March 1 of said year, . . . which description shall correspond with the plan or plat of any town laid out or recorded;

and said lands or town lots shall be valued at their true cash value, taking into consideration the improvements on the land and in the surrounding country, and any rights or privileges attached thereto or connected therewith". The section then provides how the true cash value of property shall be ascertained. It further declares that no assessment shall be invalidated by a mistake in the name of the owner of the real property assessed or by the omission of the name of the owner or by the entry of a name other than that of the true owner, if the property be correctly described; "and, provided further, where the name of the true owner, or the owner of record, of any parcel of real property shall be given, such assessment shall not be held invalid on account of any error or irregularity in the description; provided, such description would be sufficient in a deed of conveyance from the owner; or on account of any description upon which, in a contract to convey, a court of equity would decree a conveyance to be made."

By § 69-242, Oregon Code 1930, the assessor is required to set down in the assessment roll a description of each tract or parcel of land to be taxed. That section further provides how land shall be described.

Section 69-245, Oregon Code 1930, specifies that an undivided interest in land may be assessed and taxed as such.

The procedure to foreclose delinquent real property taxes is prescribed by § 69-807, Oregon Code 1930. The summons in such proceedings must contain a description of the property and the name of the owner or owners of the legal title thereof as the same appears of record, if known.

Section 69-820, Oregon Code 1930, makes further provision in regard to the procedure on foreclosure,

the judgment which shall be entered and the method of sale. It states, among other things, that:

“ * * * The court shall give judgment and decree for such taxes, assessments, penalties, interest and costs, as shall appear to be due upon the several lots or tracts described in said summons and application for judgment and decree, and such judgment and decree shall be a several judgment against and lien upon each tract or lot, or part of a tract or lot, for each kind of tax or assessment included therein”.

The same section thus provides for the sale of real property on tax foreclosure:

“At such sale the person offering to pay the amount due on each tract or lot for the least quantity thereof shall be the purchaser of such quantity, which shall be taken from the east side of such tracts or lot, and the remainder thereof shall be discharged from the lien. In determining such piece or parcel of such lot or tract, a line is to be drawn due north and south, far enough west of the eastern point of tract to make the requisite quantity.”

Certain amendments of the tax laws were made by the legislature in 1935. The only essential change in the first part of § 69-102, *supra*, thereby effected was that, after the word “improvements,” the following words were added: “machinery, equipment or fixtures”. In the last part of the section the provision as to severable interests was expanded to declare that the ownership of standing timber, with a right to enter upon the ground to remove such timber, is an interest in real property: § 69-102, Oregon Code 1935 Supplement.

Section 69-211, *supra*, was also amended, to provide that, “Whenever any standing timber, or any

mineral, coal, oil, gas or other severable interest in or part of real property is owned separately and apart from the rights and interests owned in the surface ground of such real property," such interest may be assessed and taxed separately from the surface rights "and may be sold for taxes in the same manner and with the same effect as other interests in real property are sold for taxes": §69-211, Oregon Code 1935 Supplement.

The other sections of Oregon Code 1930 hereinabove cited and discussed were not substantially changed until after the making of the last of the assessments here involved.

It is contended by the defendants that the plaintiff and its predecessor in ownership of the trade fixtures here in question owned an interest in the real property where such fixtures were maintained. That would amount to an interest not only in the bank building, but also in the land on which the building stands. The nature of such interest, whether a leasehold or something else, is not made clear by the defendants in their argument. They assert in their brief, however, that, "Under statutes similar to those in Oregon, courts almost universally have held that the interest of the lessee is taxable to the lessee as real property"; and numerous cases are cited by them in support of that statement.

The first of such cases is *Aberg v. Moe*, 198 Wis. 349, 224 N. W. 132, 226 N. W. 301. The Wisconsin statute involved therein was, as stated by counsel for the defendants, similar to that of Oregon. The Wisconsin statute, however, provided that "all buildings on lands under lease or permit, including buildings located on railroad right of way or on other lands not subject to local assessment, shall be assessed as real estate to the

owners of such buildings." The facts set forth in the opinion indicate that the land was not taxable. The property had been leased and a building constructed thereon, and the assessor attempted to assess the leasehold interest in the property. In passing upon the right to assess such interest, the court said:

"Under the provisions of these statutes throughout the history of the state lands have been assessed to the owner. No doubt the legislature might empower the assessor to assess the leasehold interest against the lessees and so divide up the property for the purposes of taxation. That, however, has never been the policy of our law so far as we know except for a brief period when the state undertook to tax the respective interests of the mortgagor and mortgagee separately. The entire property, including all interests in it, is assessed to the owner of the property as defined in the statute, and the right of every person claiming any interest in the property subordinate to the fee, whether under lease, contract, or otherwise, is extinguished if the property be sold in the exercise of the taxing power. If we were now to hold that the interest of the lessee under a lease should be separately assessed, how could it be held in other cases that where assessed to the owner the interest of the lessee could be cut off? If a lease creates a separable taxable interest in the lessee in one case, it does in all cases. The fact that the fee is exempt in one case and not in another does not change the nature of the lessee's interest. A holding to that effect would involve a complete reversal of the public policy of this state throughout its history, and if a change of that kind is to be brought about it should be done by legislative action, not by a judicial holding made to fit a particular case."

In the case of *In re Indian Territory Illuminating Oil Company*, 43 Okla. 307, 142 P. 997, which also is

cited by the defendants herein in support of their argument, it was held that gas leases were not subject to taxation as real property or otherwise. The court thus reasoned:

"The provisions of the statute already adverted to provide a complete system for the levying of all taxes upon an *ad valorem* basis; and we can find no warrant in any of them for levying an *ad valorem* tax upon an oil and gas lease as such. Generally, an oil and gas lease, a school land lease, or a lease of any sort, for that matter, undoubtedly is property. But, as we have heretofore stated, property itself is a creature of the law, and the classification thereof for purposes of taxation belongs exclusively to the legislative department. * * *

"* * * It is also observable that in many jurisdictions various interests in real property for purposes of taxation are made severable and assessable in the names of the owners of the respective interests. That, however, is not the case in this state. Under our system of taxation, real property, which for purposes of taxation means the 'land itself, all buildings, stocks, improvements, or other fixtures of whatsoever kind thereon and all rights and privileges thereto belonging or in any wise appertaining, and all mines, minerals, quarries or trees under or on the same,' must be assessed in the name of the owner of the land."

See also, in this connection, *State v. Shamblin*, 185 Okla. 126, 90 P. (2d) 1053.

In *Jetton v. University of the South*, 208 U. S. 489, 32 L. Ed. 584, 28 S. Ct. 375, cited by the defendants, the statute of Tennessee, in which state the case arose, provided that the interest of a lessee should be assessed to the owner of such interest separately from other interests in the real estate. It was contended by the university that the property owned by it was tax-free

and that therefore the legislature could not provide for the assessment of a leasehold interest in its property. The court held that the legislation in question was valid, and that because it specifically provided that a leasehold interest should be assessed to the lessee the university could not complain.

The cases of *City of Chicago v. University of Chicago*, 302 Ill. 455, 134 N. E. 723, 23 A. L. R. 244, and *Moeller v. Gormley*, 44 Wash. 465, 87 P. 507, are the remaining authorities cited by the defendants to the proposition that under statutes similar to those of Oregon, "courts almost universally have held that the interest of the lessee is taxable to the lessee as real property." As to the former of these cases, the Illinois statute provides, according to the opinion therein, that, "When real estate which is exempt from taxation is leased to another whose property is not exempt, and the leasing of which does not make the real estate taxable, the leasehold estate and appurtenances shall be listed as the property of the lessee thereof, or his assignee, as real estate."

Moeller v. Gormley, supra, involved the taxation of a lease of state tidelands, and the court in that case, under a statute similar to § 69-102, Oregon Code 1930, did hold that although the fee of the land was exempt from taxation, a leasehold interest in the land could be taxed.

The authorities on which the defendants rely do not support their contention that the leasehold interest in real property should be assessed to the lessee as real property. Quite to the contrary, all those cases, with the exception of *Moeller v. Gormley*, supra, hold that if the statute does not specifically provide for assessing separate interests in real property, such

property should be assessed as a unit to the owner of the fee. Moreover, the facts in *Moeller v. Gormley*, supra, differ materially from those in the case at bar, for in that instance the land itself was not assessable and there was not an assessment of the fee to the owner thereof and in addition an assessment of a leasehold interest to the lessee.

In 26 R. C. L., Taxation, § 111, page 136, we find the following statement:

“• • • Property is, however, a word of most general import and includes every kind of right and interest, capable of being enjoyed as property and recognized as such, upon which it is practicable to place a money value. Land or any estate or interest therein is undoubtedly property; but inasmuch as a parcel of land is generally taxed as a unit and the different estates or interests therein are not separately assessed, the question of what interests in real estate constitute property does not frequently arise. When, however, the fee of a parcel of land is exempt from taxation and a lesser estate or interest therein is not, such estate or interest may be taxed if it is of such a character as to constitute property.”

And in § 318, at page 360 of the same text, this is said:

“Whether taxes on real estate are assessed upon the real estate itself, regardless of ownership, or are assessed upon individuals by reason of their ownership, it is not in most jurisdictions the policy of the law to require the assessors to tax the different estates and interests which may exist in a single parcel of land to the respective owners thereof, but the assessment is a unit upon the sum of the interests.”

See also, in this connection, *Donovan v. City of Haverhill*, 247 Mass. 69, 141 N. E. 564, 30 A. L. R. 358.

This court in *Nehalem Timber Company v. Columbia County*, 97 Or. 100, 189 P. 212, 191 P. 318, also laid down the rule that real property should be assessed as a unit to the owner of the legal estate rather than to the owners of separate interests in it. In that instance the land was owned by the federal government, which had entered into a contract to sell certain timber thereon to the plaintiff timber company. The assessor of the defendant county attempted to assess the timber to the plaintiff as real property. That was done before provision was made by statute for the separate assessment of timber. The court, after quoting the Oregon statute defining real property, which was practically identical with the similar statute in effect in 1929, observed:

“For tax purposes this legislation inseparably yokes the timber to the land on which it is growing. The statute was further amended in 1919, but as only the taxes of 1916 are here involved, no notice will be taken of the latter legislation. It is a general principle that taxes follow the legal title, and this seems to be the sense and spirit of this statute. It refers to the land itself, which includes the growing timber thereon. The taxing power is not concerned with indefinite equities. It is said in section 3586, L. O. L., as so amended, that—

“‘No assessment shall be invalidated by a mistake in the name of the owner of the real property assessed, or by the omission of the name of the owner, or the entry of a name other than that of the true owner, if the property be correctly described.’

“All of which indicates that the legal estate alone is the subject of taxation.”

The statutes of Oregon relating to taxation make no provision for the assessment of a leasehold interest

to the lessee. In other words, various interests in real property are not, for the purpose of taxation, made severable and assessable in the names of the owners of the respective interests, except in certain specified instances, such as those mentioned by § 69-211, Oregon Code 1935 Supplement, and § 69-245, Oregon Code 1930, as well as "improvements made by persons on lands claimed by them under laws of the United States, the fee of which is still vested in the United States": §§ 69-103 and 69-232, Oregon Code 1930. According to these last two sections, such improvements are classified as personal property.

A further answer to the defendants' argument that the assessments against the banks could be upheld as assessments against their leasehold interests is the fact that there was no attempt to identify the assessed property as leasehold interests.

The defendants make the further assertion that the plaintiff has, and First National Bank in Salem had, an interest in the real property because the trade fixtures used by them in conducting their respective banking businesses were attached to the First National Bank building. No attempt is made to define the interest so owned. The assessor of Marion county testified that the only instance, within his knowledge, of assessing trade fixtures in Marion county to the tenant of leased premises as real property, was the assessment of the plaintiff's equipment and that of First National Bank in Salem; and that in all other cases trade fixtures were assessed by him as personal property.

The defendants contend that it does not make any difference in ordinary cases whether trade fixtures are assessed as personal property or as real property.

because the amount of taxes levied would be the same in either instance. In the case at bar, since the trade fixtures can be assessed against a national bank, if at all, only as real property, an exception has been made by the assessor and they have been classified as real property.

Section 69-726, Oregon Code 1930, provides that all taxes levied against personal property "shall be a debt due and owing from the person against whom said taxes are charged for said personal property", and if such taxes are not paid before becoming delinquent or upon demand of the assessor, the county levying them "may, in addition to the remedies now provided by statute for the collection of taxes against personal property, maintain an action . . . against said person against whom said tax has been levied for the collection thereof"; and upon application of the county, writs of attachment shall be issued by the clerk of the court.

By § 69-721, Oregon Code 1930, the sheriff is required, in collecting taxes against personal property, to levy upon sufficient goods and chattels, belonging "to the person, firm, or corporation or association charged with such taxes, if the same can be found in the county, by taking them into his possession, to pay such delinquent taxes".

The owner of real property has no personal liability for taxes assessed against it unless he "has substantially dissipated, destroyed or removed" the value of such property: § 69-901, Oregon Code 1930.

In the cases of *Turner v. Spokane County*, 150 Wash. 524, 273 P. 959, *Town of Langlade v. Crocker Chair Co.*, 190 Wis. 226, 208 N. W. 799, and *Ford Hydro-Electric Co. v. Town of Aurora*, 206 Wis. 489.

240 N. W. 418, it was held that the assessment of certain improvements of real property as personalty instead of realty was null and void.

3. The county assessors of this state may not assess trade fixtures as real or personal property as expediency suggests. If trade fixtures are classified as personal property for the purpose of taxation, they must be taxed, if at all, as personal property, and not as realty. On the other hand, if such fixtures are a part of the real property and are to be taxed as real property, the assessors have no authority to assess them as personalty. If we were to hold that The First National Bank of Portland owns an interest in the tract of land on which the First National Bank building is located, because it is the owner of certain trade fixtures kept and used by it in that building, and that such interest in the real property should be assessed to the plaintiff bank as real property, then it would follow that in all other instances trade fixtures should be assessed to the owner thereof as real property. If the ownership of trade fixtures creates a separable taxable interest in the realty in one case, it does in all cases.

To require the county assessors to assess all trade fixtures in the names of the owners thereof as real property would impose upon them Herculean tasks and result principally in confusion. The law does not contemplate any such procedure.

4. We are not here passing upon the question of whether the plaintiff's trade fixtures and equipment are real property or personal property within the meaning of those terms as used in our tax law. Nor are we deciding whether or not such trade fixtures and equipment may be taxed to the owner of the legal

estate as fixtures annexed to or improvements of real property. No attempt was made to assess them to the owner of the legal estate. We do hold that under our statutes the various interests in real property for purposes of taxation are not made separable and assessable in the names of the owners of the respective interests except as hereinabove designated.

As there was no authority for the defendant county in this instance to assess the banking fixtures and equipment to the plaintiff as real property, the attempted assessments were void and the relief prayed for by the plaintiff should have been granted. The conclusion which we have reached renders unnecessary a discussion of the other grounds assigned by the plaintiff for a reversal of the decree. The decree appealed from is reversed and the cause is remanded to the circuit court with direction to enter a decree in conformance with this opinion. Costs will not be allowed in this court.

BELT, J., did not participate in the decision or consideration of this case.

IN THE OREGON TAX COURT
Property Tax

FILED
1982 SEP 17 PM 1:35
COURT ADMINISTRATOR

BEAR CREEK PLAZA, ORE., LTD.)
an Oregon Limited) No. 1085
Partnership,)
)
Plaintiff,)
)
v.)
)
DEPARTMENT OF REVENUE,)
State of Oregon,)
)
Defendant.)
_____)
LAMONT'S APPAREL, INC.,) No. 3089
)
Plaintiff,)
)
v.)
)
DEPARTMENT OF REVENUE,)
State of Oregon,)
)
Defendant.)

Kenny Peterson

ORDER

These matters are before the court on plaintiffs' Motion for Partial Summary Judgment. Plaintiffs' motion seeks a determination that these appeals are limited to four specific tax accounts. Defendant opposes the motion on the ground that a dispute exists as to material facts.

Bear Creek Plaza shopping center was constructed in 1977 in Jackson County. It contains approximately 173,000¹

¹ In its brief for the Department of Revenue hearing, plaintiff Bear Creek stated the size of the shopping center at 173,000 square feet. The county assessor, in his affidavit stated the size as 161,270 square feet.

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square feet. Although the assessor values the shopping center as a single economic unit, he has, at least since 1982, allocated the total value of the property into 34 separately numbered tax accounts. These accounts are intended to reflect the proportion of the total shopping center value allocable to each tenant. The tenants are contractually responsible for their pro rata share of the property taxes, but do not pay them directly. The property owner remits the property taxes. (Affidavit of Ron Dixon ¶ 3 and Ex 2.)

In 1988, plaintiff Bear Creek Plaza, Ore., Ltd., owner of the shopping center, appealed the January 1, 1988, assessed value to the Board of Equalization. The board adjusted the value by reducing most of the small accounts but increased the four large accounts. Plaintiffs timely appealed only the four large accounts to the Department of Revenue on September 29, 1988, and September 30, 1988.

The assessor became concerned that appeals of only the four large accounts might result in an undervaluation of the whole shopping center. He asked defendant how to proceed. An employee² of defendant advised him to file a cross appeal. On July 25, 1989, the assessor wrote a letter to defendant indicating that it constituted a cross appeal.

The only disputed fact is with regard to the assessor's intent in filing his "cross appeal." Defendant

² The employee was the hearings officer assigned to plaintiffs' appeals.

ORDER

contends that the purpose of the assessor's cross appeal was to place the value of the entire shopping center at issue. Plaintiffs contend the assessor's "cross appeal" was untimely and did not meet the requirements for an appeal.

ISSUES

The motion gives rise to two issues:

1. Could the assessor file a "cross appeal" with the Department of Revenue?
2. Are plaintiffs entitled to appeal only 4 of the 34 accounts pertaining to the Bear Creek Plaza shopping center?

APPEALS TO THE DEPARTMENT OF REVENUE

The court finds that defendant erred in considering the cross appeal of the assessor. The assessor sets the value of property for taxation. ORS 308.210. When setting the value of property, the assessor is acting in a judicial capacity. J.R. Widmer, Inc. v. Dept. of Rev., 261 Or 371, 374, 494 P2d 854 (1972) (quoting Citizens' Mat'l. Bank v. Baker County Bd. of Equalization, 109 Or 669, 222 P 341 (1924)). An assessor is directed by the legislature to properly assess property (see ORS 308.330) and to assess the value of land separately from the value of improvements. ORS 308.215(1)(e) and (f).

It is fundamental that an officer exercising judicial authority cannot appeal from his or her own decision. Thus, if a taxpayer elects to appeal only the value of the land, the assessor cannot "cross appeal" the value of the

ORDER

improvements. This rule is reflected in ORS 305.275(2), which requires an assessor to be "aggrieved" before the assessor can appeal. An assessor may appeal from an order of a board of equalization only if the order changes the value set by the assessor. Even then, the assessor is subject to the same time limits as the taxpayer. That is, an appeal to defendant must be filed within 30 days of the date of mailing of the order of the board of equalization. ORS 305.280(3). The assessor did not appeal within 30 days.

Defendant's Amended Opinion and Order at 5 states:

"There are no statutory provisions in the tax appellate process requiring a cross-appeal or an answer to a petition. When the issue of true cash value has been brought before the department, this agency may determine such value on the basis of the evidence before it, without regard to the value requested in the petition. ORS 305.115."

While the above statement is technically correct, defendant's application is wrong. The issue brought before defendant by plaintiffs' petitions was the true cash value of only four accounts. If those tax accounts are valid, then defendant had no jurisdiction to consider the value of other accounts not appealed. Defendant does not have jurisdiction to adjust the value of a taxpayer's property which is not the subject of an appeal.³

³ Defendant has authority to correct assessed values under its supervisory authority. ORS 306.115. However, it must make determinations to support the exercise of that authority. OAR 150-306.115 (2) (1987 Replacement Part). No such determinations were made in these cases.

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Defendant requests the court to consider Oregon Broadcasting v. Dept. of Rev., 287 Or 267, 598 P2d 689, reh'g denied, former opinion clarified, 287 Or 499, 601 P2d 471 (1979), for the proposition that "statutory and administrative requirements for petitioning the Department of Revenue need not be followed by the non-petitioning party to raise an issue in an administrative hearing." (Defendant's Supplemental Authorities at 2.) This broad proposition would override general principles with regard to exhaustion of administrative remedies and procedural due process. Also, Oregon Broadcasting should not be read so broadly. While the language in the original opinion may have led defendant to that conclusion, the opinion denying the rehearing⁴ considerably narrowed the scope of the original opinion. To quote the clarifying opinion:

"The discussion in the original opinion as to the value of the improvements was necessary only to develop the approach to * * * the value of the land. An assessed value of either land or improvements must be raised in the appeal to the Board of Equalization. A value not so challenged may not be challenged at some later stage of the tax appeals process. Anything in the original opinion that may be read to mean the contrary is withdrawn."

Oregon Broadcasting, 287 Or at 502.

In summary, because the board of equalization adjusted the value of all the shopping center accounts, the assessor was also entitled to appeal from the board of equalization order. However, his appeal had to be perfected

⁴ The court finds it curious that defendant did not bring the opinion denying the rehearing to the court's attention.

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within 30 days as required by ORS 305.280(3). It was not. Therefore, if the separate tax accounts are valid, defendant was without jurisdiction to adjust the value of those accounts not timely appealed.

AUTHORIZED SEPARATE ASSESSMENTS

An issue raised by plaintiffs' motion pertains to the use of the separate tax accounts for the shopping center. The methods and processes for assessing property for taxation are set by statute. The statute requires parcels of real property to be assessed and taxed separately.

ORS 308.215(1)(i). Although there is no definition of "parcel," in First Interstate Bank of Oregon, N.A. v. Department of Revenue, 306 Or 450, 760 P2d 880 (1988), the court held that, in the context of the assessment statutes, the value of each tax lot should be assessed separately.

Id. at 453.

ORS 308.240(1) requires real property to be described by metes and bounds, subdivision, tax lot or some other means capable of being made certain. Any description substantially conforming to these requirements is sufficient for assessment, levy, collection, foreclosure and sale.

ORS 308.240(3).

The general rule is that "real property is assessed as a whole in the name of the owner." Shields v. Dept. of Rev., 266 Or 461, 470, 513 P2d 784 (1973) (emphasis added).

Consistent with this rule, ORS 308.115(1) provides that when

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severable interests such as mineral interests are separately owned from the surface ground, they are to be separately assessed. Likewise, if a building, machinery and equipment or a fixture is owned separately from other associated property, it is to be separately assessed. ORS 308.115(2).

In short, the statutory scheme does not authorize separate assessments of segments of real property which are not separately owned. Further, the description of the unit of property selected for assessment should be capable of being used for purposes of levy, collection, foreclosure and sale.

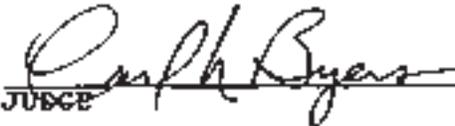
The assessment of the Bear Creek Plaza shopping center as 34 separate tax accounts appears to be improper. The record indicates that the tenants receiving the individual assessments do not own the property assessed. They may own some of the fixtures or some of the improvements in a leased space, but the assessment takes into account the total value of the land and buildings for that space. The court finds that it should remand this matter to the defendant to determine whether the four separate tax accounts appealed by plaintiffs are valid assessments. Now, therefore,

IT IS ORDERED that plaintiffs' Motion for Partial Summary Judgment is denied, and

ORDER

IT IS FURTHER ORDERED that this matter be remanded to
defendant for further proceedings consistent with this order.
Costs to neither party.

Dated this 17th day of September, 1992.



JUDGE

ORDER

IN THE OREGON TAX COURT

Property Tax

No. 4122

FILED
OREGON TAX COURT

99 FEB -9 PM 2:11

STATE CLERK ADMINISTRATOR

BY Kenny Peterson

LINN COUNTY, a political)
subdivision of the State of Oregon,)
by and through its Tax Collector)
and Tax Assessor, MARK NOAKES,)
Plaintiffs,)

v.)

DEPARTMENT OF REVENUE,)
State of Oregon,)
Defendant,)

and)

DAYTON HUDSON CORPORATION, Target)
Stores Division, a Minnesota)
Corporation,)
Intervenor.)

OPINION

Plaintiff, Linn County, (county) appeals from an Opinion and Order of the Department of Revenue (department) which determined that Intervenor (Target) qualified for a construction work-in-progress property tax exemption for the 1996-97 tax year. As a result of that determination, the department concluded that Target's first year of eligibility for an enterprise zone exemption for the same property was the 1997-98 tax year.

The county's appeal alleges that the structure does not qualify for the construction work-in-progress exemption because: (1) The building was complete as of July 1, 1996, or (2) Target used or occupied the building on or before July 1, 1996. Either

OPINION

of such conditions would disqualify the property for the exemption. Target intervened and defended at trial.

FACTS

Target is a division of Dayton Hudson Corporation, a large national retail chain. Target supplies products to its stores through regional distribution centers, of which the subject property is one. Located in Albany, the center's 105 acre site provides parking for over 200 truck trailers in addition to employee parking. The center is an enormous building of approximately 616,000 square feet separated into two large wings, one for receiving and one for shipping. It services 39 Target stores using a highly automated conveyor system which reads computerized bar codes then sorts and distributes boxes to specific shipping lines. In addition to the large area taken up by the conveyor system, there are areas for music and movies, a repacking or value-added area, and a central reserve storage. The center also contains administrative offices, training areas, break rooms, computer rooms, and restrooms.

Intervenor emphasizes that a distribution center is more than just a warehouse. It is a systemized approach for sorting and distributing goods, including, to some degree, repackaging. The facility's primary purpose is not for storage but for distribution. Over 60 percent of the goods that flow through the center are shipped out the same day they are

OPINION

received. This point is emphasized because the size, complexity and level of technology involved requires significant computer testing and employee training before the system can be used.

Due to the nature of its operations, the center was required to select a fixed completion date in order to coordinate shipping and receiving with other distribution centers. The date for the subject property was July 21, 1996. One of the target executives testified that they are "not allowed" to miss such dates. As of July 1, 1996, the administrative offices, computer room, and restrooms were complete. However, yet to be installed was one of four air handlers for the HVAC system, certain lights, eight dock doors, some door hardware, radiant heaters, and some steel railings on the mezzanine.

There were also problems with the fire suppression system. The pumps had not been wired for power and, although the fire-alarm system was installed, it was not operational because the installing sub-contractor had made numerous errors. As a result, the fire marshall would not issue an occupancy permit. Target hired a new sub-contractor to correct the problems with the fire system. Target also required all contractors to work overtime and on weekends to finish the center by the pre-determined completion date. On July 19, two days before the "fixed" completion date, the fire-alarm system was finally approved as operational.

OPINION

ISSUE

Did the subject property qualify for property tax exemption as construction work-in-progress under ORS 307.330?¹

COURT'S ANALYSIS

The property tax exemption in question is provided for by ORS 307.330 which reads:

"(1) Except for property centrally assessed by the Department of Revenue, each new building or structure or addition to an existing building or structure is exempt from taxation for each tax year of not more than two consecutive years if the building, structure or addition:

"(a) Is in the process of construction on July 1;

"(b) Is not in use or occupancy on July 1;

"(c) Has not been in use or occupancy at any time prior to such July 1 date[.]

* * * * *

"(2) If the property otherwise qualifies for exemption under this section and ORS 307.340, the exemption shall likewise apply to any machinery or equipment located at the construction site which is or will be installed in or affixed to such building, structure or addition."

This statute provides a two-part test: (1) whether construction was complete, or (2) whether the building was used or occupied on or before July 1.

The county contends that the building was essentially complete as of July 1. However, as indicated above, the

¹ All references to the Oregon Revised Statutes are to the 1995 Replacement Part.

OPINION

contractor was still in the process of installing the HVAC system, doors, lights, and hardware. The fire-alarm system was not operational and the fire marshal would not issue a permit allowing the building to be used. The conveyor system was still being installed and tested. In short, construction of the distribution center was still in process.

It is worth noting that Target did not intentionally delay completion in order to obtain the property tax exemption. To the contrary, delays due to heavy rain early in the project alarmed the project manager that the center might not be ready for the July 21 start date. The company had never missed an opening deadline. It was only by extraordinary efforts and expense that the project was completed by July 21st. The court finds that the building was in the process of construction as of July 1.

The county conversely contends, regardless of whether the construction was complete, that Target's use of a portion of the facility before July 1 disqualifies the whole facility. The parties do not dispute that the administrative offices, restrooms, break rooms, and other areas within the distribution center were used for administrative matters and for training. The department has adopted an administrative rule pertaining to the exemption in question. The relevant portion of the rule states:

OPINION

"No exemption may be allowed if use or occupancy is made of the building, structure or addition, or any part thereof, on or before July 1 of any tax year in which the exemption is claimed. Use or occupancy refers to that use or occupancy for which the building is intended upon completion. For example, the use of a warehouse for storage of materials or the rental of an apartment in a new apartment building will defeat the exemption. Testing of equipment preparatory to operation is allowable during the period of construction 'Testing' can include a limited trial production run as a check of equipment and system performance." OAR 150-307.330(2)(d) (Emphasis added.)

The county argues that using the administrative offices for ordering supplies, hiring new employees, and conducting management conferences or meetings is consistent with the intended purposes of those areas and therefore disqualifies Target from obtaining the exemption. Target contends that the building is intended as a distribution center, not as an office complex or training center. It reasons that use of the administrative office in connection with the organizing, training, and starting up of the distribution center is not a disqualifying use.

This is a difficult question. Undoubtedly, very small areas such as the restrooms were completed and used by workers during construction of the building as well as by Target personnel and new hires. The county appraiser expressed the view that while such use technically could disqualify the property, the assessor applied a reasonableness standard. However, the rule does not contemplate a reasonableness standard. Rather, it

OPINION

requires that use be related to the intended use of the building. The county's interpretation would eviscerate the rule in that as soon as the floor was being used to walk on, or windows to keep the rain out, the structure would be "in use." Of necessity, the rule looks to the overall intended use of the building, not its component parts. If use of the administrative offices, restrooms, and other areas are not used in connection with or concomitant to the use of the building as a distribution center, such use is not a disqualifying use under the statute.

Testing of equipment during construction does not disqualify a property from exemption. This suggests that using parts of a building in connection with testing must be an acceptable use. Certainly, testing of equipment suggests the presence of employees who have been trained to operate the equipment and the presence of samples of materials or product to use in testing the equipment. Testing also suggests limited administration to allow communication, reports, questions, and advice with regard to the testing. It is unlikely that the legislature intended to allow an owner to test the equipment, but not allow the employees performing the tests to use the restrooms, break rooms, parking lot, or other parts of the building and structure which play a supplemental or supportive role. Reason indicates that testing of equipment may involve all aspects and use of the building or structure.

OPINION

It is consistent with the statute that the building be exempt until it is ready to begin such use as will permit the owners to obtain a profit. Consequently, there is no "use or occupancy" until the essential machinery is installed and has been tested. Philips Industries v. Dept. of Rev., 5 OTR 462 (1974).

In summary, the court finds that the subject property was intended to be used as a regional distribution center. As of July 1, 1996, the building was still in the process of construction. As of July 1, 1996, installation of the conveyor system was not completed. Also, as of that date, Target's use of the building for organizing, hiring, training, and testing equipment were all preparatory activities which do not constitute use and occupancy within the meaning of the statute. The department's Opinion and Order No. 96-5547 is sustained. Intervenor to recover its costs and disbursements.

Dated this 9th day of February, 1998.


Carl W. Byers
Judge

OPINION

ROBERT ELLIS, Multnomah County
Assessor, or his successor in office,
Plaintiff,

and

DEPARTMENT OF REVENUE,
State of Oregon,
Intervenor,

v.

JANET LIU,
Defendant.

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) Case No. 4317
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)
) ORDER ON CROSS MOTIONS
) FOR SUMMARY JUDGMENT
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ROBERT ELLIS, Multnomah County
Assessor, or his successor in office,
Plaintiff,

and

DEPARTMENT OF REVENUE,
State of Oregon,
Intervenor,

v.

MARK D. and KAREN F. SCHAAF,
Defendants.

)
)
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) Case No. 4318
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) ORDER ON CROSS MOTIONS
) FOR SUMMARY JUDGMENT
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ROBERT ELLIS, Multnomah County
Assessor, or his successor in office,
Plaintiff,

and

DEPARTMENT OF REVENUE,
State of Oregon,
Intervenor,

v.

RONALD R. and ALISION RUEBUSCH,
Defendants.

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) Case No. 4319
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)
) ORDER ON CROSS MOTIONS
) FOR SUMMARY JUDGMENT
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ORDER ON CROSS MOTIONS FOR SUMMARY JUDGMENT

Page 2.

ROBERT ELLIS, Multnomah County)
Assessor, or his successor in office,)
Plaintiff,)
) Case No. 4324
and)
)
DEPARTMENT OF REVENUE,) ORDER ON CROSS MOTIONS
State of Oregon,) FOR SUMMARY JUDGMENT
Intervenor,)
)
v.)
)
ROBERT J. and AVA M. TALLMAN,)
Defendants.)

In all of these appeals, taxpayers challenge their 1997-98 maximum assessed value (MAV). In each case, the magistrate held that Article XI, section 11 of the Oregon Constitution allows a taxpayer to show a lesser 1995-96 real market value when contesting their 1997-98 MAV. The Multnomah County Assessor appealed each Decision to the Regular Division of this court, and the Department of Revenue has intervened. There is no dispute of material fact. Therefore, all of the appeals have been consolidated for decision and submitted to the court on cross motions for summary judgment.¹

FACTS

In all of the cases, the subject property is taxpayer's personal residence. In all of the cases except one, taxpayer purchased the property after July 1, 1995, for an amount less

¹ Consolidation allowed taxpayers to pool their resources and employ an experienced attorney who has excellently presented legal arguments on difficult constitutional questions.

than the real market value shown on the July 1, 1995, assessment roll. All of these taxpayers were successful in the Magistrate Division in establishing that their property's real market value for the tax year beginning July 1, 1996, was less than the assessed value for the 1995-96 tax year.

One set of taxpayers, the Schaafs, owned their property since 1993 but were unaware that its real market value was less than its assessed value until they refinanced their home. The refinancing appraisal indicated that the real market value in 1996 was less than the amount shown on the 1995-96 tax roll. Through evidence submitted at the board of property tax appeals, the Schaafs established that the real market value of their property was less in 1996 than was shown on the 1995-96 tax roll.

In short, for the reasons indicated, none of the taxpayers appealed in 1995 to contest their real market value. However, all of the taxpayers appealed their July 1, 1997, MAV. All of the taxpayers contend that they now have a right to prove that the 1995-96 real market value on the tax roll was excessive and therefore their MAV for 1997-98 is less.

ISSUE

Does Article XI, section 11 of the Oregon Constitution permit a taxpayer to challenge the real market value shown on the tax roll for 1995-96 in contesting the property's MAV for the tax year beginning July 1, 1997?

COURT'S ANALYSIS

This court's responsibility is to construe section 11 consistent with the intent of the voters who adopted the measure.²

"In interpreting a constitutional provision adopted through the initiative process, our task is to discern the intent of the voters. The best evidence of the voters' intent is the text of the provision itself." Roseburg School Dist. v. City of Roseburg, 316 Or 374, 378, 851 P2d 595 (1993).

Under principles enunciated by the Oregon Supreme Court, this court begins its search for the intent of the people by considering the text and context of the law. EGE v. Bureau of Labor and Industries, 317 Or 606, 611, 859 P2d 1143 (1993). If careful analysis of the text and context does not reveal a clear intent, the court may then consider legislative history or historical circumstances. As noted by the Supreme Court in Coultas v. City of Sutherlin, 318 Or 584, 590, 871 P2d 465 (1994):

"It is an unusual case in which the text and context of a constitutional provision reflect the intent of the voters so clearly that no alternative reading of the provision is possible. Ordinarily, this court will examine the history of a constitutional provision if there is a plausible alternative reading presented to the court." (footnote omitted.)

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"The constitution derives its force and effect from the people who ratified it and not from the proceedings of the convention where it was framed * * *." Monaghan v. School District No. 1, 211 Or 360, 367, 315 P2d 797 (1957).

Article XI, section 11 of the Oregon Constitution was adopted by the people at a special election held in May 1997. Section 11 imposes an overall limitation on property taxes by establishing a MAV for each unit of property and establishing a permanent tax rate. Two paragraphs, paragraph (a) and (g), of section 11(1) directly bear upon the issue before the court. Paragraph (a) of section 11(1) states:

"* * * 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." (Emphasis added.)

This court has recently construed "each unit of property" to mean each assessable unit of property. Oregon's property tax system has long provided for separate assessments of land, improvements, and personal property. Accordingly, the court has concluded that each category constitutes a "unit of property" which has its own real market value, assessed value, and MAV. See Taylor and Felitz v. Clackamas County, Oregon Tax Court Case No. 4302 (filed January 13, 1999).

Taxpayers contend that the words "real market value" in paragraph (a) mean just that, the real market value of the property, not its assessed value. They point out that assessors' estimates of value are not the same thing as real market value. In opposition, Plaintiff and Intervenor contend that paragraph (a) is referring to the real market value as shown on the tax and

assessment roll as of July 1, 1995. Taxpayers respond that if the voters had intended or meant the real market value shown on the roll, they would have so stated. This latter point is not necessarily true as seen in Cascade Steel Rolling Mills, Inc. v. Dept. of Rev., 13 OTR 252, 257 (1995), a case cited by taxpayers in support of their petition. In that case, this court held that when the legislature specified "real market value" in ORS 309.100, it must have intended the assessor's "estimate" of real market value.

Taxpayers arguments have facile appeal, but do not hold up upon close examination. The words "real market value" in paragraph (a) are immediately followed by the words "for the tax year." These latter words modify or identify which real market value is to be used. They appear to refer to the value that was used for purposes of assessment and taxation. While it is possible that the voters intended to refer to the property's actual real market value during the tax year, it is unlikely. Such an abstract meaning would have no direct relationship with the property tax system. Trying to force the meaning down that path leads to a numberless nowhere.

If the court assumes that section 11(1)(a) does not refer to the real market value shown on the roll, the next question must be: Where does the number come from? Certainly section 11 recognizes that property taxes must be administered.

If a MAV is to be established, then the real market value for every parcel of property as of July 1, 1995, must be ascertained. There are only a limited number of possibilities: (1) sale of the subject properties, (2) government appraisals, (3) taxpayer appraisals, and (4) existing property tax records.

By May 1997 when the voters passed Measure 50, they knew that every parcel of property in Oregon had not sold on July 1, 1995. It is only slightly less ludicrous to consider whether the voters intended assessors or taxpayers to assess every parcel of property. This leaves only one explanation: the words "real market value" in paragraph (a) were intended to refer to the amount shown as the real market value on the assessment and tax roll for July 1, 1995. This view is consistent with the administrative needs of the property tax system. The assessors of each county were required to compute a MAV for every parcel of property. This was feasible only by using the real market value from the July 1, 1995, assessment and tax roll.

The second paragraph directly bearing upon the issue before the court, paragraph (g) of section 11(1), states:

"There shall not be a reappraisal of the real market value used in the tax year beginning July 1, 1995, for purposes of determining the property's maximum assessed value under paragraph (a) of this subsection." (Emphasis added.)

The specific terms used in context are sufficiently ill-fitted so as to create ambiguities and questions. The word

"reappraisal" does not fit well with the words "real market value." "Value" is not a usual object of the word "appraisal." In this context, value is not appraised, property is appraised. Probably what the voters intended to say is that there shall not be a reappraisal of the property's real market value.

Section 11(1)(g) specifies that the real market value in question is that which was "used" in the tax year beginning July 1, 1995. The common, ordinary meaning of the word "used," is that it was applied to accomplish something. To be "used in the tax year beginning July 1, 1995," suggests that the real market value was employed in some fashion in that year. The most obvious and common use was the real market value on the assessment roll. That would be a clear, exact number. It would also be a number assessors could use to calculate MAV for the 1997-98 tax year.

Whatever the "actual" real market value of each property was in 1995, only the real market value on the assessment and tax roll was "used" for that tax year. The value which taxpayers assert, even though supported by evidence, was not the value "used" either by them or by the assessor for the 1995-96 tax year. Consequently, the voters must have intended the words "real market value" to refer to the real market value shown on the tax and assessment roll for 1995-96.

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Because paragraph (g) refers to paragraph (a), the two paragraphs may be read together for their collective meaning. It should be apparent that there would be no point in prohibiting a reappraisal unless property has been previously appraised. To prohibit a reappraisal is a direction that the prior appraisal shall not be disturbed or overturned. The only "appraisal" that would have applied to every parcel of property in Oregon would have been property tax appraisals. Therefore, the real market value in paragraph (g) must be the value that was "used" as described in paragraph (a) "for the tax year." Both paragraphs contemplate a real market value that was employed in administering the property tax system for the tax year beginning July 1, 1995. Any "actual" real market value as contended for by taxpayers would not have been used or necessarily been "for the tax year."

Contrary to taxpayers' assertions, the court concludes that the voters intended to refer to the real market value on the assessment and tax roll precisely because it did provide certainty. By the spring of 1997 there would have been few properties whose real market value was still in question. It is significant that the voters selected July 1, 1995. That date became the starting point for all future calculations of MAV and is significant because section 11 also requires the establishment of permanent tax rates. Establishing permanent tax rates

suggests the need for certainty in the calculation of those rates. Allowing property owners to appeal and change the real market value used for the 1995-96 tax year is inconsistent with the establishment of permanent tax rates.

Because the concept of MAV in paragraph (a) is unusual and the phrasing in paragraph (g) raises questions, the court has considered the legislative history of section 11. As observed in Taylor and Feltz:

"This section had an unusual beginning. By initiative Measure 47, adopted at the November 1996 general election, Oregon voters enacted a constitutional amendment limiting property taxes. However, after studying that amendment for the purpose of enacting conforming and implementing legislation, the legislature concluded that Measure 47 presented too many legal questions, unattended consequences, and difficulties. It therefore drafted a revised Measure 47, and referred the revised measure to the people as Measure 50. At a special election in May 1997, the voters adopted Measure 50, thereby repealing Measure 47." (Taylor and Feltz at 2-3.)

Measure 47 was a direct limitation on the amount of property taxes that could be imposed. Measure 50 (section 11) took a different route to accomplish the same thing. It limited the assessed value of property and established a permanent tax rate. The Explanatory Statement furnished by the legislature that drafted Measure 50 and contained in the Voters' Pamphlet states:

"Reduces the maximum assessed value of property for the 1997-1998 tax year to 90 percent of the property's assessed value for the 1995-1996 tax year." (Emphasis added.)

As of July 1, 1995, ORS 308.232 required property to be assessed at 100 percent of its real market value. Thus, the explanation in the Voters' Pamphlet indicating that the MAV would be reduced to 90 percent of the property's "assessed value" for the 1995-96 tax year would be understood to refer to the property's real market value used for that year. More important, there is no language anywhere in the Voters' Pamphlet which suggests that the foundation or starting number for calculating MAV could be appealed or changed.

Taxpayers make other arguments which the court finds unpersuasive. They argue that section 11(1)(g) is a restriction only on the assessor; that the voters would not restrict their own rights of appeal. Making assumptions about what the voters intended in these circumstances is mere speculation in the absence of any language in the constitution addressing appeal rights.

As noted above, Measure 50 was intended to accomplish the same thing as Measure 47, which is to limit property taxes. What the voters may have understood with regard to how the assessed value of property affects the permanency of the tax rate is unknown. There is no mention of rights of appeals in section 11 or the Voters' Pamphlet. Consequently, it is just as likely the voters believed that by using the July 1, 1995, value, less 10 percent, there was no need for anyone to appeal.

The greatest obstacle faced by taxpayers is the language of section 11(1)(g) itself. The prohibition against reappraisal is unconditioned and unlimited. It proscribes any reappraisal. Whether real market value refers to "actual" or assessed, a reappraisal is prohibited.

Paragraph (g) is clearly intended to prevent going back in history and revising each property's MAV starting point. To allow taxpayers to challenge their 1995 real market value would make paragraph (g) of no effect. By selecting a real market value as of July 1, 1995, almost two years earlier, the voters provided a margin of time which, in a general sense, would have assured a higher value in 1997. By specifying "less 10 percent," the voters established an additional margin so that all voters might feel comfortable that the starting point for calculating MAV would be at least less than the real market value in 1997.

Based upon the above analysis, the court concludes that taxpayers appealing their July 1, 1997, MAV may not challenge the real market value shown on the tax roll for July 1, 1995.³

The court recognizes that in one sense MAV is somewhat artificial or arbitrary. That is inherent in the overall scheme of section 11. The concept may, over time, result in various degrees of nonuniformity in the property tax system.

³ Of course, if taxpayers believe that the amount used was not the amount shown on the tax roll or that their MAV is incorrectly calculated, they may appeal on such grounds.

Section 11(18) contemplates this and excuses itself from complying with other constitutional provisions requiring uniformity, specifically Article IX, section 1 and Article I. section 32.

Having resolved the issue before the court; now, therefore,

IT IS ORDERED that Plaintiff's and Intervenor's Motion for Summary Judgment is granted, and

IT IS FURTHER ORDERED that Defendants' Motions for Summary Judgment are denied. Costs to neither party.

Dated this 23rd day of February, 1999.


Carl N. Byers
Judge

FILED
OREGON TAX COURT

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IN THE OREGON TAX COURT
REGULAR DIVISION
Property Tax

STATE CLERK OF COURT

BY *[Signature]*

PARKS WESTSAC L.L.C.,

Plaintiff,

v.

DEPARTMENT OF REVENUE,
State of Oregon,

Defendant.

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}

Case No. 4366

ORDER GRANTING DEFENDANT'S
MOTION TO DISMISS

Plaintiff (taxpayer) appeals the 1997-98 real market value assigned to its property, even though the assessed value is less. Taxpayer asserts that because the 1996-97 real market value was adjudicated under ORS 309.115,¹ that value must be carried over to the 1997-98 tax year. Defendant Department of Revenue (the department) has filed a Motion to Dismiss and a Motion for Summary Judgment, both of which assert that taxpayer is not "aggrieved" within the meaning of ORS 305.275. If taxpayer is not aggrieved within the meaning of that statute, taxpayer does not have standing and; therefore, the court may not exercise its jurisdiction over the claim.

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¹ All references to the Oregon Revised Statutes are to 1997.

FACTS

Taxpayer appealed the 1996-97 real market value of its property to the Magistrate Division of the Tax Court. Omitting history not relevant here, taxpayer prevailed and the real market value was established at \$624,070. For the 1997-98 tax year, the assessor set the real market value at \$831,320. However, this was not used as the assessed value because the newly enacted Measure 50 (Article 11, section 11 of the Oregon Constitution) established a maximum assessed value for taxpayer's property of \$561,663.

ISSUE

Is taxpayer aggrieved by the assessor placing an increased real market value on the assessment records?

COURT'S ANALYSIS

Taxpayer claims the benefits of ORS 309.115. ORS 309.115(1) provides:

"* * * If the board of property tax appeals or the tax court or other court enters an order correcting the value of a separate assessment of property and there is no further appeal from that order, except as provided under subsection (2) of this section, the value so entered shall be the value entered on the assessment and tax rolls for the five assessment years next following the year for which the order is entered." (Emphasis added.)

If this statute was applied literally, taxpayer's assessment for the 1997-98 tax year would be \$624,070 instead of \$561,663. That is hardly in taxpayer's interest. The only reason that taxpayer's assessed value is not \$624,070 is because

ORDER GRANTING DEFENDANT'S MOTION TO DISMISS

Page 2.

its property's maximum assessed value is established under the constitution, and the constitution overrides the statute.

The court concludes that taxpayer is not aggrieved within the meaning of ORS 305.275. So long as the property's maximum assessed value is less than its real market value, taxpayer is not aggrieved. In the future, if the adjudicated value under ORS 309.115 is ever less than the maximum assessed value and the assessor does not apply the adjudicated value, the taxpayer at that time can make a claim for the benefits of ORS 309.115. Now, therefore,

IT IS ORDERED that Defendant's Motion to Dismiss is granted, and

IT IS FURTHER ORDERED that Defendant's Motion for Summary Judgment is deemed moot. Costs to neither party.

Dated this 28th day of September, 1999.



Carl H. Byers
Judge

2000-2001 IPR PROPERTY RETURN COMPUTATION SUPPLEMENT

The purpose of this supplement is to provide trending and depreciation multipliers for use in calculating the 1/1/2000 RMV value. Use this supplement carefully.

The trending multipliers are calculated using data from the current Marshall and Swift publication. In special circumstances these factors may not apply to a particular property. When local market data show different trends (such as in general use buildings), the appraiser should use a procedure that results in the most reliable indicator of market value. The trending and depreciation multipliers presented here should not be blindly used. In all circumstances, the appraiser must exercise appraisal judgment.

The following multipliers reflect the changes in cost from January 1, 1999 to January 1, 2000.

BUILDINGS	TRENDING MULTIPLIERS
Group 1	
Light Steel Frame	1.04
Pre-Fab Steel	1.04
Reinforced Concrete Frame	1.04
Tilt-Up Concrete	1.04
Heavy Steel Frame	1.04
Group 2	
Wood Frame	1.05
Heavy Timber	1.05
Masonry	1.05

MACHINERY TRENDING MULTIPLIERS

Group 1	
Printing Equip	1.00
Group 2	
Bakery Equip	1.01
Millwork Equip	1.01
Mobile Home Mfg	1.01
Particle Board Equip	1.01
Plywood Plant Equip	1.01
Electronic Mfg Equip	1.01
Textile Equip	1.01

MACHINERY TRENDING MULTIPLIERS CONT.

Group 2 cont.

Warehousing Equip	1.01
Bottling Equip	1.01
Aircraft Mfg Equip	1.01
Steam Mfg Equip	1.01
Laundry And Cleaning	1.01
Average Of All	1.01
Sawmill Equip	1.01
Aluminum Reduction Equip	1.01
Foundry & Forging	1.01
Machine Shop Equip	1.01
Sheet Metal Shops	1.01
Steel Mill Equip	1.01
Canning & Frozen Food	1.01
Pies & Onion Ring Equip	1.01
Potato Processing Equip	1.01
Clay Products Mfg Equip	1.01
Brewing Equip	1.01
Dairy Equip	1.01
Paint Mfg Equip	1.01
Cold Storage	1.01
Freezing Tunnel Equip	1.01
Refrigeration Equip	1.01
Fish Cannery Equip	1.01
Feed Mill Equip	1.01
Meal Packing Equip	1.01
Asphalt Batch Plant	1.01
Chemical Mfg Equip	1.01
Bulk Oil Storage	1.01
Bulk Oil, LP Storage	1.01
Rock Crushing Equip	1.01
Cement Mfg Equip	1.01
Glass Mfg Equip	1.01

Group 3

Fresh Pack Equip	1.02
Paper Mfg Equip	1.02

The trending multipliers are applied to the previous year's adjusted value as of 1/1/89. When a new appraisal is done prior to the new assessment date and priced to a specific date, it is necessary to adjust for time by prorating the trending multipliers to the nearest quarter to reflect change from the appraisal date to the new assessment date.

Depreciation Selection

In an industrial plant, maintenance is continuous between appraisals, and, of course, so is wear and tear and obsolescence. The proper selection of depreciation multipliers in Schedule 1A for buildings and machinery during the maintenance cycle will result in a new measurement of value that should correspond to the estimate of a new on-site appraisal made after a period of maintenance.

The following depreciation factors produce the indicated declining balance life shown in Schedule 2A. The asset life associated with a depreciation level is shown here for your further consideration. Your use of appraisal judgment and proper selection in choosing the correct depreciation factors will result in proper appraisal maintenance. The following tables are guidelines to be used in selecting maintenance factors.

Depreciation Multipliers – Schedule 1A 1/1/99 - 1/1/00

<u>Cycle (2)</u>	<u>Ranges (3)</u>	<u>A</u>	<u>B</u>	<u>C</u>
First Maintenance Cycle	Buildings & Structures	.92	.93	.94
	Machinery & Equipment	.90	.91	.92
Second Maintenance Cycle	Buildings & Structures	.93	.94	.95
	Machinery & Equipment	.91	.92	.93
Third Maintenance and Succeeding Cycles	Buildings & Structures	.94	.95	.96
	Machinery & Equipment	.92	.93	.94

Depreciation Level/Life – Schedule 2A

.90	=	15.0 yrs
.91	=	16.7 yrs
.92	=	18.8 yrs
.93	=	21.5 yrs
.94	=	25.0 yrs
.95	=	30.0 yrs
.96	=	37.5 yrs

1. The maintenance cycles reflect a six-year period between appraisals. Some properties may be better valued by appraising more or less frequently than six years. It is necessary to exercise judgment when selecting the proper cycle. Unusual scenarios can arise such as the following examples:
 - A. An older plant in its third or fourth maintenance cycle, as far as chronological age, undergoes an extensive expansion and remodeling project which eliminates a probable maintained mid-life condition. The physical assets are most likely depreciating at a more rapid rate. Therefore, the depreciation multipliers should be selected from the first or second maintenance cycle rather than the third.
 - B. A new plant built from used materials has had that fact reflected in the original appraisal. The maintenance of that appraisal requires the same consideration as a plant in a maintained mid-life condition where the annual rate of depreciation has declined. Therefore, the depreciation multiplier should be selected from the second or third cycle rather than the first.

2. There are three ranges of depreciation multipliers.

STANDARD – Range "B" represents typical maintenance conditions and is the range used most often. The depreciation multipliers from Range "B" reflect loss in value for the period from physical deterioration and functional obsolescence for the appraised unit of property of an organization with typical maintenance programs and a normal capitalization policy. Ranges "A" and "C" represent extremes, plus or minus, from "B."

BELOW STANDARD – Range "A" reflects a loss in value for the period from physical deterioration and functional obsolescence where plant maintenance practice is below standard. This company's assets would be depreciating at a rate that is faster than normal, (faster than Range "B"); or, an organization that has a very "rigid" capitalization and reporting policy. They add costs in the Real Property Return that are normally expensed by similar companies. Recognition of these conditions, individually or collectively, can serve as the basis for selecting Range "A."

ABOVE STANDARD – Range "C" reflects a loss in value for the period from physical deterioration and functional obsolescence where plant maintenance practice is above standard. This company's assets would be depreciating at a rate that is slower than normal, (slower than Range "B"); or, are part of an organization that has a "liberal" capitalization and reporting policy. They omit costs from their Real Property Return that are normally capitalized by similar companies. Recognition of these conditions can serve as the basis for selecting Range "C".

3. When a new field appraisal has been made prior or subsequent to the assessment date, and priced to a specific date, it is necessary to adjust for time by prorating the depreciation multiplier to the nearest quarter to reflect changes from the appraisal date to the assessment date. An example is an appraisal dated 7/1/99. The depreciation for the last two quarters would be prorated from the yearly multiplier. If the multiplier for the year was .96, the prorated adjustment for the last two quarters would be .98 or .99 for the last quarter.

Five very important things to remember:

- A. Depreciation multipliers and ranges are reviewed annually.
- B. The only time recommended for using depreciation multipliers on the computation sheet is during the regular maintenance cycle. At the end of the period, a new on-site appraisal is made and the cycle is re-initiated for another maintenance period.
- C. Deviation from the suggested ranges is acceptable when there is supportable justification for increasing or decreasing any of the depreciation multipliers.
- D. Current year additions are given trend and depreciation factors for the quarter in which they were added to calculate the 1/1/00 adjusted value.
- E. The depreciation schedules reflect a six-year appraisal cycle. If the property is being appraised less or more often, the schedules will have to be applied differently.

Economic Obsolescence in Oregon's Lumber and Plywood Manufacturing Industries

Tax Year 2000-01

One of the most difficult problems faced by industrial property appraisers is estimating the loss in the value of an asset due to economic obsolescence. For many industrial properties, intractable problems with the sales and income appraisal approaches leave only the cost approach as a viable appraisal technique. Unlike the sales and income approaches, the cost approach does not implicitly account for economic obsolescence that may be present in an industry. In this paper we develop a method to estimate economic obsolescence for use as an adjustment to the cost approach, focusing on Oregon's lumber and plywood industries.

Economic obsolescence is caused by factors external to the property

Economic obsolescence is defined as the loss in value of a productive asset due to factors external to the asset. This contrasts with physical depreciation and functional obsolescence, which are inherent in the asset itself. Because the factors that cause economic obsolescence are external to the assets being considered, economic obsolescence in most cases affects entire industries or large segments of industries.

A number of external forces can reduce the value of productive assets. The forces include changes in demand for an industry's output, changes in the availability or costs of inputs, changes in laws or regulations, the development of substitutes, and others. In the Pacific Northwest lumber, plywood, and related industries, a number of these influences have occurred in recent years: declining timber supplies as federal land has been closed to logging for environmental reasons; increased competition from Canadian and southern U.S. wood products; the development of substitutes for solid lumber and plywood; geographic shifts in the availability of timber; a general reduction in the demand for wood products in the economy; and perhaps others.

Developing a measure of economic obsolescence

In developing a measure of economic obsolescence, the key is to determine how the forces that cause economic obsolescence affect firms in the industry or segment of the industry being considered. For the timber processing industry in Oregon and the rest of the Northwest, the primary forces that have caused economic obsolescence in the past include the following:

- 1) A decline in the supply of timber due to reductions in federal timber harvests associated with the listing of the Northern Spotted Owl as an endangered species.
- 2) Increased use of substitutes for lumber and plywood in the building industry, primarily oriented strand panels, laminated beams, recycled plastic lumber, and metal framing components.
- 3) Increased price competition from Canadian lumber arising from stumpage subsidies provided by the Canadian government.
- 4) Increased price competition from southern U.S. lumber arising from lower production costs in the South.
- 5) Reduced demand for lumber arising from economic and demographic factors.

During the mid-1990s, the combination of these factors resulted in an over-capacity in lumber and plywood industries. This over-capacity, in turn, resulted in the under-utilization of some mills and the closure of others.

One potential measure of economic obsolescence, then, is the difference between capacity and actual production. Properly formulated, measures of under-utilization can be used to estimate how overcapacity affects the profit-earning power, and therefore in the asset value, of operating mills.¹ A number of authors have advocated using utilization rates as direct measures of economic obsolescence, where obsolescence is calculated as one minus the utilization rate.² This approach errs in that it does not take into account the cost structure of the industry being analyzed. In industries with significant fixed costs (i.e., most manufacturing industries), profitability falls faster than the fall in capacity utilization because fixed costs do not decline as utilization declines.

Excess capacity as a measure of economic obsolescence

Because productive assets, such as lumber and plywood mills, derive their value from the income they can earn, and because there is a strong relationship between the level of use and income earned, a fall in use relative to capacity is a strong indicator of a decline in asset value. By measuring actual use relative to capacity, we can estimate the decline in asset value attributable to under-utilization. For production processes with a significant level of fixed costs, net income falls faster than the rate of utilization because the fixed costs do not decline with a fall in utilization. In developing a capacity-based measure of economic obsolescence, therefore, the relationship between fixed costs and variable costs is important.

When excess capacity is present in an industry (or segment of an industry), whether it is caused by new investment, decreased demand for the industry's output, or a reduction in the supply of a key input, all firms are affected. In the case of a reduction in the supply of a key input (e.g., public timber), a given level of productive capacity is bidding for a smaller supply of the input, bidding up the price and reducing profit margins. Even for firms that continue to operate at or near full capacity, the increase in input prices means lower profits and, therefore, the presence of economic obsolescence. As less efficient mills close under the pressure of lower profits, excess capacity in the industry declines, price pressure on inputs is eased, and profit levels rise. When all excess capacity is eliminated, profits will return to "normal" levels and economic obsolescence will not be present.

To estimate economic obsolescence in Oregon's lumber and plywood industries, we estimate the fall in profitability due to industry-wide overcapacity. The fall in profitability represents economic obsolescence. We use the following relationships:

- 1) $PPM = 100\% - FC - VC * 100\%$
- 2) $APM = (100\% \times UR) - FC - (VC \times UR)$
- 3) $ECONOMIC\ OBSOLESCENCE = (PPM - APM) / PPM$

where:

- PPM = potential profit margin (at-capacity) as percent of total revenue
- APM = actual profit margin as percent of total revenue
- FC = fixed cost as percent of total revenue
- VC = variable costs as percent of total revenue
- UR = the 3-year average utilization rate (most recent years of actual data)

For example, assume a manufacturing industry, when operating at capacity, has fixed costs equal to 20% of total revenue and variable costs equal to 60% of total revenue, so $FC = 20\%$ and $VC = 60\%$. Now if the industry is operating at 90% of capacity (i.e., $UR = 90\%$), then the calculation of economic obsolescence is:

$$PPM = 100\% - 20\% - 60\% = 20\%$$

$$\text{APM} = (100\% \times 90\%) - 20\% - (60\% \times 90\%) = 16\%$$

$$\text{ECONOMIC OBSOLESCENCE} = (20\% - 16\%) / 20\% = 20\%$$

Note that when the utilization rate is 100%, then APM = PPM and economic obsolescence is equal to zero, which is the expected result. Also note that, in the above example, when the utilization rate falls to 50%, then APM = 0 and economic obsolescence = 100%. Because of the presence of fixed costs, net income falls to zero (and economic obsolescence = 100%) before utilization falls to zero. In general, the higher are fixed costs, the faster net income falls (and economic obsolescence rises) as utilization falls.

Estimates of economic obsolescence for Oregon's softwood lumber and plywood industries

Making actual estimates of economic obsolescence for Oregon's lumber and plywood industries presents a number of practical problems. The three key problems are defining the appropriate geographic boundaries of the industry (or industry segment) to consider; measuring industry capacity and capacity utilization; and measuring fixed costs, variable costs, and profit margins.

Defining the Industry

Both the softwood lumber and plywood markets in the U.S. are highly competitive, with a large number of firms producing a fairly homogeneous product. For both industries, the key question is whether the western U.S. region differs enough from the southern U.S. region to treat the two regions separately. In output markets, the two regions are direct competitors in the same market. In input markets the two regions differ primarily in the availability of their key input: trees. Because the western region of both the lumber and plywood industries have historically relied more heavily on public timber, the recent reductions in the availability of public timber represents a dramatic difference in the environments faced by mills in the two regions. Mills in the west have faced a dramatic reduction in the supply of timber while mills in the south have not. And because the transportation costs of raw logs is high relative to their value, the market for inputs in the two regions are essentially separate. The Canadian region, because it faces much different regulatory and supply conditions, is also considered a separate region.

For these reasons, in estimating economic obsolescence for lumber and plywood mills in Oregon we define the relevant industry for both lumber and plywood as the western U.S., which consists primarily of the states of Oregon, Washington, California, Idaho, and Montana.

Measuring Industry Capacity and Capacity Utilization

One of the biggest problems lies in estimating the industry's full capacity level. The relevant capacity measure is not the maximum output the industry is physically able to produce, but the level of production considered "normal" and at which mill owners earn "normal" profits. This level of production, in nearly all cases, will be less than the maximum production levels the industry is capable of. History tells us that in the western lumber and plywood industries, capacity utilization averages roughly 90 percent during periods considered to profitable, and utilization rates rarely climb much above 90 percent. As a practical matter, the level of production that is considered full capacity can be estimated by taking a representative year or the average of a number of years. For our estimates, we use the average of five-year period from 1995 through 1999, a period characterized by robust economic growth and high levels of construction activity.

In measuring industry capacity and capacity utilization, we rely on data published by Resource Information Systems, Inc. (RISI) in their annual publication Wood Products Review. RISI estimates the rate of capacity utilization for softwood lumber mills and structural panel mills for annual periods dating back to 1975.

Measuring Fixed Costs, Variable Costs, and Profit Margins

In the equations presented above, we assume that variable costs change in proportion to capacity utilization. For most manufacturing operations, including wood processing, it is unlikely that variable costs fall faster than utilization, so the assumption of proportionality results in a lower bound on the estimates of economic obsolescence.

RISI gathers annual, detailed data on lumber prices and production costs from lumber and structural panel mills for the major producing regions in the U.S. and Canada. Based on annual data from RISI publications, a special study of industry costs published in the July 1990 issue of RISI's Wood Products Review, and annual cost information published by Robert Morris Associates, we estimate that at times of relatively high capacity utilization, lumber industry variable costs (which include wood costs) represent about 78% of gross revenues and fixed costs represent about 16%, leaving a potential profit margin of 6%. For the plywood industry, variable costs represent 82% of gross revenues, fixed costs represent 13%, and profits represent 5%.

Estimates of Economic Obsolescence Lumber and Plywood Mills: Tax Year 2000-01

Based on the estimates of capacity utilization, published by RISI, and costs, published by Robert Morris Associates, Tables 1 and 2 show projections of economic obsolescence for Oregon softwood lumber mills and plywood mills for the 2000-01 tax year. For lumber, economic obsolescence appears to have been eliminated as the 3-year average capacity utilization of 91% exceeds the "normal" rate of 90% (economic obsolescence is calculated to be -2.7%). For plywood, the 3-year average capacity utilization of 89% (compared to a "normal" rate of 91%) results in economic obsolescence of 4.3%. For both lumber and plywood, the utilization rate increased from the prior year, resulting in a decrease in estimated economic obsolescence compared to 1999-00.

Table 1:

Estimate of Economic Obsolescence For Softwood Lumber Manufacturing 2000-01 Tax Year

Industry Capacity (Billion Board Feet/year)	17.1
Actual Production (Billion Board Feet/year)	15.5
Utilization Rate (Actual Production as Share of Capacity)	91 %
Utilization Rate Considered to be Full Utilization	90 %
"Normalized" Utilization Rate (Full Utilization = 100%)	101 %
Industrywide Fixed Costs as Share of Gross Revenue	16 %
Industrywide Variable Costs as Share of Gross Revenue	78 %
Potential Profit Margin as Share of Gross Revenue	6.0 %
Actual Profit Margin	6.2 %
Economic Obsolescence (Percent Shortfall in Profit Margin)	-2.7 %

Table 2:

Estimate of Economic Obsolescence For Plywood Manufacturing

2000-01 Tax Year

Industry Capacity (Billion Square Feet/year 3/8-inch basis)	6.2
Actual Production (Billion Square Feet/year 3/8-inch basis)	5.5
Utilization Rate (Actual Production as Share of Capacity)	89 %
Utilization Rate Considered to be Full Utilization	91 %
“Normalized” Utilization Rate (Full Utilization = 100%)	99 %
Industrywide Fixed Costs as Share of Gross Revenue	13 %
Industrywide Variable Costs as Share of Gross Revenue	82 %
Potential Profit Margin as Share of Gross Revenue	5.2 %
Actual Profit Margin	4.9 %
Economic Obsolescence (Percent Shortfall in Profit Margin)	4.3 %

¹ For an example, see Crawford, Robert G. and Gary C. Cornia, “The Problem of Appraising Specialized Assets,” *The Appraisal Journal*, January 1994, pp. 75-85.

² See, for example, Joseph J. Calvanico, “Economic Obsolescence of Manufacturing Facilities,” *The Real Estate Appraiser & Analyst*, Spring 1989, pp. 58-89.

Economic Obsolescence in the Fishing Industry in Oregon for 2000-2001

Part I History & Salient Facts

History

Oregon's fish processing industry has endured a long history of changes in the supply of fish, and changes in the markets where fish are sold. In 1880, Columbia River Salmon accounted for half of the world's supply of canned salmon. By 1950, Columbia River salmon all but disappeared and the salmon fishery on the Oregon Coast began to expand. Coastal trolling fleets increased for 30 years and brought processors several species to process.

Current Market Composition

Today, salmon makes up only 3% of the state's total sales of processed seafood thus processors must rely on other species. Cycles in seafood supply and demand have become a way of life for fish processors, bringing good seasons and poor seasons. The survivors have been quick enough to respond to change, diversify their processing, and find new markets.

Today's Oregon fish processing industry processes several seasonal species, but has relied on a relatively stable ground-fishery for year-round production to fill in the gaps between seasons.

Salmon processing is one of the seasonal species, but can no longer be relied upon by processors due to very poor salmon runs off of the Oregon Coast for most of this decade. In addition, salmon farming has become very successful worldwide, resulting in the lowest salmon prices in 25 years. Casting serious doubt that even if Oregon harvests were abundant, processors would be able to profit from salmon in today's marketplace.

Crab and shrimp harvests are very cyclical, and market prices fluctuate depending on regional and worldwide inventories, as well as demand. Both crab and shrimp are capable of providing processors with good profits during good seasons. Even though recent processing seasons for crab and shrimp have been below historical averages, it has not seemed to be of great concern in the fish processing community. The lack of concern is probably due to its relative small financial impact, and the industry has become accustomed to the cyclical nature of the fishery.

Tuna and other similar fish species, mostly albacore, account for approximately 10% of the processed fish in Oregon, making it a relatively insignificant species for most processors.

A relatively new fish product in Oregon is surimi, which is a value-added fish product made from Pacific whiting (hake). Surimi is used in many seafood products, such as artificial crab ("Krab"), and can be used as a protein supplement to non-seafood foods. The primary markets for surimi are Korea and Japan, which makes it vulnerable to the recent economic woes in Asia. There has been a fairly competent effort to expand the market but, as with most new markets, it can be volatile. A mid-90's collapse of the surimi market caused a one-year 35% economic obsolescence adjustment to surimi machinery and equipment only. Since then, the surimi market has rebounded, with 1997 proving to be one of the best years for Oregon surimi processors. Surimi processing requires a relatively large capital investment in machinery and equipment, and some processors have, or are considering retooling to process whiting filets, as they feel market may be broader.

Factors influencing the seafood market

The main factor influencing the seafood market is the timeless law of supply and demand. Under normal market conditions as the demand remains constant and the supply decreases, the producer can maintain or even increase profitability by increasing prices. In addition, if the demand remains constant and the supply increases, the processor would reduce cost by offering a lower price to the fishing fleet, and the fleet would survive due to increases in catch. However, if both supply, and demand decrease, the producer will have a very difficult time making a profit. Therefore, both sides of the equation have been considered in this study.

For two decades, the seafood market has enjoyed a steady growth in demand, primarily due to North American and Western European interest in a “healthier” diet. However, that trend seems to have slowed and even reversed in the last portion of the 90’s. The Asian and Eastern Europe markets still show demand, but both are experiencing economic woes, and along with demand, the ability to pay has to be assumed. There are indications that market growth may be coming from developing nations, but that is still in the future.

The other side of the coin is the supply side, and even though the market appears to be shrinking, so does the supply. Actually, many marine biologists feel that the supply had already been depleted, but the inability to accurately measure fish stocks had masked the problem. Then there are people in both the industry and scientific camps that feel fish stock measurement techniques are still extremely inaccurate.

The seafood processing industry is a rung in the ladder between the product in the ocean and the consumer. The industry’s supply is determined by several factors; the ability of the fish gatherers (fisherman) to find the product, the willingness of the fisherman to gather the product for the anticipated return, and the artificial restraints placed on the market by governmental forces. This artificial restraint is usually in the form of harvesting limits imposed to preserve future stocks. These harvest limits are imposed by the presiding authorities in this region, which are the Pacific Fishery Management Council and the Oregon Department of Fish and Wildlife. As the Coho Salmon and Steelhead have been listed as endangered, the federal government, and the courts will eventually have some say in the harvesting of these species.

Another important factor influencing the Oregon seafood industry is that it does not operate in vacuum, it is part of a national and international market. National and international events can and do influence the Oregon seafood industry. Primary examples are currency exchange rates. For example, if the United States dollar is strong against the yen, Japan will look elsewhere for product, either raw material, or finished product. Finished product is usually in the form of frozen or canned product.

Like many other worldwide industries, the seafood industry is susceptible to large-scale speculation. There is no commodity trading exchange for most seafood products so speculation takes the form of stockpiling finished product and warehousing it, hoping for better market conditions in the future. The problem is, the finished product can’t be stored forever and, if the market does not improve, there is a lot of “dumping”. When the product is dumped, it depresses the market even further and can affect profitability of a specific product or even the entire industry.

Economic Obsolescence and Over Capitalization

Economic obsolescence is defined as the loss in value of an asset due to factors external to the asset. Economic obsolescence is usually thought of as a relatively short-term condition. If the external negative forces persist, the loss in value becomes a market condition and the asset should be appraised appropriately. Appropriately means using similar properties and assets to develop comparisons. Examples of such short-term factors are changes in demand for industry products, supply of raw materials, and laws or regulations.

Normal business cycles are not considered economic obsolescence, as a prudent buyer would take such cycles into consideration when purchasing

The seafood industry is extremely fractionalized and disordered due to lack of worldwide harvesting regulations, and general lack of ownership in the overall source of supply. This disorder creates severe profit cycles and often changes in ownership of the processing facilities all over the world. Prospective purchasers of processing facilities usually have a supply source in advance of purchase and rarely hold facilities for any length of time. This makes it very difficult to determine what is economic obsolescence or what is a market condition.

Another expression of interest and consideration is “Over Capitalization”, which is usually defined, in a purely static sense, as the existence of more capital applied in an industry than is necessary for the most efficient operation. At this time, over capitalization is usually associated with the fish gathering aspect of the industry. According to public and private industry experts, the processing industry is in need of capitalization in order to improve infrastructure. In this case, the term infrastructure refers to the docks, buildings, and modern equipment.

Purpose of this study

As it is not feasible to reappraise each and every industrial property every year, values have to be maintained between appraisals using standard mass appraisal techniques. These techniques include trending real property improvements for time, and depreciating real and personal property for wear, “physical depreciation”.

This report deals with adjusting for market conditions not directly attributable to a specific site, in other words “Economic Obsolescence”. This report does not deal with inadequacies specific to a site, or any other form of obsolescence, including functional.

However, it should be noted that there is a fine line between functional and economic obsolescence in this industry. If a processing plant is set up to only process certain species, and the supply of those species is reduced by outside forces, the standard for determining whether obsolescence is economic or functional probably centers on the duration of the restriction. For example, the salmon canning plants were probably experiencing economic obsolescence the first two or three years of the supply shortage, but once it became evident that the supply was not returning for several years, the processing plants still set up to can salmon were functionally obsolete.

Limitations of this study

The main problem with this or any other economic obsolescence study is in the timing. This report has to be completed before the best data is in, and in some cases before the actual fishing season for some species begins. Hence, this report deals mostly with historic data, but it is the same data any potential buyer would have access to, and the definition of value is “the present worth of future benefits that accrue to property ownership¹”.

Part II

Specific Recommendations by Fishery

Groundfish

Groundfish allocations for 1998 had caused concern in the Oregon fish processing community. Several of the most relied upon groundfish species have had harvest limitations imposed for 1998, and now for 1999 and 2000, that reduce harvests by as much as 65% of 1997 levels. Groundfish have historically been “the glue that held everything together,” as one processor stated. The year-round fishery allowed processors the flexibility to keep processing staff employed between seasonal harvests of other species, and fill market needs easily.

The factors and forces that influence the seafood industry have been discussed earlier in this document, but need to be discussed specifically when calculating the appropriate economic obsolescence factor. A lot of the forces and factors at work in the seafood industry have to be considered normal potholes in the profitability road, such as speculating, dumping and even the ability of the fishing fleet to get “on” fish, meaning to find an elusive prey in a very large ocean. In addition, a lot of the factors and forces are next to impossible to anticipate or measure, hence all calculations will have to be based on measurable factors, such as catch limits, wholesale prices and hard production costs.

Measuring these economic forces requires an understanding of how they affect the fish processors. Economic obsolescence studies on other industries usually rely on production capacity and lost profits from production at less than full capacity. However, capacity is not a good measure of economic obsolescence for fish processors because the industry is developed primarily around seasonal harvests. Trends in fish processing are a better measure of economic obsolescence for fish processors because one can develop an understanding of where the industry was, is, and will be. Historical fish harvest data from the Oregon Department of Fish and Wildlife (see attached “Oregon Commercial Seafood Landings by Species Groups 1990-1999”) is utilized to analyze these trends. Consideration for uncertainty of future fish processing labor markets must also be addressed if the once year-round groundfishery becomes seasonal. Interviews with fish processing industry staff and Oregon Employment Division staff economists provide insight to this issue.

As stated before, 1998 was not a banner year in the industry, hence the labor force appears to have dropped from 1,643 in 1997 to 1,344 in 1998. However, due to use of labor contractors, the actual employment numbers are difficult to verify. As of January 1, 1999, Oregon’s minimum wage increased to the highest in the nation, which is bound to cause the industry problems. There is a possibility that the new groundfish allocation system may even out the supply, which would help processors retain personnel. The industry will still have labor problems, and even with the increased minimum wage, the processors will have a difficult time finding documented workers.

In 1998 the groundfish processors were given a 20% economic obsolescence reduction based on reduced catch limits and labor problems. The methodology and reasoning remain relevant, and rather than recreating it, it is easier to cite last year’s report.

“Groundfish harvests have been changed for several species and the result will be a significant reduction in overall groundfish harvests. Groundfish are processed primarily into fillets that are marketed to restaurants and retail seafood outlets. The harvest reductions include some of the most popular species marketed. The Pacific Fishery Management Council has imposed the following changes:

Species	Percent Change
Lingcod	-65%
Rockfish, canary	3%
Rockfish, widow	-34%
Rockfish, yellowtail	40%
Thornyhead, longspine	-30%
Thornyhead, shortspine	-6%
Sablefish	-40%
Sole, Dover	-19%

These species account for over 65% of the total pounds of groundfish harvested in Oregon. A detailed analysis of the impact on fish processors is shown on Table 1 in the appendix. The change in harvest allocations may result in a 25 percent reduction in the value of groundfish processed. Processor sales of groundfish accounted for approximately 35 percent of total sales in 1997. With a 25 percent reduction in groundfish, projected 1998 processor sales of groundfish account for approximately 25 percent of total sales. This results in an estimated 10 percent reduction in overall sales in 1998 due to the groundfish harvest reductions.

Another impact to the processors is the uncertain change in labor force. Groundfish processing has allowed processors to maintain a year-round processing labor force. With a 25 percent reduction in groundfish processing, processors will likely have to depend more upon a seasonal labor force. Seasonal labor forces have excess expenses associated with training, product loss from in-experience and losses due to the inability to secure enough seasonal staff to process amounts harvested. Economists at Oregon Employment Division, Oregon Department of Fish and Wildlife, and managers of processing plants agree that the unstable workforce could have a significant impact on Oregon fish processors. This uncertainty is very hard to quantify. An estimated economic impact of approximately 10 percent has been assigned to the uncertain labor force factor.”²

The 10% reduction for anticipated loss in sales was calculated accurately. However, it appears that the reduction in supply was passed through to the consumer in the form of higher prices, thus not really affecting the profitability of the fishery. The catch limit this year is approximately the same, and new methods of quota enforcement should add to profitability by evening out the fish supply over the season.

Expanding on the labor problem, the industry was once one of the major employers along the Oregon coast, but is now relatively insignificant when compared to tourism and related service industries. The gaming industry now employs about the same number of workers as the major processors. With the growth of these industries and the stagnant growth of a labor force, there is a great deal of competition for the low skilled worker. Add the 8.33% increase in hourly wage and the labor factor of production has become a great concern to the industry. Minimum wage increases affect multi-national industries that hire unskilled labor because they can't pass on the cost and still compete in a world market.

Calculating the negative labor market required getting educated observations from industry sources on the cost of retraining and re-staffing due to employee turnover. Sources inside the industry said they anticipate such cost to be 10% of their labor costs. The calculation below shows the impact of the before-mentioned labor problems on the processors' profitability. The "Processors' Contribution" represents their anticipated profit per pound of product processed. The number shown is from a model constructed for the Oregon Department of Fish and Wildlife by Hans Radtke, who is one the foremost private sector experts on the fish processing industry.³

	Processor Price	Labor Cost	% Labor Cost	8.33% Increase Min Wage	10.00% Retraining Cost	Anticipated Processors' Contribution	Reduced Contribution	% Reduction
Salmon	\$2.38	\$0.17	7.1%	\$0.014	\$0.02	\$0.40	\$0.36	7.8%
Crab	\$4.79	\$0.61	12.7%	\$0.051	\$0.06	\$0.40	\$0.29	28.0%
Shrimp	\$3.02	\$0.25	8.3%	\$0.021	\$0.03	\$0.40	\$0.36	11.5%
Tuna	\$1.32	\$0.20	15.2%	\$0.017	\$0.02	\$0.34	\$0.30	10.8%
Groundfish	\$2.08	\$0.29	13.9%	\$0.024	\$0.03	\$0.40	\$0.35	13.3%
Surimi	\$0.87	\$0.12	13.8%	\$0.010	\$0.01	\$0.30	\$0.28	7.3%

Almost all processors deal with more than one fishery, even the surimi processors are packaging fillets or planning on packaging fillets. In addition, a lot of the machinery and equipment, as well as the real property improvements can be used for more than one fishery. Thus, it is simpler and appropriate to apply one economic obsolescence factor to the entire industry. The best way to select the appropriate factor from the indications shown on the table above is to weight them for their relative impact on the overall industry.

Because the labor cost impact (“% Reduction” from the preceding table) was analyzed by the pound, weighting the indicated reduction in profits will be done using the landed weight of the product.

	C 1	C 2	C 3	C 4	
	Fishery		%		
	% of	Wgt	Contribution	Extension	
	Total	Factor	Reduction	C 2 X C 3	
Salmon	1.00%	1	7.79%	0.077903	
Crab	3.00%	3	27.95%	0.838598	
Shrimp	7.00%	7	11.46%	0.801938	
Tuna	4.00%	4	10.78%	0.431294	
Groundfish	21.00%	22	13.29%	2.790743	Weighted Average
Surimi	62.00%	63	7.33%	4.54584	9.486314 / 98
	Sum	100		9.486314	10%

The weighted average in the table above represents the indicated Economic Obsolescence factor over the entire fish processing industry.

On top of the before-mentioned problems, the people who have traditionally worked in the seafood processing industry are eligible for the “Federal Dislocated Worker Program” for retraining. The result is migration from the workforce of the experienced worker.

In summary, due to the ability to pass on the short supply problems by increasing prices, and the new catch limit enforcement rules designed to even out the supply of fish, it is not appropriate to apply an economic obsolescence for supply problems. *However, the labor supply problem has not been solved, so a 10% reduction should be applied this year.*

Whiting and Surimi

As of January 1, 2000, processors are watching the Japanese and Asian markets, as they purchase about 80 percent of Oregon’s surimi. The Japanese yen had dropped 10 percent around July of 1997, making the US dollar very strong against the yen, which causes the surimi processors to have more difficulty selling their product. It appears that, overall, the surimi processors had a rough 1998, with low profits on below average sales volume. 1999 was better and with the 10% rebound in the yen from January of 1999 to January of 2000, the future looks good.

Under normal conditions, a great deal of the lost profits can be passed through to the fisherman. However, even though there is a low yield of finished product to raw material in surimi processing, the raw material (fish) costs, run from a low of about 2.5 cents, to a high of 4.5 cents per pound, which leaves little room for adjusting costs on the supply side. The fishing fleet is not going to supply product for any less than 2.5 cents per pound, according to news releases and personal interviews.

The 2000 whiting allocations (see attached “2000 CATCH LIMITS”) will remain about the same as the 1998 and 1999 allocations and the price seems to be rebounding, the Yen is recovering and the Asian flu is clearing up, giving hope for a better 2000, (see attached graph, “SURIMI PRICES”). The yen is in the process of a slow recovery, and most economists think we have seen the bottom of the Asian depression. *Hence, it appears no economic obsolescence factor for supply or market conditions should be applied to the surimi processing industry for 1999/2000. The 10% reduction for labor market conditions should be applied.*

Salmon

Salmon is not a factor in Oregon’s fish processing like it once was, processors have diversified and moved to marketing other species. Typical buyers in today’s fish processing market understand that if salmon ever comes back, it will be frosting on the cake; but nobody expects salmon processing in Oregon to recover, at least not soon. There may be a small opening for hatchery Coho this year but it is doubtful that any processor will rely on it for anticipated profits. In fact, it could cause more labor

problems. *Processors are no longer being given any economic obsolescence adjustment for supply or market problems concerning salmon. However, the 10% reduction for labor market conditions should be applied.*

Crab, Shrimp, Other Fisheries (Other than Groundfish)

Cyclical swings in crab and shrimp harvests continue, with weather being an added problem this year. However, the industry expects the season to continue until harvest quotas have been met. A few processors appeared to be doing relatively well at the end of the 1998 crab season, having purchased and processed crab while prices were low and enjoying an upturn in market price in January 1999. Processors can purchase product from other openings or international waters for processing because the product travels fairly well. Crab and shrimp can be kept alive for several days or even weeks onboard without expensive special equipment. Shrimp prices should increase in 1999 and 2000 after a poorer than average season in 1997 and 1998.

Shrimp landings were up last year more than 300% from the previous year and crab landings were up over 80%. At the same time the prices were fairly steady.

Other fisheries such as tuna provide mostly incidental processing opportunities for processors, with the exception of a few specialized processors of sea urchins and other shellfish. There is no support for an economic obsolescence adjustment in these fisheries. Tuna does provide potential, but as of now the market seems to prefer the larger varieties indigenous to warmer waters. *Due to the fact that this fishery is labor intensive, and many of products are processed by the same plants as groundfish, the 10% economic obsolescence factor for labor should be applied.*

Conclusion

All buildings, structures, machinery and equipment utilized for fish processing in Oregon, may receive the *10% economic obsolescence* adjustment for labor.

¹ 3rd Edition of the Dictionary of Real Estate Appraisal published by the American Institute of Real Estate Appraisers.

² 1998/99 Economic Obsolescence Study for Commercial Fisheries of Oregon.

³ Review of Oregon's Commercial Fishing Industry in 1998 and Outlook for 1999. Published in February of 1999.

Declaration of Property Costs, Operations,
and Other Related Information

Department Use Only
Date Received FEB 20 2000

— Confidential —

File this return on or before **MARCH 1, 2000**
with the assessor of the county in which the property is located.

Election Number		
Business Name Saw-it, Inc.		
Street Address 123 Sawmill Road		
City anywhere	Title OR	ZIP Code 97123 -
Account Number 063W-36CB 0100	Type of Plant Planer Mill	
	Location anywhere, OR	

ANNUAL REPORT REQUIRED

Oregon law (ORS 308.290)(1)(a) requires that each company must file this annual return with the county assessor on or before March 1. Failure to file will subject the company to late filing penalty (ORS 308.295). This statement is subject to audit.

ACCOUNTING RECORDS LOCATION			
Street Address 123 Sawmill Road	City Anywhere	Title OR	ZIP Code 97123
CONTACT PERSON FOR AUDIT			
Name C.W. Controller, CPA	Telephone Number (541) 945-8585		
Mailing Address 123 Sawmill Road			
City Anywhere	State OR	ZIP Code 97123	

TAXPAYER DECLARATION

I declare under penalties of false swearing (ORS 305.990(4)) that this return, including attached schedules, has been examined by me and to the best of my knowledge and belief, is true, correct, and complete.

Full Legal Name (if incorporated) Saw-it, Incorporated		
Signature of <input type="checkbox"/> owner <input checked="" type="checkbox"/> officer <input type="checkbox"/> authorized agent C.W. Controller	Date 1/5/2000	
Typed or printed name of person signing above C.W. Controller		
Title Vice President		
Name of Preparer (if other than taxpayer)		
FAX Number (541) 945-2424	Telephone Number (541) 945-8585	Email Address c.w.controller@anywhere.net

Be sure to read the instructions on page 1 before completing this return →

List of Property Types

Real Property

Buildings, Structures

Include all building and structure costs, including excavation, floor, shell, interior and exterior finish, lighting, wiring and fixtures, plumbing, sprinkling systems, elevators, heating systems, ventilators, fire protection systems up to the dry valve including underground piping, valves, tanks and foundations. Also include indirect costs such as interest during construction, engineering, and design costs. Process piping, power wiring, and foundations for the machinery and equipment should be included with Real Property—Machinery and Equipment.

Yard Improvements

Fences
Paving
Ponds
Railroad spurs on site
Retaining Walls
Roads
Walks and curbs
Wharves and docks
Yard lighting

Machinery and Equipment

Include all costs for all process and manufacturing machinery and equipment that meets the definition of real property as described in the General Instructions. Include power wiring, process piping, foundations, freight, and engineering, etc. Examples are:

Alcohol distilling
Bakery
Cement manufacture
Chemical products
Dairy products
Distribution warehouses
Electrical manufacturing
Electronic process
Food processing
Foundry equipment
Glass products
Grain and mill products
Grain elevators
Gypsum products
Laundries
Lumber manufacture
Machinery manufacture
Metal working
Oil production
Paper manufacturing
Parts manufacturing
Petroleum refining
Plastic extrusion
Rock crushing
Seed cleaning facilities
Ship building
Textile products
Wineries
Wood products
and others

This list is not complete. If you have questions on other items, please call the assessor's office.

2000 REAL PROPERTY SCHEDULES

Reporting Period is January 1, 1999 — December 31, 1999

You must complete a Real Property Schedule for each real property account listed on the front of the return.
Please attach a listing where space is insufficient.

REAL PROPERTY ACCOUNT NUMBER

COMPANY NAME Saw-it, Inc.

0634-36EB 0100

(Only one account per page)

SCHEDULE 1: Buildings, Structures and Yard Improvements

(If leasing, use Schedule 1 to report leasehold improvements)

SCHEDULE 1-A: Completed Additions (See Instructions 1-A, Page 5)

1	2	3	4	5	6	
Description	Asset #	Starting Date	Completion Date	Costs Reported in Prior Years	Costs for Current Reporting Period not Previously Reported	Total Completed Costs
Shipping Building	48	1-99	11-99	\$15,150	\$60,000	\$75,150
Office remodel	49	7-99	9-99	-0-	12,000	12,000

SCHEDULE 1-B: Retirements (See Instructions 1-B, Page 5)

1	2	3	4	5	
Description	Asset #	Date of Construction or Acquisition	Date Retired	Status of Property	Total Original Cost
Plowing Mill Bldg.-Attached shed	31	3-86	8-99	demolished	1,750
Rail spur	42	1963	9-99	removed from site	14,200

SCHEDULE 1-C: Under Construction on January 1 (See Instructions 1-C, Page 5)

1	2	3	4	5	6
Description	Starting Date	Estimated Completion Date	Costs Reported in Prior Year Returns	Costs for Current Reporting Period not Previously Reported	Estimated Total Completed Cost
Equipment storage + shop	10-99	4-00	-0-	35,000	87,500

COMPANY NAME Saw-it, Inc.

063W-36CB 0100

SCHEDULE 2: Machinery And Equipment

SCHEDULE 2-A: Completed Additions (See Instructions 2-A, Page 5)

Asset No.	Description (Name, model, location within plant)	Starting Date	Completion Date	Costs Reported in Prior Years	Costs for Current Reporting Period not Previously Reported	Total Completed Costs
134	Hula Trim Saw	7-99	11-99	-0-	49,150	49,150
135	Landing Transfer from Hula Trim Saw	5-99	11-99	5,000	11,300	16,300

SCHEDULE 2-B: Retirements (See Instructions 2-B, Page 5)

Asset No.	Description (Name, model, location within plant)	Year of Construction or Acquisition	Date Retired	Kind of Property	Total Original Cost
25	Hula Trim Saw	1975	11-99	removed	15,800
26	Landing Transfer from Hula Trim Saw	1975	11-99	removed	4,200

SCHEDULE 2-C: Being Installed on January 1 (See Instructions 2-C, Page 5)

Asset No.	Description (Name, model, location within plant)	Starting Date	Estimated Completion Date	Costs Reported in Prior Year Returns	Costs for Current Reporting Period not Previously Reported	Estimated Total Completed Cost
	- None -					

OTHER SCHEDULES

Reporting Period Is January 1, 1999 — December 31, 1999

REAL PROPERTY ACCOUNT NUMBER

COMPANY NAME Saw-it, Inc.

063W-36CB 0100
(Only one account per page)

SCHEDULE 3: Pollution Control Equipment (See Instructions 3, Page 6)

Description	Certificate Number	Qualifying Percent	Date Issued	Certified Cost
- None -				

SCHEDULE 4: Land Site Development (See Instructions 4, Page 6)

Description	Starting Date	Completion Date	Costs Reported in Prior Years	Costs for Current Reporting Period not Previously Reported	Total Completed Costs
Rocking of log storage yard - Extension of existing yard	7-99	8-99	-0-	65,500	65,500

OTHER SCHEDULES (cont.)

Reporting Period is January 1, 1999 — December 31, 1999

SCHEDULE 5: Real Property Equipment Leased From and/or Owned By Others

(See Instructions 5, Page 6)

1 Owner's Name, Address, and Phone Number	2 Description (Include Model Year)	3 Yearly Lease Amount	4 Original Lease Date	5 Lease Expiration Date	6 Original Cost or Option to Purchase (Year and amount)
— None —					

SCHEDULE 6: Production Report (See Instructions 6, Page 6)

(A)	Actual Production	Full Production	Design Capacity	(B) Changes*
1999				
1998				
1997				
1996				
1995				
1994				
1993				
1992				

(C) 1999 Work Schedules	Days per Week	Shifts per Day	Production Employees	Hours per Shift	(D) Define Units of Measurement*

* Use additional pages if necessary.

150-321-001 (Rev. 3-89)

Page 4

2000

CONFIDENTIAL PERSONAL PROPERTY RETURN (ORS 308.290)

2000

Filing Deadline: March 1, 2000

PENALTY— Maximum penalty for late filing of personal property return is 100 percent of the tax attributable to the taxable personal property. (ORS 308.298)

Account Number <u>P123123</u>	Code Area
----------------------------------	-----------

Saw-it, Inc.
Anywhere, OR 97123

Makes any name or mailing address corrections above. Date changed _____
This Return is Subject to AUDIT

LOCATION OF PERSONAL PROPERTY ON JANUARY 1, 2000
File a separate return for each tax code area (or location). Attach a separate form if needed.

Personal Property Location (street address, city)
123 Sawmill Road Anywhere, OR

Date business originated in county: 1945 Type of Business: Sawmill

Was a return filed last year? YES County Clatsop NO

* Remember to sign the Taxpayer's Declaration at right.

FEB 20 2000

FOR ASSESSOR'S USE ONLY	
1. Leased or Rented Property	
2. Noninventory Supplies	
3. Floating Property	
4. Libraries	
5. All Other Property	
6.	
7. Total Real Market Value	
8. Late Filing Penalty	

TAXPAYER'S DECLARATION
I warrant and agree that, under the penalties of perjury concerning in ORS 308.290(4), I declare that I have examined this return and all attachments. All statements made are true. To the best of my knowledge, all taxable personal property I own, possess, or control, which was in this county as of 1:00 A.M., January 1 has been reported.

Name of Firm/Owner: Saw-it, Inc.

Assumed Business Name of Firm Assessor: SAME Phone No. 541945-8585

Mailing Address: 123 Sawmill Road FAX No. 541945-2444

City: Anywhere State: OR ZIP Code: 97123

Signature of Person Responsible for Return: X E. N. Controller Date: 2/14/00

Printed Name of Person Signing Return: C. W. Controller Title: V.P.

THIS RETURN BEING FILED FOR:
 An Individual A Partnership (No. of persons: _____)
 A Corporation A Limited Partnership
 A Limited Liability Company Limited Liability Partnership
 Attach a separate list of names and addresses of each individual partner.

Submit your original return and attachments to your county assessor. Keep a photostatic and the attached instructions for your records.

1 Name and Address of Second Party Involved in Lease/Rent Agreement	2 Description (Include model year)	3 Price of Item in county		4 MARKET OF LEASE/RENT		5 Date Acquired	6 Large or Small	7 No. of Units	8 Original Cost		10 Owner's Opinion of Market Value (2000)	11 Assessor's Fairly (Leave blank)
		Flow	Use	4 Use	5 Use				Each	Total		
<u>- None -</u>												

If Schedule 1 items are reported on separate attachments, check here: Schedule 1 TOTAL: (Include attachments)

REPORT TOTAL COST ON HAND AS OF JANUARY 1					9 Owner's Opinion of Market Value	12 Assessor's Fairly (Leave blank)
1 General Office Supplies	2 Maintenance Supplies	3 Operating Supplies	4 Spare Parts	5 Other Noninventory Supplies		
<u>See Attached</u>						

If Schedule 2 items are reported on separate attachments, check here: Schedule 2 TOTAL: (Include attachments)

150-303-004 (Rev. 7-99)

RETURNS MARKED "SAME AS LAST YEAR" MAY NOT BE ACCEPTED

Registration No.	Oregon Marine Board No.	Date Purchased	Purchase Price \$	Owner's Opinion of Market Value	Assessor's FMV (Leave blank)
Dem. <input type="checkbox"/> For Sale <input type="checkbox"/> Contract Owner's Holder: _____ Exact Storage Location on January 1: _____					
If you have remodeled your boating property during the past year, please describe in the space to the right. (This may include a room or story addition, stringer replacement, or acquisition of a tender house or swim floor.) Also report partially completed structures. Approximate date of remodeling: _____					
ALL OTHER VESSELS Does this vessel ply the high seas? <input type="checkbox"/> YES <input type="checkbox"/> NO					
Registration No.	Date Purchased	Purchase Price	Name of Vessel		
Primary Moorage		Length of Vessel	Type of Fishing or Activity		
If Schedule 3 items are reported on separate attachments, check here: <input type="checkbox"/> Schedule 3 TOTAL: (include attachments)					

1 Type of Library	2 Title of Book or Set	3 If set, is it complete?		4 Number of Volumes	5 Cost When Purchased	7 Owner's Opinion of Market Value TOTAL	8 Assessor's FMV (Leave blank)
		YES	NO				
None							
* For example, books, tapes, videos, compact discs.						Schedule 4 TOTAL: (include attachments)	

1 Item of Property	2 Identification (Manufacturer or Serial No.)	3 Model Year	4 Purchased		5 No. of Units	6 Cost When Purchased		7 Owner's Opinion of Market Value TOTAL	8 Assessor's FMV (Leave blank)
			Mo.	Yr.		CASH	TOTAL		
SEE	Attached								
Subtotal All Other									
Report value of all small hand tools not reported elsewhere on this return (indicate type) _____								7	8
<input type="checkbox"/> Barber and Beauty Shop <input type="checkbox"/> Service Garage <input type="checkbox"/> Medical <input type="checkbox"/> Construction/Logging <input type="checkbox"/> Radio and TV Shop <input type="checkbox"/> Landscapes <input type="checkbox"/> Dental <input type="checkbox"/> Other _____									
Subtotal Tools									
Improvements on federal lands, mining claims, etc., on which final proof has not yet been made: LOCATION: Township _____ Range _____ Section _____									
If Schedule 5 items are reported on separate attachments, check here: <input type="checkbox"/> Schedule 5 TOTAL: (include attachments)									

Submit your original return and attachments to your county assessor. Keep a photocopy and the attached instructions for your records.

APPRAISAL FIELD SHEET

Plant Name		Field Date	Page	
Saw-it, Incorporated		7-1-95	1/6	
Location		Appraiser		
Anywhere, DR.		I. M. Appraiser		
Asset #	Buildings & Structure	RCN	% RG	DRC
10	office (wood frame)	99170	75	74380
20	Boiler Building (Pre-fab steel Bldg)	82130	60	49280
30	Planing Mill (wood frame factory Bldg)	73120	45	32900
(31)	Attached shed [Retired "99"]	3380	40	1350
32	Grinding Room	22820	50	11410
33	Sort Area	158490	50	79245
34	Tray Sort Area	83040	45	37370
35	Strapping	12250	45	5510
36	Computer control Room	5030	75	3770
Total Planing Mill Bldg		358130		171560
40	Yard Improvements			
41	Lighting	58770	60	35260
(42)	Rail spur [Retired "99"]	58880	45	26500
43	Paving - Asphalt	132900	50	66450
44	Fencing	37030	50	18520
45	Fuel Storage	22910	45	10310
46	Fire Pond	81730	50	40870
47	Guard House	3080	50	1540
Total yard improvements		395300		199450
Total Bldg		884730		494670

APPRAISAL FIELD SHEET

Plant Name		Field Date		Page	
Saw-it, Inc		7-1-95		2/6	
Location		Appraiser			
Anywhere, OR		J. M. Appraiser			
Asset #	Machinery & Equipment	HP	RCN	%RG	DRC
100	M/E - Planer Mill				
101	Infeed Deck 20' wide 6-30' #124 ch.	10	33600	45	15120
102	Breakdown Hoist Salem 6 arm 20' wide		19770	45	8900
103	Transfer 20' wide 6-16' #78 ch.		10430	45	4690
104	Trimmer w/infeed & outfeed 7-12' H78 ch. Infeed Salem Trimmer 26' w/ 13 ladder air-lift 6-18' H78 ch. outfeed	3 60 75	68920	45	31010
105	Planer Infeed 18' Newman w/motor Gen.set 40 HP & 25 HP Drive	65	28650	50	14330
106	Planer Matcher - Newman 8"x16" 6 heads 75 Hp motor Gen.set 2 65Hp Top Heads 1 50Hp bottom Head 2 65Hp side Head 2 50Hp Profile-Heads	75 130 50 130 100	146600	45	65970
107	Planer Room 24' x 14' x 8'		7590	45	3420
108	Spray Unit 2' x 4' x 5'		3870	35	1350
109	off Bearing Rolls 24' Long 9 - 6 1/2" x 15' Rolls	5	10220	30	3250

150-338-018 (Rev. 7-82)

APPRAISAL FIELD SHEET

Plant Name			Field Date	Page	
Saw-it, Inc.			7-1-95	3/6	
Location			Appraiser		
Anywhere, OR			I.M. Appraiser		
Asset #	Machinery & Equipment	HP	RCN	%RG	DRC
110	Flat Belt Conveyor 32"x9' HEAVY Frame	3	7450	35	2610
111	Landing Transfer 20' wide 6-12' #138 cb	5	10520	35	3680
112	Grading Station 20' wide 6-32' #78 cb	7.5	15340	40	6140
113	Sort Chain 20' wide 6-82' #78 cb	10	39740	40	15920
114	Incline Transfer 20' wide 5-18' #78 cb	7.5	113200	40	5280
115	Stacker 20' wide Sawm	10	23930	40	9570
116	Off Bearing Rolls - 48' 14-10" ϕ x 66" Rolls	7.5	22730	40	9080
117	Rollcase 28' 9-10" ϕ x 66" Rolls	7.5	16010	35	5600
118	2 - Impact Even Enders		10620	35	3720
119	Press - side & Top w/ Hydr. cylinder		2890	35	1010
120	Out Feed Rolls 24' 4 powered 10" ϕ x 66" 2 Free 10" ϕ x 66"	3	9650	35	5380
121	Paint Equipment		900	35	320

150-201-018 (Rev. 7-95)

APPRAISAL FIELD SHEET

Plant Name			Field Date	Page	
Saw-It, Inc.			7-1-95	4/6	
Location			Appraiser		
Anywhere, OR			I. M. Appraiser		
Asset #	Description	HP.	RCM	%RG	DRC
122	Suede Rolls	3	5000	35	1750
123	Landing Transfer 20' wide 6 - 6' #138 ch.	5	10140	40	4060
124	Incline Transfer 20' wide 6 - 22' #78 ch.	7.5	15770	40	6310
125	Hula Trim [Retired "99"] 2 ea IM chop saws 14" x 22' Lumber conv.	15	25090	35	8780
126	Landing Transfer 22' wide 6' - 4' #138 ch [Retired "99"]	5	7690	40	3080
127	20 Tray Sorter 40' x 17" Flat Belt 20" x 20' steel trough	5	9240	35	3240
128	Flat Belt conveyor 5' x 36"	3	9170	35	3210
129	Breakdown Hoist 4 arm Light duty 14' wide	10	23250	35	8140
130	Tray Sorter 116' Long, 112 Tray 6 chain Deck 6 even ending rolls Stacker & Discharge	300 7.5	557230	35	195030
131	Strapper Rolls 24' x 78' 28 8" d x 60" Rolls	7.5	36030	35	12610

150-201-018 Rev. 1-94

APPRAISAL FIELD SHEET

Plant Name		Field Date	Page		
Saw-It, Inc		7-1-95	5/6		
Location		Appraiser			
Anywhere, OR		I. M. Appraiser			
Asset #	Description	M.P.	RCN	%RG	DRC
	Machinery & Equipment				
132	strapper Press		69300	35	24260
133	OFF Bearing Transfer 3-14', 23/4" x 9" ch	7.5	10280	35	3600
Total M & E - Planer Mill 1067			1281410		490420
200 Machinery & Equipment - Boiler					
201	Wellons 40,000 #/hr system Rated @ 230 PSI Totally Automated 1/200 Feedwater pumps Induced Draft / cinder collector silos for Hog Fuel	90	989510	60	593710
202	#2 18' ϕ x 32' - 40 units		19475	60	11690
203	#2 26' ϕ x 42' - 105 units		38750	60	23250
Total M & E - Boiler System 90			1047735		628650
Power Wiring 1157 Hours power @ 19002			219830	40	87930
Engineering 5% @ 12,548,975			127450	40	50980
Total M & E		1157	2676425		1,257,980

2000

VALUE COMPUTATION SHEET

REAL PROPERTY

NAME	SAW-IT, INC	EXTENSION #	
ACCOUNT & CODE	R 053W-36CB 0100	RPR RECEIVED	2/20/2000
LOCATION	ANYWHERE, OR	DATE COMPLETED	8/23/2000
INDUSTRY TYPE	PLANER MILL	COMPUTED BY	KING, J.
SITE NUMBER	1	REVIEWED BY	JONES, E.
PERSONAL PROPERTY ACCOUNT #	P123123		

A. ANNUAL ADJUSTMENT FACTORS	Group	Cycle	Trend	Correction		
1 Buildings & Structures	2	3	105	0.95		
2 Machinery & Equipment	2	3	101	0.93		
	PREV. YRS RMV	RETIREMENT	ADDITIONS	CURRENT YRS RMV	POTENTIALLY EXEMPT	MAV EXCEPTION
B. BUILDINGS & STRUCTURES	484,180	26,410		456,630		(26,410)
1 Completed Additions			72,000	71,960		71,960
2 Under Construction			35,000	35,000		35,000
3 Exemption						
C. MACHINERY & EQUIPMENT	1,114,900	10,570		1,037,300		(10,570)
1 Completed Additions			60,450	58,630		58,630
2 Being Installed						
3 Exemption						
D. ECONOMIC OBSOLESCENCE	0.10			(165,950)		
E. LAND SITE DEVELOPMENT*			65,500			

TOTAL 1-1-2000 REAL MARKET VALUE		1,493,570	
TOTAL POTENTIALLY EXEMPT			0
TOTAL MAV EXCEPTIONS (NET OF RETIREMENTS)			128,610
LATE FILING PENALTY**	YES	<input type="checkbox"/>	NO <input checked="" type="checkbox"/>

FOOTNOTES *Land Site Development to be added to county land valuation. Rerolling of log storage yard expansion Trends & Depreciation Factors taken from DOR's Special Use Supplement
 **Return Filed Late - Late Filing Penalty to be Imposed by Assessor based on Assessed Value

SAYNT, INC.
 ANYWHERE, OR SITE # 0000
 ACCOUNT NUMBER: 123123
 100 PERSONAL PROPERTY LISTING FOR YEAR 2000

ASSET NO	ASSET DESCRIPTION	YEAR PURC	ORIG COST	DEPRECIATION CODE FACTOR	#REFT RMV	#REF1	COMMENTS ADDS/DELETES
SCHEDULE 4-A							
	Line shovel 1950	69	5,000 MS	0.18	900		Delete 99
	1965 Ford Dump Truck P250R171223	72	1,197 MS	0.18	210		
	Line shovel motor	72	10,744 MS	0.18	1,934		
	log grapple	72	3,100 MS	0.18	558		
	Ford backhoe	74	14,335 MS	0.18	2,584		
	Sattibone lift truck	74	17,480 MS	0.18	3,144		
	Bucket	75	3,000 MS	0.18	540		
	Lumber Carrier	75	5,320 MS	0.18	958		
	Lift truck	74	39,133 MS	0.18	7,044		
	380C wheel loader	78	148,242 MS	0.18	26,293		
	Dump Truck Box	74	2,500 MS	0.18	450		
	Shovel squirrel	74	3,565 MS	0.18	662		
	900C CAT	78	144,291 MS	0.18	27,573		TRANSFER IN 5/98
	D6 Cat 1963	78	23,000 MS	0.18	4,140		
	Radio	80	1,000 TR	0.30	302		
	D6 Cat - Engine Repair	81	4,933 MS	0.18	888		
	Water Pump	81	3,320 MS	0.18	604		
	Water Tank	81	3,740 TR	0.30	1,122		
	KS-44 radio forest	81	2,438 TR	0.30	751		
	Woods & Wheeler	84	3,350 MS	0.18	604		TRANSFER IN 5/98
	Dead Tractor	84	1,500 MS	0.18	270		
	1972 Cat D6G D7 (LP)	87	60,000 MS	0.20	2,000		
	1972 Intl Motor Trk (LP) 887854321	87	1,000 MS	0.20	200		
	1974 JCB Lft Trk V180 (LP) 17V458	87	5,000 MS	0.20	1,000		
	1976 Skid (LP) 301301301	87	1,000 MS	0.20	200		
	1976 Skid (LP) 401401401	87	1,000 MS	0.20	200		
	1977 K-F RYAL End Loader (LP) 94A32223	87	5,000 MS	0.20	1,000		
	Office Furniture - LP	87	20,000 FF	0.47	4,200		
	Dead Cat Ripper Tractor	87	1,000 MS	0.20	1,800		
	log conveying system	89	12,500 MS	0.28	3,125		
	44 Cat Forklift SN 68Y789654	91	35,000 MS	0.34	11,900		
	Cat Forklift SN 687654321	91	39,000 MS	0.34	13,260		
	Dry Infeed System	91	44,944 MS	0.34	15,244		
	Letourneau 2544 Log Stack	91	45,000 MS	0.34	22,100		
	Sharp Copy Machine	91	4,834 TR	0.25	1,209		
	1990 Yamaha 340 Snowmobile	92	2,300 MS	0.38	850		
	1990 Yamaha 485 Snowmobile	92	1,200 MS	0.38	454		
	Computer 486-66 Delamater (Russ)	92	2,150 DP	0.10	215		
	Rytech 8000B Forklift (DAD)	92	5,500 MS	0.34	2,050		
	Kochling 346 Iron Chest	92	41,411 MS	0.34	14,079		
	Small Tool Estimate	92	20,000 MS	0.80	12,000		
	1974 Crusler	93	16,000 MS	0.42	6,720		
	Bobcat	93	3,000 MS	0.42	1,260		
	Computer 486-66 (Law)	94	2,041 DP	0.10	204		Delete 99
	Office computer 486-66	94	9,341 DP	0.10	934		
	Dead Cat 140 Grader	94	31,500 MS	0.47	14,965		
	Computer 586-80 (Randy)	95	2,399 DP	0.10	239		Delete 99
	Computer Gateway PS-120 Server	95	3,334 DP	0.10	333		
	Hand Held Data Recorders Foresters	95	4,445 DP	0.10	444		
	Kala Cases	95	18,396 MS	0.54	9,826		
	Laserjet 4V Printer	95	2,300 DP	0.10	230		
	log yard bunk	95	5,640 MS	0.71	3,974		
	Computer PS-120 (Russ)	94	2,325 DP	0.10	232		
	Computer Low Pentium Pro200	94	3,234 DP	0.10	324		ADD 97
	Woods & Wheeler 1997 TR2300PMV SN 478177123	97	4,969 MS	0.53	2,634		ADD 97
	Cat 980F 1993 log loader SN 4CJ12123456	97	173,000 MS	0.53	91,890		ADD 97
	Computer 800 Mhz (Law)	99	1,600 DP	0.58	928		ADD 99
	Computer 800 Mhz (Randy)	99	1,600 DP	0.58	928		ADD 99
	Computer 800 Mhz (Susan)	99	1,600 DP	0.58	928		ADD 99

BAHAT, INC.
 ANYWHERE, OR SITE # 00000
 ACCOUNT NUMBER: 123123
 100 PERSONAL PROPERTY LISTING FOR YEAR 2000

ASSET NO	ASSET DESCRIPTION	YEAR PURC	ORIG COST	DEPRECIATION		COMMENTS ADDS/DELETES
				CODE	FACTOR	
				IRRF1	IRRF1	
					RMV	
SCHEDULE 4-A SUBTOTAL			1,107,857			580,795
SCHEDULE 4-B NONINVENTORY SUPPLIES						
	OFFICE SUPPLIES		250			250
	MAINTENANCE SUPPLIES		1,000			1000
	OPERATING SUPPLIES		100			100
	SPARE PARTS		20,000			20000
	OTHER SUPPLIES		100			100
	FUEL IN STORAGE		2,500			2500
SCHEDULE 4-B SUBTOTAL			22,950			23,950
SCHEDULE 4-C: LEASED PERSONAL PROPERTY						
SCHEDULE 4-C SUBTOTAL			0			0
SCHEDULE 5: ENTERPRISE ZONE						
SCHEDULE 5-B SUBTOTAL			0			0
TOTAL PERSONAL PROPERTY			1,131,407			584,745

Glossary

A

100% Levies. Levies not included in permanent rate limit but subject to reduction; passed by a majority of voters voting on the question in an election held before December 5, 1996, if the election met the double majority voter participation requirements and the ad valorem property taxes were first imposed for the tax year beginning July 1, 1996, or July 1, 1997. (Measure 50, sec 11(7)(a))

Absolute Advantage. The ability to produce more of a given good or service than another producer.

Accelerated Depreciation. Any depreciation method that produces larger depreciation deductions in the early years of a project's or property's life; e.g., double-declining balance, sum-of-the-years' digits.

Accounts Payable. Money owed to suppliers.

Accounts Receivable. Money owed by customers.

Accruals. Amounts obligated or earned, but not yet paid or collected.

Accrued Depreciation. The amount of depreciation, from any and all sources, that affects the value of the property.

Ad Valorem Tax. A tax levied in proportion to the value of that which is being taxed. (This is exclusive of exemption, use-value assessment laws, etc.) The property tax is an ad valorem tax.

Additional Taxes. Revenue due to a taxing district, including penalty upon reclassification, as a result of various statutory provisions:

Clerical Error. Additional tax paid as a result of the correction of a clerical error under ORS 311.206.

Farmland. Amount of tax and penalty paid when farmland changes use and therefore becomes ineligible for farm-use assessment.

Forestland. Amount of tax and penalty paid when forestland becomes ineligible for forestland assessment.

Historic Property. Amount of additional tax and penalty paid when property is no longer used as an historic site.

Late Filing Fee. The penalty for failure to file a real or personal property return on time under ORS 308.295–308.296.

Open Space. Additional tax and penalty paid when open space land becomes ineligible for preferential tax treatment.

Other. Any other additional taxes and penalties, such as those resulting from a reclassification of an enterprise zone (ORS 285.617) or riparian land (ORS 308.798).

Small Tract. Amount of tax and penalty paid when land becomes ineligible for Western Oregon Small Tract preferential tax treatment.

Additive Model. A linear model.

Adjusted Present Value (APV). Net present value of an asset if financed solely by equity, plus the present value of any financing side effects.

Age/Life Method. A method of estimating accrued depreciation based on the premise that, in the aggregate, a mathematical function can be used to compute accrued depreciation from the age of a property and its economic life.

Agency Problems. A conflict arising when the interests of the principals (shareholders) do not coincide with the interest of the agents (managers).

Amortization. Repayment of a loan by installments; allowance for the depreciation of intangible assets.

Annual Percentage Rate (APR). A loan's effective (true) annual interest rate.

Annual Report. The document distributed to shareholders that contains the reporting firm's financial statements for the fiscal year, together with the report of the external auditor's examination of the financial statements.

Annuity. Investment that produces a (usually but not necessarily) level stream of cash flows for a limited number of periods.

Anticipation. The appraisal principle stating that value depends on the expectation of benefits to be derived in the future.

Appraisal. An estimate of value.

Appraisal Date. The date on which the assessments for a tax year are made. For example, if January 1 is the assessment date and property is vacant land on that date, the property is appraised and assessed as vacant land even if a building is added in April and the assessment roll is not final or public until September 25.

Appraisal Principles. The economic concepts underlying appraisal theory: supply, demand, change, balance, conformity, competition, contribution, anticipation, substitution, highest and best use, surplus productivity, and variable proportions.

Appreciation. An increase in value, in terms of money, from all causes.

Arbitrage Pricing Theory (APT). A theory purporting to describe the structure of security prices. The theory assumes stock returns are produced as they would under an index model. The theory describes the relationship between expected returns on securities, given there are no opportunities to create wealth through riskless arbitrage investments.

Area. The county in which property, the Maximum Assessed Value (MAV) of which has been adjusted, is located. If the property for which the MAV is being adjusted is centrally assessed under ORS 308.503–308.663, then "area" is the entire state. (ORS 308.149)

Arithmetic Mean. The simple average, often referred to as the "average," calculated by summing all the observations, then dividing the total by the number of observations.

Arithmetic Mean Yield. The simple average of periodic rates of return; the arithmetic mean yield relates the ending to beginning wealth associated with an investment if it is assumed the dollar amount invested is kept constant at the beginning of each period.

Arm's-Length. Interaction between more than one party, each trying to maximize his or her position from the interaction.

Assessment Roll. Document prepared by assessor of current year data. The assessment roll for personal property contains the names, including assumed business names, of all persons, whether individuals, partnerships, or corporations owning or having possession of taxable personal property on the assessment date; the Assessed Value, Maximum Assessed Value, and Real Market Value of the personal property assessed by category; code area number assigned to the property situs; and total Assessed Value, Maximum Assessed Value, and Real Market Value for the property.

Assessed Value (AV). Lower of the property's Maximum Assessed Value (MAV) or Real Market Value (RMV). For specially assessed property, the lesser of RMV or MAV for any market portion, plus the lesser of the Specially Assessed Value (SAV) or Maximum Specially Assessed Value (MSAV) for each individual soil class, qualified homesite, and on-site development.

Assessment Date. January 1 at 1:00 A.M.

Assessment Year. January 1 through December 1.

Asset. A probable future economic benefit obtained or controlled by a particular entity as a result of past transactions or events.

Average. A measure of central tendency; although the word *average* refers to any measure of central tendency, it is most often used as synonymous with the Arithmetic Mean.

Average Maximum Assessed Value (AMAV). The value determined by dividing the total Maximum Assessed Value (MAV) of all unchanged property in the same area in the same property class by the total number of unchanged properties in the same area in the same property class. Considered exceptions or changed properties not taken into account are: new property or new improvements to property, property that is partitioned or subdivided, property that is rezoned and used consistently with the rezoning, property that is added to the assessment roll as omitted property, or property that is disqualified from exemption, partial exemption or special assessment. (ORS 308.149)

Average Real Market Value (ARMV). The value determined by dividing the total Real Market Value (RMV) of all unchanged property in the same area in the same property class by the total number of unchanged properties in the same area in the same property class. Considered exceptions or changed properties not taken into account are: new property or new improvements to property, property that is partitioned or subdivided, property that is rezoned and used consistently with the rezoning, property that is added to the assessment roll as omitted property, or property that is disqualified from exemption, partial exemption or special assessment. (ORS 308.149)

Average Tax Rate. An average rate computed for an area by dividing the taxes imposed in that area by the Assessed Value of taxable property.

B

Balance. An appraisal principle maintaining the greatest property value occurs when the type and size of improvements and uses are proportional to each other as well as to the land. Markets tend to move toward equilibrium after a change in supply or demand.

Balance Sheet. A statement of the Assets, Liabilities, and Net Worth of a firm or individual as of a certain point in time.

Balloon Payment. Large final payment. The outstanding balance due at the maturity of a balloon mortgage.

Band-of-Investment (BOI). A technique in which the capitalization rates attributable to components of a capital investment are weighted and combined to derive a weighted-average rate attributable to the total investment.

Barrier to Entry. Anything that artificially prevents or hinders entry of firms into an industry.

Basis Point. 0.01%.

Benchmark. A point of reference.

Beta (B). A measure of risk; under CAPM, the measure of a stock's volatility; equal to the covariance of the stock and the market divided by the variance of the market; the slope of a security's characteristic line; the expected change in the security's rate of return divided by the accompanying change in the rate of return to the market portfolio.

Board of Property Tax Appeals (BOPTA). Local appeal board that hears petitions for the reduction of property values and the waiver of late filing penalties. The board convenes on or after the first Monday in February and adjourns on or before April 15.

Bond or Bond Payable. A long-term liability with a stated interest rate and maturity date, usually issued in denominations of \$1,000.

Bond Levy. Amount of levies needed to pay principal and interest on a taxing district bonded debt.

Bond Rating. The measure of a rating service's confidence in the safety of a bond issue.

Break-Even Point. The level of sales at which a project's net present value would be zero.

Bridge Loan. Short-term loan to provide temporary financing until more permanent financing is arranged.

Bullet Payment. Single final payment, e.g., of a loan (in contrast to payment in installments).

Business Cycle. Recurrent ups and downs over a period of years in the level of economic activity.

Business Risk. The possibility that a company will not be able to meet ongoing operating expenditures.

C

Callable Bond. A bond that can be redeemed by the issuer at a stated price (or prices which change over time, usually beginning after a period of call protection).

Capital. Human-made resources used to produce goods and services; goods that do not directly satisfy human wants; capital goods.

Capital Asset Pricing Model (CAPM). A theory purporting to describe the structure of security prices where all investors in the economic system are presumed to hold efficient portfolios in expected return, variance space; a financial model for determining the cost of capital.

Capital Budget. List of planned investment projects, usually prepared annually.

Capital Construction. Construction, modification, replacement, repair, remodeling, or renovation of a structure with a useful life of more than one year. Includes public safety and law enforcement vehicles with a projected life of five years or more; does not include maintenance and repairs or supplies and equipment. (ORS 310.140)

Capital Improvement. Land, structures, facilities, machinery, equipment, or furnishings with a useful life longer than one year. Includes public safety and law enforcement vehicles with a projected life of five years or more; does not include maintenance and repairs or supplies and equipment. (ORS 310.140)

Capital Lease. A financial lease; usually provides for *de facto* ownership of an asset. Capital leases are typically shown as fixed assets on a company's balance sheet.

Capital Market. Financial market, particularly the market for long-term securities.

Capital Market Line. A line showing the portfolio positions of individual investors in expected return, standard deviation space in the Capital Asset Pricing Model.

Capitalization. The conversion of expected income and ratio of return into an estimated value in the income approach to value.

Capitalization Rate. Any rate used to convert income into value.

Cash Cycle. The time that elapses from the purchase of raw materials until cash is received from the sale of the final product.

Cash Discount. The percentage amount that can be subtracted from the invoice if the customer pays within a stated period of time.

Cash Flow. The actual cash realized from an enterprise; different from earnings because of different treatment of accruals, depreciation, and working capital.

Central Tendency. The tendency for most batches of data to group or cluster about a central point or average. The typical measures of central tendency are: arithmetic mean, median, geometric mean, mode, and midrange.

Centrally Assessed Property. Taxable property assessed by the Department of Revenue, including electric and communication utilities, rail transportation, air transportation, water transportation, gas pipelines, private railcars, and others.

Change. An appraisal principle maintaining the tendency of the social and economic forces affecting supply and demand change over time, thus influencing market value.

Changed Property Ratio. Ratio determined by dividing the Average Maximum Assessed Value (AMAV) by the Average Real Market Value (ARMV) for the same area and property class of unchanged property. (ORS 308.153)

Characteristic Line. A line showing the relationship between the rates of return to a security or portfolio and the corresponding rates of return to the market portfolio.

Chattels. Items of tangible personal property which are moveable, such as machinery & equipment (moveable), office furniture, and computers. Chattels do not include real estate or items permanently attached to real estate.

Closed-End Mortgage. Mortgage against which no additional debt can be issued.

Code Area. A geographic unit, established by county assessors and identified by a code number, representing the combination of taxing districts in which a piece of property is located.

Coefficient. A dimensionless statistic, used as a measure of change or relationship.

Coefficient of Correlation. Measure of the closeness of the relationship between two variables and the degree to which they change together.

Coefficient of Determination (r^2). The proportion of the total variance in the dependent variable that is explained by the independent variables; the proportion of total variance explained by the regression.

Coefficient of Variation. A relative measure of dispersion, expressed as a percentage rather than in terms of units of the particular data; calculated as 100% times the standard deviation of the data set divided by the mean of the data set.

$$C=100 \times \frac{S}{\bar{X}}$$

Collateral. Assets given as security for a loan.

Common Stock. The class of stock that represents residual ownership of the corporation.

Comparative Advantage. Having a lower relative or comparative cost than another producer.

Comparative Cost. The amount of production of one product that must be sacrificed to increase the production of another product; opportunity cost.

Comparison Taxes. Amounts used to determine the tax reduction under Measure 50.

Competition. This appraisal principle states that competition will move in to dissipate profits when substantial profits are being made. If the profits become excessive, then competition becomes excessive. Excess profits invite ruinous competition.

Complementary Goods. Goods or services related such that an increase in the price of one results in a decrease in quantity demanded for the other.

Compound Interest. Reinvestment of each interest payment on money invested, so that previously earned interest earns interest.

Compression. The reduction in taxes required by the 1990 Measure 5 property tax rate limits. County assessors calculate compression as a dollar amount, but it can also be expressed as a tax rate. Compression is done on a property-by-property basis.

Confidence Interval. A statistical measurement by which one can estimate the true parameter (i.e., mean) of a population. For example, with a 95% confidence interval, if all possible samples of the same size n were taken, 95% of the samples would fall within the interval.

Conformity. Value is created, strengthened, or sustained when reasonable homogeneity or similarity exists. This relates to the social and economic pressures of accepted, traditional fit. Pressure for property to conform may be exerted through zoning or through deed restrictions on architectural design or size. Conformity works with the principle of progression and regression, and is also tied to under-improvement and over-improvement concepts.

Conglomerate. A company engaged in two or more unrelated businesses.

Consistent Use. An appraisal principle maintaining that the land and building components of an improved property should not be valued on the basis of different uses.

Consolidated Tax Rate. The sum of the district tax rates of all taxing districts that impose taxes in a given code area. District tax rates are calculated prior to any compression that may result from the Measure 5 property tax rate limits.

Consumer Goods. Goods and services that directly satisfy human wants.

Constant. In an equation, a component or value not subject to change (i.e., $\frac{1}{4}$, 3.24, π).

Constant Growth Model. Dividend discount model in which growth in dividends is expected to be constant in perpetuity.

Continuous Compounding. Interest compounded continuously rather than at fixed intervals.

Contract Rent. The amount of rent per unit of time specified by a contract, as opposed to market rent.

Contribution. The appraisal principle that the value of a particular feature is measured by its contribution to the value of the whole property, rather than by its cost.

Convertible Security. A bond or share of preferred stock giving its holder the option of exchanging the bond for a stated number of common shares of the issuing firm.

Corporation. A legal entity (“person”) chartered by a state or the Federal government, and distinct and separate from the individuals who own it.

Correlation Coefficient. Statistic describing the goodness of fit about a linear relationship between two variables; equal to the covariance between the variables divided by the product of their standard deviations.

Cost. The total money expended in obtaining an object, generally used in appraisal to mean the expense (direct, indirect, and the cost of entrepreneurship) of constructing an improvement or obtaining an item.

Cost Approach. One of the three appraisal approaches to value, the cost approach is based on the principle of substitution—that a rational, informed purchaser would pay no more for a property than the cost of building an acceptable substitute with like utility. The cost approach seeks to determine the replacement or reproduction cost of an improvement, deducting accrued depreciation, and adding the estimated land value plus an entrepreneurial profit.

Cost Index. An index showing the variations in construction costs over time.

Cost of Capital. See *Opportunity Cost of Capital*.

Cost Schedules. Charts, tables, factors, curves, equations, etc., intended to help estimate the cost of replacing a structure or item based on knowledge of the characteristics of the structure or item.

Cost Trend Factor. A factor derived from a cost index used to estimate the contemporary cost of something based on its original cost.

Country Risk. The possibility of loss of assets due to political, economic, or regulatory instability in a nation in which business is conducted.

Coupon. Specifically, a coupon attached to the certificate of a bearer bond that must be surrendered to collect interest payment; more generally, interest payments on debt.

Curable Depreciation. Items of physical deterioration or functional obsolescence that are economically feasible to cure. The cost to cure must be equal to or less than the anticipated increase in value of the property.

Current Assets. Cash and those assets likely to be converted to cash or used to the benefit of the entity within one year.

Current Liabilities. Those liabilities to be paid with cash within one year.

Current Maturity. The length of time remaining until a security matures.

Current Ratio. The ratio of current assets to current liabilities; used to measure the degree of coverage available to short-term lenders.

Current Yield. A bond's coupon payment divided by the bond's current market value.

D

Data. Information expressed in any of a number of ways. Data is the general term for masses of numbers, codes, and symbols; and information is the term for meaningful data. Data is the plural of datum, one element of data.

Date of Sale (aka Date of Transfer). The date on which the sale was agreed upon. The date of recording may be used as the "date of sale" if it is not unduly delayed.

Debentures. Bonds secured by the general credit of the issuer; bonds unsecured by real property.

Debt. Money owed by the owners of a business to individuals or another firm.

Debt Service. The total payment of principal and interest on outstanding debt.

Decile. A measure which splits an ordered batch of data into 10 equal parts; there are 10 deciles within each batch of data.

Deferred Maintenance. Repairs and similar improvements that normally would have been made to a property, but were not, and thus increased the amount of its depreciation.

Demand. A schedule or curve that shows the amounts of a good or service buyers wish to purchase at various prices during a given time.

Demand Deposit Account (DDA). A non-interest bearing checking account.

Dependent Goods. Goods or services such that there is a relationship between the price of one and the demand for the other.

Dependent Variable. A variable that changes as a consequence of a change in some other (independent) variable; the "effect" or outcome.

Depreciation. Loss in value of an object, relative to its replacement cost, reproduction cost, or original cost. Depreciation is sometimes subdivided into three types: physical deterioration (wear and tear),

functional obsolescence (substandard design in light of current technology or taste), and economic obsolescence (poor location or radically diminished demand for the product). In accounting terms, spreading an asset's cost over the useful life of the asset.

Depth. A characteristic of a market in which a large dollar amount of product can be easily absorbed without large changes in the market price.

Derived Demand. Demand for a good or service that is dependent upon or related to the demand for some other good or service; the demand for a resource that depends upon the demand for the products it can be used to produce.

Direct Capitalization. An income approach method used to convert an estimate of a single year's income expectancy into an indication of value in one direct step, either by dividing the income estimate by an appropriate rate or by multiplying the income estimate by an appropriate factor. Yield and value change are implied, but not identified.

Discount Bond. Debt sold for less than its principal value; if a bond pays no interest, it is called a "pure" discount bond.

Discount Factor. Present value of \$1 received at a stated future date.

Discount Loan. A loan on which interest is paid at the beginning of the loan period.

Discount Rate. In banking terms, the interest rate the Federal Reserve Banks charge on the loans they make to Depository institutions; in appraisal terms, the required return on an investment.

Discounted Cash Flow (DCF). The procedure in which a series of projected cash flows are multiplied by discount factors plus reversion to obtain an indication of present value.

Discovery. The process by which the assessor identifies all taxable property in the jurisdiction and ensures that it is included on the assessment roll.

Dispersion. The amount of variation or "spread" in a set of data; commonly used measures of dispersion are the range, the variance, the standard deviation, the coefficient of dispersion, and the coefficient of variance.

District Tax Rate. Tax rate expressed in dollars and cents per \$1,000 of property value. It is computed by summing the permanent rate, the local option rate, the gap bond rate, and the bond rate for the district.

Dividend. A distribution of earnings to the owners of a corporation.

Dividend Discount Model. Stock valuation model which solves for the value of a common stock as the present value of future dividends expected to be received.

Dividend/Price Ratio. Ratio of the dividend per share of a stock to its market price per share.

Dividend Yield. Dividend/Price Ratio.

Division of Labor. Dividing the required work to produce a product into a number of different tasks performed by different workers; specialization of workers.

Double Majority. A term that refers to an election where at least 50% of the registered voters eligible to vote in the election cast a ballot **AND** more than 50% voting on the question approve. The voter turnout requirements do not apply to a general election (November) held in an even-numbered year, but approval of a measure at the election would meet the "double majority" requirement by definition.

Double Taxation. Taxation of both corporate net income (profits) and the dividends paid from this net income when they become the personal income of households.

Duration. The average time to an asset's discounted cash flows; the average time over which return on a particular investment is realized.

E

EPS. Earnings per share.

EBIT. Earnings before interest and taxes.

Earnings from Operations. The difference between Gross Profit and Operating Expenses.

Economic Life. The period of time during which a property is expected to contribute positively to value (useful life).

Economic Obsolescence. The loss in value of a property (relative to the cost of replacing it with a property of equal utility) that stems from factors external to the property. For example, a buggy-whip factory, to the extent that it could not be used economically for anything else, suffered substantial economic obsolescence when automobiles replaced horse-drawn buggies.

Economic Rent. In appraisal terms, market rent. In economic terms, excess profits.

Effective Age. The typical age of a structure with respect to its utility and condition.

Effective Tax Rate. The amount expressed in dollars and cents per \$1,000 of market value. It is calculated by dividing the annual property taxes by the market value of the property and multiplying the result by 1,000.

Efficient Markets. Markets where prices change freely and instantly in response to supply and demand, and are not significantly affected by poor information or tax code barriers.

Empirical Rule. For most data sets, roughly two out of every three observations (i.e., 67%) are contained within a distance of one standard deviation around the mean and roughly 90% to 95% of the observations are contained within a distance of two standard deviations around the mean.

Entrepreneurial Profit. The amount a developer expects to receive in return for his/her contribution to a project. It is market-derived and is calculated by determining the difference between the total cost of a project and its market value.

Equilibrium Price. The price in a competitive market at which the quantity demanded and the quantity supplied are equal; at which there is neither a shortage nor a surplus; and at which there is no tendency for price to rise or fall.

Equilibrium Quantity. The quantity demanded and quantity supplied at the equilibrium price in a competitive market.

Equipment Trust Certificate. Fixed income security secured by a particular, designated piece of property that is both mobile and salable, such as a railroad car.

Equity. Common stock and preferred stock. Often used to refer to common stock only; net worth.

Exceptions. An action that allows a new Maximum Assessed Value (MAV) to be determined. An exception occurs if there is new property and new improvements to property; the property is partitioned or subdivided; omitted property is added; rezoning occurs and the property is used consistently with rezoning; or the property is disqualified from exemption, partial exemption, or special assessment. These properties are not included in Average Maximum Assessed Value (AMAV) calculation or Average Real Market Value (ARMV) calculation. (ORS 308.149–308.166)

Exclusion Principle. The exclusion of those who do not pay for a product of possible rates of return on an investment and their associated probabilities; average of all possible returns weighted by their possibilities.

Exemptions—Business, Housing, and Miscellaneous. Exempt value of certain business, housing, and miscellaneous other properties that are partially or totally exempt from property taxation. The qualifying exemptions include:

Veterans' Exemptions. Exemption applies to the Assessed Value of real and personal property of veterans or their surviving spouses. Together with a total gross income limit, the exemption from property taxation is limited to \$8,250. For veterans having service-connected disabilities of 40 percent or more, the exemption amount, which increases 3 percent each year, is \$11,330 for 1998–99.

Historic Property. Improved property that may belong to any of the real property classes that has been granted a partial exemption due to its historic designation.

Enterprise Zones. Certain business properties within designated enterprise zones that qualify for exemption for a limited number of years, under ORS 285.570–285.620. To be eligible, a business must meet several conditions relating to type of business activity and requirements for hiring and investment.

Commercial Facilities Under Construction. Certain commercial buildings in the process of construction that qualify for exemption from property taxation for not more than two consecutive years, under ORS 307.330 and 307.340.

All other business, housing, and miscellaneous exemptions. These include alternative energy systems, farm labor camps, fallout shelters, housing for low-income rental, multiple-unit housing in core areas, nonprofit homes for the elderly, pollution control facilities, port and airport property leased, etc.

Exemptions—Social Welfare. Assessed value of properties owned by private organizations and used for educational, religious, or developmental purposes. These properties are exempt from property taxation, and the qualifying property classes include:

Fraternal Organizations. All real or personal property that is occupied or used in fraternal works or for entertainment and recreational purposes by nonprofit corporations or social clubs.

Literary and Charitable. All property owned by unincorporated literary, benevolent, charitable, or scientific institutions.

Religious Organizations. All houses of public worship and other additional buildings and property used solely for administration, education, or entertainment by churches or religious organizations.

Burial Grounds. All burial grounds, tombs, lands, and buildings not exceeding 30 acres, owned and actually occupied by any crematory associations.

All Other Social Welfare. This includes private schools and day care facilities, public libraries privately owned, senior centers privately owned, etc.

Expected Rate of Return. Sum of the product of possible rates of return on an investment and their associated probabilities; average of all possible returns weighted by their possibilities.

Exponential Smoothing. A statistical forecasting technique similar to a moving average, but overcoming the slowness of adaptation to changing patterns inherent in the moving average by allowing a greater weighting for more recent data.

External Finance. Finance that is not generated by the firm; new borrowing or an issue of stock.

F

Face Amount. The principal amount of a bond.

Factors of Production (*aka* Agents in Production). Economic resources (land, capital, labor, and entrepreneurial ability) which when brought together create wealth, income, and services.

FASB. Financial Accounting Standards Board.

Farm Use Special Assessment. Special assessment at less than full Assessed Value for land used primarily to make a profit in farming.

Financial Flexibility. The ability of a firm to augment its future cash flows to cover unforeseen needs or to take advantage of unforeseen opportunities.

Financial Leverage. The use of debt (with a fixed interest rate) that causes a difference between Return on Investment (ROI) and Return on Equity (ROE); use of debt to increase the expected return on equity.

Financial Risk. The possibility that a company will not be able to cover financing and related expenses; the possibility that the required rate of return will not be achieved.

Financing Activities. Those actions undertaken to provide cash for the acquisition of capital assets, such as issuing securities and retiring debt. Such actions are different from a firm's ongoing operating activities of providing goods or services.

Final Goods. Goods that have been purchased for final use and not for resale or further processing or manufacturing (during the year).

Firm. An organization that employs resources to produce a good or service for profit and that owns and operates one or more plants.

Fish and Wildlife Property. Total Assessed Value of state Fish and Wildlife Commission property. While not subject to property tax, the commission makes equivalent payments to counties under ORS 496.340.

Fixed Assets. Fixed assets are permanent assets that are required for the normal operation of business. They usually are not converted into cash after they are declared fixed assets. Fixed assets include some types of machinery and equipment, furniture and fixtures, boats, aircraft, motor vehicles, leased equipment, tools, dies, and jigs.

Fixed Costs. Costs that do not vary with the level of production.

Float. The delay between the time a payment is initiated and the time when the payment is debited to the payer (disbursement float) or credited to the payee (collection float).

Floating Rate. A financing arrangement whereby the interest rate is reset periodically, usually based on an external interest rate such as the Prime Rate.

FOB. A shipping term standing for "Free on Board," which describes when title to merchandise is transferred and which party incurs the shipping costs. There are two types of FOB:

FOB Destination: The seller owns the product until it is accepted by the buyer at the buyer's designated location. Title to the merchandise transfers to the buyer when the merchandise is received by the buyer. The seller incurs the shipping costs.

FOB Shipping Point: The buyer accepts ownership of the product at the seller's shipping location. The buyer incurs the shipping costs.

Forestland special assessment. Special assessment at less than full Assessed Value of land used for growing timber.

Free Rider Problem. The inability of those who might provide the economy with an economically desirable and indivisible good or service to obtain payment from those who benefit from the good or service because the Exclusion Principal cannot be applied to it.

Frequency Distribution. A summary table in which the data are arranged into conveniently established numerically ordered class groupings or categories.

Full Local Option Authority. The amount of tax that could be extended if a district were to use the full amount of local option levies passed by voters.

Full Permanent Authority. The amount of tax that could be extended if a district were to use its entire permanent rate.

Full-Service Lease. Lease in which the lessor promises to maintain and insure the equipment.

Function. A rule for describing the way in which one quantity depends on another.

Functional Obsolescence. Loss in value of a property resulting from deficiencies or superadequacies in the structure/property itself. May be curable or incurable.

Fundamental Beta. An estimate of the beta factor for an individual security that employs information about the nature of the company issuing the security (earnings stability, financial leverage, etc.) in addition to the relationship between the security's returns and the market portfolio.

Funded Debt. Debt maturing after more than one year. "Funding" means replacing short-term debt with securities of longer maturity.

G

Gap Bonds. Also called "qualified taxing district obligations." Levies, subject to Measure 5, to pay for bonds or other formal written borrowing of moneys executed before December 5, 1996 and for which the local government has secured by a commitment of ad valorem property taxes.

General Ongoing Maintenance and Repair. The repair or replacement of existing materials due to normal wear/tear/deterioration. Examples of ongoing maintenance and repair include re-roofing, painting, and replacement of floor or wall covering. The Maximum Assessed Value (MAV) of the property cannot be increased due to general ongoing maintenance and repair.

Generalization. Statistical or probability statement; statements of the nature of the relation between two or more sets of facts.

Geometric Mean Yield. The n th root less one of the product of one plus n periodic rates of return. The Geometric Mean relates the beginning to the ending wealth over the periods if it is assumed that income from the security is reinvested back into the security.

GNP Deflator. The price index for all final goods and services used to adjust the money (or nominal) Gross National Product (GNP) to measure the real GNP.

Going Concern Value. A premium that is attributed to having a property in place and operating as a unit. The value created by a proven property operation.

Goods. That which is tangible and for which a consumer, firm, or government is willing to exchange something of value.

Government Transfer Payment. The disbursement of money (or goods and services) by government for which government receives no currently produced good or service.

Gross Domestic Profit (GDP). Calculated as Gross National Product, less the value of imports.

Gross National Product (GNP). The total market value of all final goods and services produced in the economy during the year.

Growth Horizon. Length of time the growth rate in earnings or dividends for a particular stock can be forecast with a degree of accuracy sufficient to be considered in the valuation process.

H

Highest and Best Use. A concept in appraisal and assessment law requiring that each property be appraised as though it were being put to its most profitable use, given probable legal, physical, and financial constraints; the reasonably probable and legal use of vacant land or improved property, which is physically possible, appropriately supported, financially feasible, and that results in the highest value.

Holding Company. A company whose sole function is to hold stock in other companies or subsidiaries.

Holding Costs. The costs associated with the storage of inventory.

Horizontal Combination. A group of plants in the same stage of production and owned by a single firm.

Horizontal Integration. A form of organization for production lines. When a company owns several facilities producing the same product, the company is said to be horizontally integrated.

Hurdle Rate. The minimum acceptable rate of return on a project.

I

Improvements. A change to property that enhances value but is not general maintenance and repair or minor construction and meets the definition of Maximum Assessed Value (MAV) balancing or Real Market Value (RMV) changes. An improvement may be new construction; the siting or installation of a manufactured structure or floating home; or the addition of machinery, fixtures, furnishings, equipment, or other taxable real or personal property. (ORS 308.149–308.166) More commonly, buildings or other relatively permanent structures or developments located on or attached to land.

Income Approach. One of the three appraisal approaches to value. A method(s) by which an appraiser estimates a value for an income-producing property by converting the property's anticipated benefits (cash flows and reversion) into property value. The income stream can be converted using either a capitalization rate or a factor.

Incurable Depreciation. Depreciation that cannot be corrected practically or economically at a cost less than the value loss caused by the depreciation. May be either physical or functional depreciation. Economic obsolescence is also generally considered incurable.

Independent Goods. Goods or services such that there is no relationship between the price of one and the demand for the other.

Independent Variable. A variable with a value not dependent on another variable; the variable that causes a change in some other (dependent) variable.

Industry. The group of one or more firms that produce identical or similar products.

Inflation Premium. The difference between the nominal and real rates of interest; compensates investors for the loss of purchasing power due to inflation; equal to the expected average rate of inflation over the term of the investment for which the interest rate is computed.

Intangible Assets. Items of personal property that represent evidence of value, or the right to value, as defined by law or custom. Examples include: bonds, notes, trusts, patents, annuities, mortgages, copyrights, money on hand, and shares of stock. Intangibles are exempt from taxation under ORS 307.030.

Intangible Property. Evidence of ownership of value or the right to value. For example: notes, bonds, stocks, patents, mortgages, copyrights, insurance policies, and accounts receivable. A form of personal property that includes rights over tangible real and personal property, but not rights of use and possession.

Integer. A whole number (i.e., -2, -1, 0, 1, 2, 3).

Intercept. The payment on a Cartesian coordinate system graph (an “*x* and *y*” graph) at which a line intersects or crosses the *x* or *y* axis.

Interest Rate. The rate at which payment is made for the use of borrowed money.

Interest Rate Cap. A financial contract limiting the rise in a selected interest rate.

Interest Rate Collar. A financial contract restricting the movement of a selected interest within a narrow band; the interest rate collar is essentially an interest rate cap combined with an interest rate floor.

Interest Rate Floor. A financial contract limiting the decline in a selected interest rate.

Interest Rate Risk. The possibility that increasing interest rates will reduce the value of an investment during a predetermined investment horizon.

Internal Finance. Finance generated within a firm by retained earnings and depreciation.

Internal Rate of Return (IRR). The annualized rate of return on capital that is generated or capable of being generated within an investment during a period of ownership. It is the rate of discount that makes the net present value of the investment equal to zero.

Internal Yield. Internal Rate of Return.

Inventory. The quantity of goods and materials on hand as of a given date. Inventory includes goods held for sale or resale, consigned goods, bill and hold goods, floor-planned goods, and in-transit goods.

Inverse Relationship. The relationship between two variables that change in opposite directions.

Investment. Spending for the production and accumulation of capital goods and additions to inventories.

Invisible Hand. The tendency of firms and resource suppliers seeking to further their self-interests in competitive markets to further the best interest of society as a whole.

J

January Effect. Market anomaly whereby stock prices throughout most of the world have a propensity to rise sharply during the initial part of the month of January.

Joint Probability Distribution. Distribution showing the probabilities of simultaneously getting various pairs of returns on two investments.

Junior Debt. Subordinate debt. A lien on a property made after a previous lien has been made and recorded.

Just-In-Time. An inventory system designed to reduce the levels of inventory kept at the manufacturing site by increasing quality in the production process and shifting the inventory burden to suppliers.

L

Labor. The physical and mental talents of people that can be used to produce goods and services.

Land. Natural resources in their original state that can be used to produce goods and services.

Law of Demand. The inverse relationship between the price and the quantity demanded of a good or service during some period of time.

Law of Diminishing Returns (Law of Decreasing Returns). An economic principle holding that, after a certain point, additional production provides increasingly small returns on a per-unit basis.

Law of Increasing Returns. An economic principle holding that larger quantities of the agents of production produce greater net income up to a certain point.

Law of Supply and Demand. An economic principle that states the price of a good or service varies directly, but not necessarily proportionately, with demand, and inversely, but not necessarily proportionately, with supply.

Lease. Long-term rental agreement, usually written, that transfers the rights to use and occupy property by the owner to another for a specified time.

Leasehold. The interests in a property that are associated with the lessee (the tenant) as opposed to the lessor (the property owner).

Leasehold improvements. Improvements or additions to leased property that have been made by the lessee. In assessing leasehold improvements, the appraiser must first determine whether an item is real or personal.

Least Cost Combination Rule (of Resources). The quantity of each resource a firm must employ if it is to produce any output at the lowest total cost.

Liability. A probable future sacrifice of economic benefits arising from obligations of a particular entity to transfer assets or provide services to another entity as the result of past transactions or events.

LIBOR. London Interbank Offer Rate commonly used as a reference for variable loans, particularly internationally.

Lien. Lender's claims on specified assets.

Lien Date. The date on which an obligation, such as property tax (usually in an amount yet to be determined), attaches to a property and the property thus becomes security against its payment.

Limited Liability. Restriction of the maximum that may be lost to a predetermined amount; the maximum amount that may be lost by the stockholders of a corporation is the amount they paid for their shares of stock.

Line of Credit. A short-term lending arrangement allowing a company to borrow up to a pre-arranged dollar amount during the term.

Linear. A mathematical equation in which the dependent variable maintains a consistent ratio with the independent variable.

Linear Programming. Technique for finding the maximum value of some equation subject to stated linear constraints.

Liquidity. The capability of being able to easily and quickly convert to money assets with little or no loss of purchasing power.

Liquidity Risk. The possibility that the investor cannot quickly convert an investment to money with little loss of purchasing power.

Levy-Based Property Tax System. A tax system where levies are determined by budget needs (which in many cases must be approved by voters), and tax rates are calculated as levies divided by Assessed Value. The alternative is usually a rate-based system, where tax rates are set by law or by voters, and levies are calculated as rates times Assessed Value. Under Measure 50, Oregon's tax system is predominately a rate-based system.

Local Option Levy/Tax. A voter approved serial levy meeting the double majority test that may exceed the limits of Measure 50. Levies are limited to 5 years for any purpose, but may extend to 10 years for a capital project. These levies do not become part of the permanent rate limit. Does not include replacement serial or one-year levies or levies for bonded indebtedness.

Locally Assessed Property. Taxable property assessed by county assessors, including real property, personal property, and manufactured structures carried on separate roll.

Long-Term Debt. A liability that will be paid after more than one year.

Lot Line Adjustment. Any addition to the square footage of the land for a real property tax account and a corresponding subtraction of the square footage of the land from a contiguous real property tax account. Defined as an exception though the Maximum Assessed Value (MAV) of the accounts must balance. (ORS 308.149)

M

M1. The narrowly defined money supply; the currency and checkable deposits not owned by the federal government, Federal Reserve Banks, or Depository Institutions.

M2. A more broadly defined money supply; equal to M1 plus noncheckable savings deposits and small time deposits (deposits of less than \$100,000).

M3. A still more broadly defined money supply; equal to M2 plus large time deposits (deposits of \$100,000 or more).

Macroeconomics. The part of economics concerned with the economy as a whole, with such major aggregates as the household, business, and governmental sectors, and with totals for the economy.

Major Addition. An addition with a Real Market Value over \$10,000 that also increases the square footage of an existing structure. (ORS 308.149)

Marginal. Referring to the next unit; the marginal tax rate, for example, is the tax rate on the next dollar of income earned.

Market Efficiency. The extent to which the market prices securities so as to reflect available information pertaining to their valuation.

Market Portfolio. The ultimate market index, containing a common fraction of the total market value of every capital investment in the economic system.

Market Rent. That amount of rent typical to the market for a particular type and quality of property, as opposed to contract rent.

Market Risk. Risk that cannot be diversified away.

Market Value. A hypothetical or estimated sale price that would result from careful consideration of all information by a prudent, responsible buyer and seller under conditions of a fair sale. Market value, value-in-exchange and market price are the same under the following assumptions:

1. No coercion or undue influence occurs over either the buyer or seller in an attempt to force the sale or purchase.
2. Well-informed buyers and sellers are acting in their own best interest.
3. A reasonable time is allowed for the transaction to occur.
4. Payment is made in terms of cash or financing that is typical for the property type for the area, i.e., neighborhood.

Maximum Assessed Value (MAV). A term defined by Measure 50, passed by Oregon voters in 1997. The maximum (limit) of a property's Assessed Value (AV). For the 1997–98 tax year, Maximum Assessed Value (MAV) was the 1995–96 Real Market Value (RMV) less 10 percent. For tax years after 1997–98, the MAV will be the greater of 103 percent of the property's Assessed Value from the prior year or 100 percent of the property's MAV from the prior year. MAV may be increased or recalculated under certain circumstances to reflect changes to the property (exceptions).

Maximum Specially Assessed Value (MSAV). The maximum (limit) of a property's Specially Assessed Value (SAV). For the 1997–98 tax year, Maximum Specially Assessed Value (MSAV) was the 1995–96 Specially Assessed Value (SAV) less 10 percent. MSAV may be increased or recalculated under certain circumstances to reflect changes to the property. For tax years after 1997–98, MSAV increases by 3 percent per year.

Measure 5. The constitutional tax rate limitation passed by voters in November 1990, which can be found at Article XI, Section 11b of the Oregon Constitution. Measure 5 limited school taxes to \$15 per \$1,000 of Assessed Value and non-school taxes to \$10 per \$1,000 of Assessed Value starting in 1991–

92. The school limit fell by \$2.50 per \$1,000 each year until it reached \$5 per \$1,000 in 1995–96. The non-school limit remains at \$10 per \$1,000. Levies to pay bond principal and interest for capital construction projects are outside the limitation. The Measure 5 rate limits still apply under the provisions of Measure 50, passed in 1997, but now apply to Real Market Value.

Median. The middle value in a sequence of ordered data; calculated as the value of the observation $n + 1$ divided by two ($\frac{n+1}{2}$).

Merger. Acquisition in which all assets and liabilities are absorbed by the buyer; more generally, any combination of two companies.

Metropolitan Statistical Areas. Areas that have been designated by the U.S. Office of Management and Budget as Metropolitan. A Metropolitan Statistical Area is a large population nucleus together with adjacent communities that have a high degree of economic and social integration with the nucleus. Oregon has the following Metropolitan Statistical Areas:

Portland PMSA: Clackamas, Columbia, Multnomah, Washington, Yamhill, and Clark (WA) counties.

Salem MSA: Marion and Polk counties.

Eugene MSA: Lane County.

Medford MSA: Jackson County.

Corvallis MSA: Benton County.

Microeconomics. The part of economics concerned with such individual units within the economy as industries, firms, and households; and with individual markets, particular prices, and specific goods and services.

Midrange. The average of the smallest and largest observations in a batch of data.

Minor Construction. Improvements to real property, the Real Market Value (RMV) of which does not exceed \$10,000 in any assessment year or \$25,000 for cumulative additions made over five assessment years. The assessor may increase the RMV of the property to reflect minor construction, however the Maximum Assessed Value (MAV) may not be increased for that reason. (ORS 308.149)

Mode. The most frequently occurring value in a set of data.

Model. A miniature representation of some underlying phenomenon; a representation of how something works.

Modernization. A type of renovation in which worn or outdated elements are replaced with their current counterparts.

Money. Any item generally acceptable to sellers in exchange for goods and services.

Money Capital. Money available to purchase capital goods.

Money Market. Market for short-term safe investments.

Monopoly. A market in which there is a single seller; the seller is able to influence the total supply and the price of the good service.

Mortgage. A loan secured by the pledge of a specific property.

Mortgage Bond. A bond secured by the pledge of a specific property.

Moving Average. A statistical forecasting technique that evens out temporary ups and downs by taking the mean of the most recent observations.

Multi-Index Model. Model purporting to explain the covariances that exist between securities on the basis of unexpected changes over time in two or more indices, such as the market, the money supply, or the growth rate in industrial properties.

Multistage Growth Model. Dividend Discount Model in which growth in dividends is expected to change in one or more stages.

N

Natural Monopoly. An industry in which the economies of scale are so great that the product can be produced by one firm at an average cost lower than it would be if produced by more than one firm.

Net Additions. In calculating the addition to value for new property and improvements, the amount added shall be net Real Market Value (RMV) of the new property or improvements less the RMV of retired property, but not less than zero. (ORS 308.153)

Net Assets. See *Owners' Equity*.

Net for Collection. Total tax for collection, less total credits.

Net Lease. Lease in which the lessee pays all property operating expenses plus the contract rent.

Net Liquid Balance. Cash and marketable securities less notes payable and current maturities of long-term debt.

Net National Product (NNP). Gross National Product less that part of the output needed to replace the capital goods worn out in producing the output.

Net Present Value. A project's net contribution to wealth—present value minus initial investment.

Net Working Capital. Current assets minus current liabilities.

Net Worth. See *Owners' Equity*.

New Construction. Any new structure, building, addition, or improvement to the land, including site development. To affect Maximum Assessed Value (MAV) the Real Market Value (RMV) must be greater than \$10,000 in an assessment year or \$25,000 over five assessment years.

New Property or New Improvements. Changes in value as the result of new construction, reconstruction, major additions, remodeling, renovation, or rehabilitation; siting a manufactured structure or floating home; addition of machinery or other taxable real or personal property to a property tax account; or taxable property located in a different tax code area than it was on the prior assessment date. Does not include changes in value due to general ongoing maintenance and repair or minor construction. (ORS 308.149–308.166)

Nominal Interest Rate. The rate of interest expressed in dollars of current value (not adjusted for inflation and ignoring the effect compounding frequency).

Nonprofit Housing. Total Assessed Value of property removed from the roll for nonprofit housing purposes. This property consists of land and improvements owned by nonprofit corporations for the purpose of providing permanent housing, recreational and social facilities, and care to elderly persons. Under ORS 307.244, qualifying property receives a funded exemption from the property tax, but the county receives an equivalent payment from the state.

Normal Probability Distribution. Symmetric, bell-shaped distribution that can be completely described on the basis of its expected value and its variance.

Note. Unsecured debt with a maturity of up to 10 years.

O

Obsolescence. A form of depreciation. See also *Economic Obsolescence* and *Functional Obsolescence*.

Off-Balance-Sheet Financing. Financing that is not shown as a liability in a company's balance sheet.

Oligopoly. A market in which the number of sellers is so few that each seller is able to influence the total supply and the price of the good or service.

Omitted Property. Property discovered and added to the roll after the roll is certified to the tax collector. (ORS 311.207–311.213)

Open Market. A freely competitive market in which any buyer or seller may trade and in which prices are determined by competition.

Open-End Mortgage. Mortgage against which additional debt may be issued.

Operating Activities. Those cash flows not classified as either investing or financing activities. Generally, operating cash flows are related to cash collected from sales and cash disbursed to supplies, workers, management, and taxes.

Operating Cycle. The process of funds flowing from inventory to receivables and payables.

Operating Lease. Short-term, cancelable lease.

Operating Leverage. Fixed operating costs.

Operating Taxes. The tax levies used to calculate the permanent rate limit. With certain exceptions, these levies include tax base, one year, serial, continuing and safety net levies. They do not include Local Option Taxes, pension or disability plan obligations, urban renewal taxes, or taxes levied to repay bonded debt. In years following 1997–98 operating taxes will be imposed using the permanent rate limit of the district.

Opportunity Cost. What is given up in order to pursue a course of action; the cost of acquiring the next most desirable substitute.

Opportunity Cost of Capital. Expected return that is foregone by investing in a project rather than in comparable financial securities.

Owners' Equity. The ownership rights that remain after deducting liabilities. Also called “net assets” or “net worth.”

P

Par Value. Value of a security shown on the certificate.

Parameter. A summary measure computed to describe a characteristic of an entire population.

Payables. Accounts payable.

Payback Period. Time required for a project to recover its initial investment.

Percent Good. An estimate of the value of a property, expressed as a percentage of its replacement cost, after depreciation of all kinds has been deducted.

Permanent Current Assets. The minimum amount of funds that are invested in current assets over the firm's operating cycle.

Permanent Rate Limit. A tax rate for a district calculated under the limitations of Measure 50 that would extend the full amount of “operating taxes” that could be imposed for 1997–98. This rate is the maximum rate a district may use without approval by voters; districts may use any rate below this maximum. There is a provision for new districts to establish a permanent rate limit after 1997–98. (sec 21(8))

Personal Property. Any property that is not realty; all moveable items not permanently affixed to or part of real estate. Also known as *chattels*. Intangible personal property (i.e., mortgages, computer software, etc.) is not assessable in Oregon. Beginning in 1997–98, most personal property accounts less than \$10,000 in value, but excluding manufactured structures, are not required to pay property taxes.

Physical Deterioration. Loss in value caused by wear and tear.

Population. The totality of items or things under consideration.

Preferred Stock. A class of stock that represents ownership of a corporation. Preferred stock has certain preferences, usually including a priority claim to dividends, relative to common stock.

Present Value. Discounted value of future cash flows.

Price-Earnings Ratio. Ratio of the market price per share of a stock to its earnings per share.

Prime Rate. Rate at which banks lend to their most favored customers.

Principal. The amount of debt that must be repaid; does not include interest.

Principal Industrial Property. Refers to any unit of industrial property in Oregon having a Real Market Value of the improvements on the assessment roll for the preceding year of over \$5,000,000.

Private Placement. A security issued to a small number of investors; the terms of the offering are typically tailored to the needs of the investors.

Pro Forma. A financial balance sheet or statement. In appraisal, a reconstructed operating statement used to project gross income, operating expenses, and net income.

Productive Efficiency. The production of a good in the least costly way; employing the minimum quantity of resources needed to produce a given output and producing the output at which average total cost is a minimum.

Productivity. A measure of average output or real output per unit of input. For example, the productivity of labor may be determined by dividing hours of work into real output.

Profit. The increase in wealth that results from the operation of a business; the amount by which the proceeds of a sale exceed its cost.

Project Finance. Debt that is largely a claim against the cash flows from a particular project rather than against the firm as a whole.

Promissory Note. Promise to pay.

Property. The right to own control, employ, dispose of, and bequeath land, capital, and assets. In Oregon, all property included in a single property tax account, or, if centrally assessed, the total state-wide value of all property assessed to a company or utility.

Property Class. A three-digit number that indicates the property's use. The property classes used for calculating the changed property ratios are: residential including manufactured structures and floating homes, 1xx; commercial, 2xx; industrial, 3xx; tract, 4xx; farm, 5xx; forest, 6xx; multi-family, 7xx; recreational, 8xx, and miscellaneous, 0xx. Defined by DOR. For centrally assessed property, the property's class is defined as all property on the utility roll.

Property Tax Account. Administrative division of property for purposes of listing on assessment roll. A unique number that identifies property for assessment and taxation purposes.

Property Tax Levy. Amount of ad valorem tax imposed on taxable property by a local government for the support of its activities.

Public Exemptions. Assessed value of property owned by federal, state, or local governments (including counties, cities and towns, and school districts) that is exempt from property taxation. This includes all public or corporate property used or intended for use for corporate purposes of local governments and all public or municipal corporations in the state.

Public Utility. Same as centrally assessed property listed above.

Q

Qualified Taxing District Obligations. Also called “gap bonds.” Subject to Measure 5 limitation. Any portion of a local taxing district levy used to repay bonds or other formal written borrowing of moneys executed before December 5, 1996 and for which the local government has secured by a commitment of ad valorem property taxes. [Measure 50 (5)]. Local government pension and disability plan obligations that commit ad valorem property taxes also fall broadly in this category.

Quantity Demanded. The amount of a good or service buyers wish (or a buyer wishes) to purchase at a particular price during some period of time.

Quantity-Increasing Effect. The effect in a competitive market of an increase in demand or an increase in supply upon the market equilibrium.

Quantity Supplied. The amount of a good or service sellers offer (or a seller offers) to sell at a particular price during some period of time.

Quartile. A measure that splits an ordered set of data into four equal parts; there are four quartiles in a set of data.

Quick Ratio. The ratio of current assets less inventory to current liabilities.

R

Range. The “total spread” between a series of observations; calculated as the differences between the largest and smallest observations in a set of data.

Ratchet Effect. The tendency for the price level to rise when aggregate demand increases, but not to fall when aggregate supply declines.

Ratio. A mathematical relationship between two or more variables; e.g., 4:1, 1:2.

Real Assets. Tangible assets and intangible assets used to carry on business (as opposed to financial assets).

Real Interest Rate. The rate of interest expressed in constant dollars (adjusted for inflation), and equal to the nominal interest rate less the rate of inflation.

Real Market Value (RMV). The amount in cash that could reasonably be expected to be paid by an informed buyer to an informed seller, each acting without compulsion in an arm’s-length transaction occurring as of the assessment date for the tax year, as established by law. (ORS 308.205)

Real Property. In Oregon, total Assessed Value of real property, including land, buildings, structures, and improvements. Unless otherwise specified, this value is net of veterans’ exemptions applied to real property. The following property classes are included within real property (see OAR 308.215):

Residential Land. Unimproved property that has residential use as its highest and best use.

Residential Property. Improved property that has residential use as its highest and best use.

Commercial Land. Unimproved property that has commercial use as its highest and best use.

Commercial Property. Improved property that has commercial use as its highest and best use.

Industrial Land. Unimproved property that has industrial use as its highest and best use.

Industrial Property. Improved property that is a single plant or a complex of properties engaged in manufacturing or processing a product. The appraisal of this property can be either Department of Revenue or county responsibility.

Tract Land. Unimproved acreage where the highest and best use is other than farm, range, or timber production.

Tract Property. Improved acreage where the highest and best use is other than farm, range, or timber production.

Farm and Range Property. Land or land and buildings where the highest and best use is the production of agricultural crops, feeding and management of livestock, dairying, any other agricultural or horticultural use, or any combination thereof.

Farm and Range Zoned property. Land or land and buildings located within an exclusive farm-use zone assessed as farm-use land.

Farm and Range Unzoned Property. Land or land and buildings assessed as unzoned farmland.

Forestland and Forest Property. Consists of land where the highest and best use is growing and harvesting trees of a marketable species and land that has been designated as forestland.

Multiple Housing Land. Unimproved property that has multiple housing use (five living units or more) as its highest and best use.

Multiple Housing Property. Improved property that has multiple housing use (five living units or more) as its highest and best use.

Recreation Land. Unimproved property that has recreational use as its highest and best use.

Recreational Property. Improved property that provides recreational opportunities as its highest and best use.

Receivables. Accounts receivable.

Regression Analysis. A statistical technique for determining the line of best fit.

Rehabilitation. To restore to a former or improved condition; usually performed without changing the basic plan, form, or style or a structure; a type of renovation.

Reinvestment Rate Risk. The possibility that the investor will have to invest cash proceeds at a lower interest rate for the remainder of a predetermined investment horizon.

Remaining Economic Life. The number of years remaining in the economic life of a building or other improvement as of the date of the appraisal. This period is influenced by the attitudes of market participants and by market reactions to competitive properties on the market.

Remodeling. A type of renovation that changes the basic plan, form, or style of the property.

Renovation. The process by which older structures or historic buildings are modernized, remodeled or restored. See also *Modernization; Remodeling; Restoration; Rehabilitation*.

Replacement Levy. Any serial or one-year levy to replace an existing serial or one-year levy approved after December 4, 1996 and first imposed for tax year 1997–98 where the amount, or rate, is not greater than that being replaced. These levies become part of the permanent rate. Elections to approve these levies do not need to meet the double majority requirements. (M50)

Residual Variance. Statistic describing the propensity for a security to deviate from its characteristic line; the probability weighted sum of the squared residuals.

Restoration. A type of renovation in which a property is returned to its original appearance and condition.

Retained Earnings. The after-tax profits of a corporation not distributed as dividends to stockholders; corporate or business saving.

Return on Assets (ROA). Net income or cash flow divided by the value of the assets generating the net income or cash flow.

Return on Equity. Net income or cash flow divided by the (usually book) value of equity.

Return on Investment (ROI). Net income or cash flow divided by capital expenditures.

Revenue Securities. Issues which tie cash flows to pledged revenue from the facility(ies) being financed.

Risk Adjusted Performance Measure. Measure of performance that purports to be unaffected by the risk of the portfolio or the performance of the market.

Risk Factor. The portion of a given return or rate of return on an investment that is designed to cover the uncertainties associated with a particular investment.

Risk Premium. Expected additional return required for making a risky investment rather than a safe one.

Risk-Free Rate. The theoretical rate of return on an absolutely riskless investment; usually refers to the rate of return on U.S. government securities.

R Squared (r^2). Square of the Coefficient of Correlation—the proportion of variability that can be explained by the variability in one or more other variables.

S

Sale-and-Leaseback. Sale of an existing asset an investor who then leases it back to the user (former owner).

Salvage Value. Scrap value. The price expected for a whole or portion of a property that is removed from the premise. May have utility elsewhere.

Sample. A portion of the population selected for analysis; generally selected to make inferences about the population.

Scarce Resources. The fixed (limited) quantities of land, capital, and entrepreneurial ability that are never sufficient to satisfy the material wants of humans because their wants are unlimited.

Seasonal Variation. An increase or decrease during a single year in the level of economic activity caused by a change in the season.

Seasoned Issue. Issue of a security for which there is an existing market.

Secondary Industrial Property. Refers to any unit of industrial property in Oregon having a Real Market Value of the improvements on the assessment roll for the preceding year of over \$1,000,000, but less than \$5,000,000.

Secondary Market. Market in which one can buy or sell seasoned issues of securities.

Secondary Security. A security, such as a futures contract, issued by one financial investor and sold to another; the net supply of secondary securities is zero.

Secular Trend. The expansion or contraction in the level of economic activity over a long period of years.

Security. A specific investment offered by a given issuer, usually as a means of financing.

Security Market Line. Line showing the relationship between the expected returns and betas for all portfolios and securities under the Capital Asset Pricing Model.

Sensitivity Analysis. Analysis of the effect on project profitability of possible changes in sales, costs, and so on.

Service. That which is intangible and for which a consumer, firm, or government is willing to exchange something of value.

Shareholder. The holders of residual rights in a firm; a company's owners.

Simple Interest. Interest calculated only on the initial investment (as opposed to compound interest).

Single-Index Model. Model purporting to explain the covariance existing between the returns on different securities on the basis of the relationship between the returns and a single index, usually the market.

Sinking Fund. A fund in which periodic deposits of equal amounts are accumulated to pay a debt on replacement of short-lived assets, such as a roof, carpet, etc.

Situs. The actual location of a property for purposes of taxation. It is the taxable location since personal property may move.

Skewness. Asymmetrical distribution within a set of data; if the data's mean is greater than its median, the data is right-skewed; if the data's median is greater than its mean, the data is left-skewed.

Small Firm Effect. Market anomaly whereby small companies exhibit a propensity to produce rates of return larger than those predicted on the basis of the Capital Asset Pricing Model; often explained as a liquidity premium for small firms' stock.

Specialization. The use of the resources of an individual, a firm, a region, or a nation to produce one or a few goods and services.

Standard Deviation. A statistic that is a measure of variability. It is calculated by extracting the square root of the arithmetic mean of the squared deviations from the arithmetic mean.

Standard Error. In statistics, a measure of the distribution of an estimate of a parameter.

Statement of Cash Flows. A statement created by utilizing financial accounting standards, showing the change in the cash balance as a result of cash flows from operating activities, financing activities, and investing activities.

Statistics. Quantities that have been computed to describe a characteristic(s) from only a sample of the population.

Statutory Rate Limit on Operating Taxes. Maximum rate of operating taxes that may be imposed after supplemental statutory reduction.

Stock Dividend. Dividend in the form of stock rather than cash.

Subordinated Debt. Junior Debt.

Substitution. An appraisal principle stating that a property's value tends to be set by the potential cost of acquiring or producing an equally desirable substitute property, assuming no costly delay in making the substitution.

Substitute Goods. Goods or services such that there is a direct relationship between the price of one and the demand for the other.

Sunk Costs. Costs that have been incurred and cannot be reversed.

Supply. In real estate, the quantity of a type of real estate available for sale or lease in a given market at a given time.

Supply and Demand. An economic and appraisal principle. In real estate appraisal, the price of real property varies directly, but not necessarily proportionately, with demand, and inversely, but not necessarily proportionately, with supply.

Surplus Productivity. A property's net income remaining after the cost of the agents in production (labor, capital, coordination, and land) have been paid.

Systematic Risk. That part of a security's variance that cannot be diversified away; in the context of the Capital Asset Pricing Model, systematic risk equals the square of the product of the beta and the market's standard deviation; market risk.

T

Tangible Property. Property that can be perceived by the senses. It includes land, fixed improvements, furnishings, merchandise, cash, and other items of working capital used in an enterprise. Tangible personal property is defined by ORS 307.020(3). It includes all chattels and movables such as boats and vessels, merchandise and stock in trade, furniture and personal effects, goods, livestock, vehicles, farming implements, movable machinery, movable tools, and movable equipment.

Tax. A nonvoluntary payment of money (or goods and services) to a government by a household or firm for the support of government and public services.

Tax Extended. The amount of tax to be paid by taxpayers before the Measure 5 rate limits have been applied. If, for an individual property, taxes exceed the limits, then the taxes for that property are reduced to the limits.

Tax Imposed. The taxes due to be paid by taxpayers after the Measure 5 rate limits have been applied. For individual properties, the tax imposed will always be less than or equal to the tax extended.

Taxes Added to Rolls. Additional taxes generated when a final order is entered in an appeal, other omitted property is included, or error corrections are made.

Tax Limit Category. Under the 1990 Measure 5 constitutional property tax limitation, taxes are divided into three categories: 1) inside the general government limit; 2) inside the education limit; and 3) outside the limit. All taxes, other than bond levies for capital construction, that are used for non-school purposes fall inside the general government limit of \$10 per \$1,000 of Assessed Value. All taxes, other than bond levies, that are used for education purposes fall inside the education limit of \$5 per \$1,000 of Assessed Value. All bond levies used for capital construction fall outside the limit. Within the context of Measure 50, permanent rate, local option, gap bond, and pension levy taxes are subject to the limitations. Bond levies are outside the limit.

Tax Year. A period of 12 months beginning on July 1.

Technology. The body of knowledge that can be used to produce goods and services from economic resources.

Term Loan. A loan made with an initial maturity of more than one year.

Term Structure of Interest Rates. The relationship between yield to maturity and term to maturity for securities of a given risk and tax status.

Time Value of Money. A financial principle underlying compound interest. The concept states that a \$1 received today is worth more than \$1 received in the future.

Time-Weighted Return. Concept of rate of return on an investment in which the portfolio is divided into units, as with a mutual fund, and the return calculated for each unit. The average of all actual rates over a period of time. Also called unit method rate or share accounting rate.

Total Amount Certified. The amount of taxes charged by the tax collector as certified by the assessor and authorized by warrant of the county clerk. The total includes real property taxes, personal property taxes, manufactured structure taxes, and public utility taxes. The amount reported by counties generally includes taxes relating to special assessments and in-lieu payments for fish/wildlife property and nonprofit housing property.

Total Credits. Includes discount allowed for prompt payments, personal property taxes canceled by order of county clerk, real property foreclosures, and other corrections or cancellations.

Total for Collection. The sum of total amount certified, uncollected taxes, and taxes added to rolls.

Total Levy. The total levy submitted by the district, including the local option levy and the levy for bonded indebtedness.

Total Product. The total output of a particular good or service produced by a firm, a group of firms, or the entire economy.

Trade Credit. Accounts receivable.

Trade Debt. Accounts payable.

Trade Level. The concept that property increases in value as it progresses through production and distribution channels until it is marked up to its maximum value at the consumer level. Trade level values also consider incremental costs such as freight, overhead handling, and installation. The retail level is the appropriate level on which to report for assessment purposes. However, the consumer or user of the item of personal property may be reporting the cost at either the wholesale or retail level of trade.

Transfer Payment. A payment of money (or goods and services) by a government or a firm to a household or firm for which the payer receives no good or service directly in return.

Treasury Bill. Security issued by the U.S. Treasury with a maximum maturity of one year and promising a single payment of interest and principal at maturity.

Treasury Bond. Security issued by the U.S. Treasury with no maximum maturity and promising semi-annual interest payments and return of principal at maturity.

Treasury Note. Security issued by the U.S. Treasury having a maximum maturity of seven years and promising semiannual interest payments and return of principal at maturity.

Treasury Stock. Shares of a firm's stock that have been reacquired by the firm.

U

Unallocated Utilities. Small, private railcar companies that pay property taxes to the state, which in turn distributes the money to county governments.

Uncollected Balance. Cumulative amount of unpaid taxes as of July 1.

Underwriter. Firm that buys an issue of securities from a company and resells it to investors; investment banker.

Unfunded Debt. Debt maturing within one year.

Unit of Property. For purposes of Measure 50, "property" and "unit of property," except for centrally assessed utility property, mean all property included within a single property tax account. (Currently under appeal—see Flavorland Foods #4393 and Chart Development #4339.)

Unit Labor Cost. Labor costs per unit of output; equal to the money wage rate divided by labor productivity (output per worker hour).

Unique Risk. Risk that can be eliminated by diversification.

Unlimited Liability. Absence of any limit on the maximum amount that may be lost by an individual and that the individual may become legally required to pay; the maximum amount that may be lost and that a sole proprietor or partner may be required to pay.

Unseasoned Issue. Issue of a security for which there is no existing market.

Unsystematic Risk. Unique risk.

Urban Renewal Agency. The agency responsible for administering urban renewal programs. Urban renewal agencies can be organized by city governments or county governments, and they oversee activities in urban renewal plan areas. An urban renewal agency can administer multiple plan areas.

Urban Renewal Excess Value. Total Assessed Value of property in “urban renewal plan areas” in excess of the base Assessed Values when the plan areas were established. It is the “excess value” in the urban renewal plan area that is taxed to raise revenue for urban renewal agencies.

Urban Renewal Plan Area. The geographic area in which urban renewal activity takes place. It is the “excess value” in urban renewal plan areas that is taxed to raise revenue for urban renewal agencies.

Urban Renewal Special Levy. A levy imposed by an urban renewal agency if the amount of revenue raised from excess value is below its revenue raising authority.

Use Value. The value a specific property has for a specific use. Embodies the premise that an object’s value is related to its use. For example, an outmoded machine can still be used to produce a useful product.

Utility. The ability of a good, service, or real estate to satisfy a human want, need, or desire.

Utility of Wealth Function. The relationship between an individual’s well-being and the amount of wealth possessed by the individual at any given point in time.

V

Value Added. The value of the product sold by a firm less the value of the goods (materials) purchased and used by the firm to produce the product, and equal to the revenue which can be used for wages rent interest, and profits.

Value Additivity. Rule that the value of the whole must equal the sum of the values of the parts.

Value of Money. The quantity of goods and services for which a unit of money can be exchanged; the purchasing power of a unit of money; the reciprocal of the price level.

Value-In-Exchange. The amount an informed purchaser would offer in exchange for a property under given market conditions. The value an item will bring as determined by the market. The value of an item is based on comparison to other substitute goods or services as determined by an open competitive marketplace.

Value-In-Use. See *Use Value*.

Variable. Mathematically, in an equation, a component or value subject to change; statistically a phenomenon or characteristic associated with a population or sample.

Variable Costs. Costs that vary with production levels.

Variance. Propensity to deviate from the expected value; the probability weighted squared deviations from the expected value.

Velocity of Money. Number of dollars of national income supported by each dollar in the money supply; a measure of the speed with which money turns over in the economy.

Venture Capital. Capital to finance a new firm.

Vertical Integration. A group of assets (facilities) used to produce different components for the same product and owned by a single firm.

Vertical Merger. Merger between a supplier and its customer.

W

Wage. The price paid for labor per unit of time.

Warrant. A contract giving the holder the right to buy a specified number of shares of a given asset at a given price; a promise to pay by a government entity.

Wealth. Aggregate net assets owned by an entity.

Weighted Average Cost of Capital (WACC). The required rate of return for investments, including both debt and equity; WACC will vary based on the investor's financial strength, capital structure, and the project in which the investment will be made.

Work-In-Process. In terms of inventory, items beyond the raw material stage but not yet at the completed product stage; in terms of fixed assets, construction work being done, but not yet complete or added to the capital asset listing.

Working Capital. Current assets and current liabilities; the term is commonly used as synonymous with Net Working Capital.

Y

Year. May refer to either the assessment year or the tax year. In Oregon, the assessment year is January 1–December 31; the tax year is July 1–June 30.

Yield. The rate of return on a given investment.

Yield Capitalization. The income capitalization method used to convert future cash flows into present value by discounting each future cash flow at an appropriate yield rate or by developing an overall rate that explicitly reflects the investment's income pattern, value change, and yield rate.

Yield to Maturity. Internal rate of return on a bond.

Z

Zero Coupon Bond. Discount Bond making no coupon payments.