

REVENUE

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the Oregon Department of Revenue, and put limits on how much a property's assessed value could increase from year to year.

The state's cities advocate a "transition" back to real market value-based calculations and for permitting local voters to approve rates exceeding the limits established by Measure 5.

Without a reduction in tax rates, the proposal would lead to higher property taxes. According to the League of Oregon Cities, there is a state average of a 25 percent difference between the real market value of property and its assessed value.

The Legislature is also looking at a homestead exemption, which could cushion homeowners from sudden tax leaps on their primary residences.

Cities contend Measures 5 and 50 have meant that owners of similarly priced properties can pay significantly disparate amounts in taxes, and that cities have to compete with other local jurisdictions, such as coun-

ties and fire protection districts, for key funding.

Even if residents of a city support measures to pay for local libraries or to build a new police station, for example, the total tax rate per \$1,000 of assessed valuation can't exceed the state limits.

The proposal could also lead to greater increases in assessments. Assessed valuations — due to the requirements of Measure 50 — typically grow at a slower rate than real market value. On the other hand, when the real estate market dips, so do real market values.

A senate resolution, Senate Joint Resolution 3, proposes repealing Measure 50 and replacing it with a real market value-based system.

"We would support that in theory," said Wendy Johnson, an intergovernmental relations associate for the League of Oregon Cities, noting that the details have not been ironed out.

That resolution is the first placeholder bill in what cities expect to be a broader property tax reform package, Johnson said.



Grant County Assessor David Thunell shows one of the files he keeps on every property in the county, listing real market and assessed values.

The Eagle
Sean Hart

TAX

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A property worth \$50,000 would pay half the tax of a property worth \$100,000.

The tax rates charged by each district could vary from year to year. If the budget committee determined \$100,000 was needed and the property values in the district totaled \$1,000,000, the rate would be 10 percent. If \$150,000 was needed for the same property values, the rate would be 15 percent.

Most levies, however, were limited to a maximum growth rate of 6 percent per

year, unless voters approved higher increases.

Measure 5 — \$15 limit

In 1990, Oregon voters approved Measure 5, a constitutional amendment limiting property taxes to a total of \$15 per \$1,000 of real market value — up to \$10 for general government and \$5 for education.

Taxes were still based on the levy system, unless the resulting tax rate exceeded these limits. If either education or general government taxes exceeded its limit, property owners would pay only that maximum rate, rather than a proportion of the levy.

Measure 50 — assessed value

Measure 50, approved by voters in 1997, ended the levy system, established per-

manent tax rates for all the districts and separated assessed value from real market value.

Assessed values for each property in 1997-98 were set at 90 percent of the 1995-96 real market value. Assessed values were limited to a 3-percent increase each year. Although taxes were based on the reduced assessed value, the Measure 5 limits remained tied to real market value.

Instead of levies with variable tax rates, a permanent tax rate was calculated for each district using a complex formula based on what the districts would have raised under the old system, while incorporating a tax cut, and dividing the total by the new assessed values. These permanent rates multiplied by the assessed values of properties are still used to compute property taxes today.

Special assessments and exemptions

Certain properties are assessed differently, such as those designated for farm or forest use, and exemptions also reduce tax amounts for certain people or properties.

In 1999, the Oregon Legislature established the forestland program as a special tax assessment, and changes were made to calculations for farm use special assessments. Although taxes are still based on the assessed value and the real market value is still the estimated selling price, for these special assessments the Measure 5 limits are based on the reduced special assessment, known as the Measure 5 value, instead of the real market value.

After the amount of tax due for a property is calculated, exemptions — such as those for veterans — reduce the amount due for those who qualify.

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