

Property Tax Briefing

*Review of Tax Limitation Measures and Impacts
on Multnomah County*

Multnomah County Budget Office

September 25, 2008

Introduction

- Oregon's Property Tax System
 - Tax Limitation Has Been A Fact of Life Since 1990
 - Overview of Measure 5 and Measure 50
 - What Is Different Today?

- The Art and Science of Estimating Tax Revenue
 - Permanent Rates, Local Options, and Debt
 - Forecasting Value – the Change Property Ratio
 - Forecasting Local Option Capacity

- Some Quick Facts and Other Considerations



Tax Levy 101

- Measure 5 Limited Taxes to 1.5% of Property Value (November, 1990)
- Created Distinction Between Taxes for Education, General Government, and Debt
- Two Major Consequences of Measure 5
 - School Funding Chiefly Responsibility of State
 - Shifted Tax Burden From Business to Residential Property
- Retained Existing Limits on Tax Base Growth
 - Tax Base Could Grow at 6%
 - Change in Values Caused Rates to Fluctuate



Tax Levy 101

- Introduced Concept of Compression
 - Local Gov't Taxes Could Not Exceed 1% of Property Value
 - Levies Reduced When Total Rates Exceeded \$10/\$1,000
 - Multnomah County Reduction = \$13M, or 12.5%, in Year 1
- Revenue Loss Proportional to Tax Authority
- Measure 5 Compression Necessitated a Tax Sharing Agreement Between County and City of Portland
- But, Values Grew Quickly in Early-90's
 - Average Growth = 11.5% From 1991 - 1995
 - County Grew Completely Out of Measure 5 in Four Years



Tax Levy 101 (Continued)

- Measure 47 – “Cut and Cap” Initiative (November, 1996)
 - Reduced Property Values Statewide by About 17%
 - Limited Future Value Growth

- Measure 50 Implemented Measure 47 (May, 1997)

- Measure 50 Crafted to Comply w/ Measure 5
 - Created Permanent Rates and Local Option Levies
 - Distinction Between REAL MARKET and ASSESSED Value
 - Created a Hierarchy of Tax Levies

- Multnomah County Reduction = \$23 Million, or 14%, in Year 1



Tax Levy 101 (Continued)

- Tax Base Replaced by Permanent Rates
 - Multnomah County = \$4.34/\$1,000
 - Permanent Rates Can **NOT** Be Changed (No Way, No How)

- Serial Levies = Local Option Levies

- Limited Value Growth to 3% on Most Properties
 - New Construction/Improvements/Remodeling
 - New Value Taxed at 1995 Levels

- Other Differences
 - Changed How Compression Is Calculated
 - Taxes Not Tied to Market Values
 - Created Concept of the “Double Majority”



Compression Under Measure 50

- Compression is Calculated on a Property by Property Basis
 - Measure 50 Tax Rates x Assessed Value
 - Measure 5 Limit (\$15/\$1,000) x Real Market Value
 - Tax Amount is Lower of Two Calculations
- Example – House A (RMV = \$445,000; AV = \$205,000)
 - Measure 50 Tax = $\$21.81 \times 205,000 = \$4,471$
 - Measure 5 Tax = $\$15.00 \times \$445,000 = \$6,675$
 - No Compression
- Example – House B (RMV = \$275,000; AV = \$205,000)
 - Measure 50 Tax = $\$21.81 \times 205,000 = \$4,471$
 - Measure 5 Tax = $\$15.00 \times \$275,000 = \$4,125$
 - Compression Loss = \$346



Property Tax “Pecking Order”

- How is Compression Loss Applied?
- Local Options Are First to Be Compressed
 - Taxes Reduced Proportionately Among Local Options
 - Local Options Collect Nothing From Some Property Classes
- Permanent Rates Are Next To Be Compressed
 - If Reducing Local Option Levies Does Not Fully Accommodate Compression, Permanent Rates Are Reduced Proportionately
- “Pseudo” Debt Levies Are Compressed Last
 - Portland FPD&R Levy
 - Urban Renewal Levies



Estimating Revenue Yield

- Three Critical Variables in Estimating Tax Revenue
 - Sum of All Limited Rates (Slide # 10)
 - Relationship Between RMV and AV (Slide # 11)
 - Change In AV Over Time – Each Property Is Like a Snowflake

- Not All Properties Are Created Equal
 - Property Classes and How They Are Assessed
 - The Change Property Ratio (CPR)

- Estimating Additional Tax Capacity
 - How CPR Both Limits Collections and Creates Capacity
 - Sensitivity Analysis Required to Estimate Compression



Limited Tax Rates in Multnomah County

FY 2007-08 per Assessment & Taxation

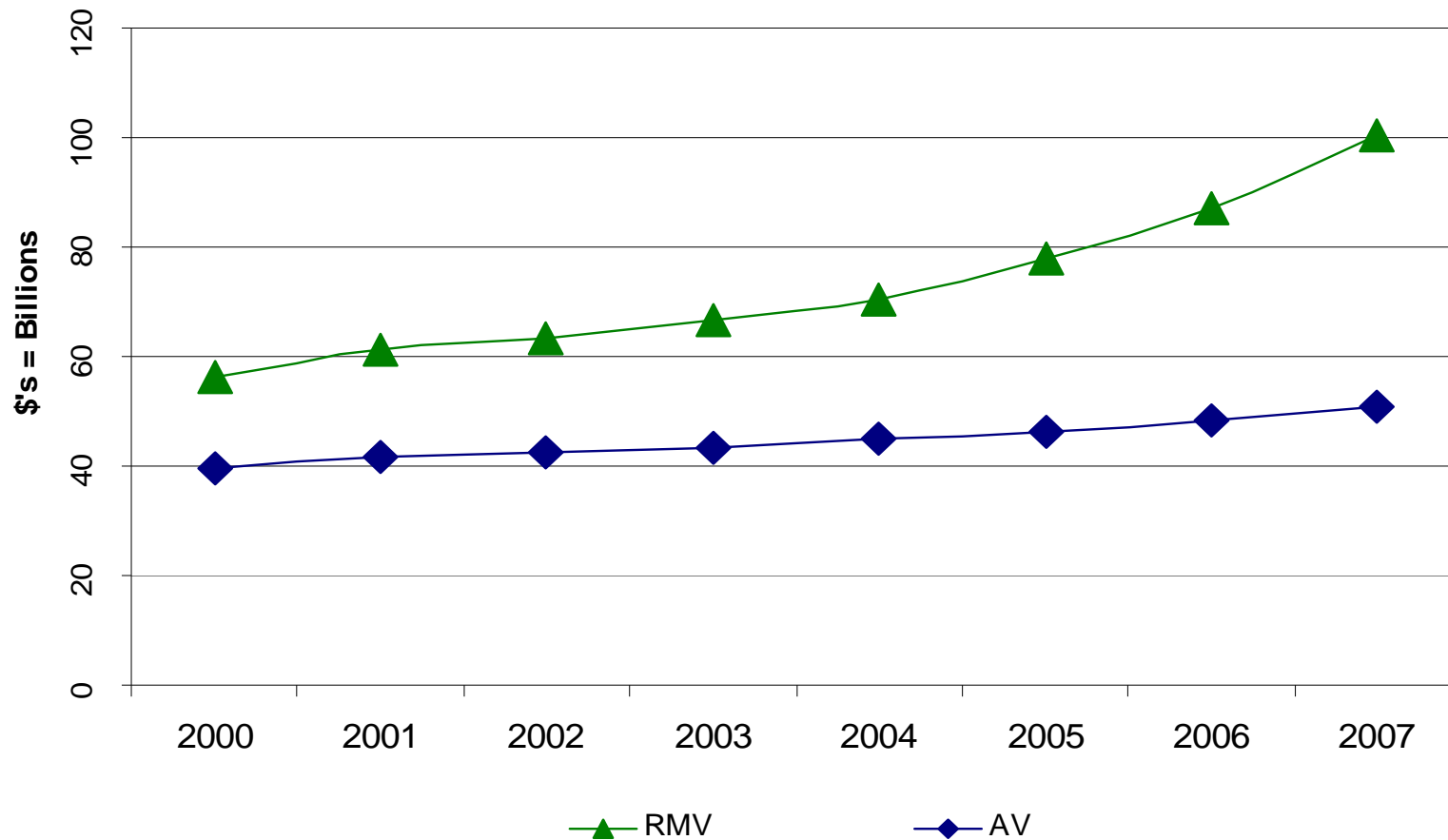
	Permanent	Local Option	Other	"Debt"	Total
Portland (Levy Code 001)	8.25	1.63	0.16	3.94	13.98
Gresham (Levy Code 026)	7.85	0.89	0.20	0.13	9.07
Troutdale (Levy Code 242)	8.11	0.89	0.20		9.20
Fairview (Levy Code 240)	7.83	0.89	0.20		8.92
Wood Village (Levy Code 241)	7.47	0.89	0.20		8.56
Maywood Park (Levy Code 331)	4.80	0.89	3.05		8.74

Rates Expressed in \$'s per Thousand of Assessed Value



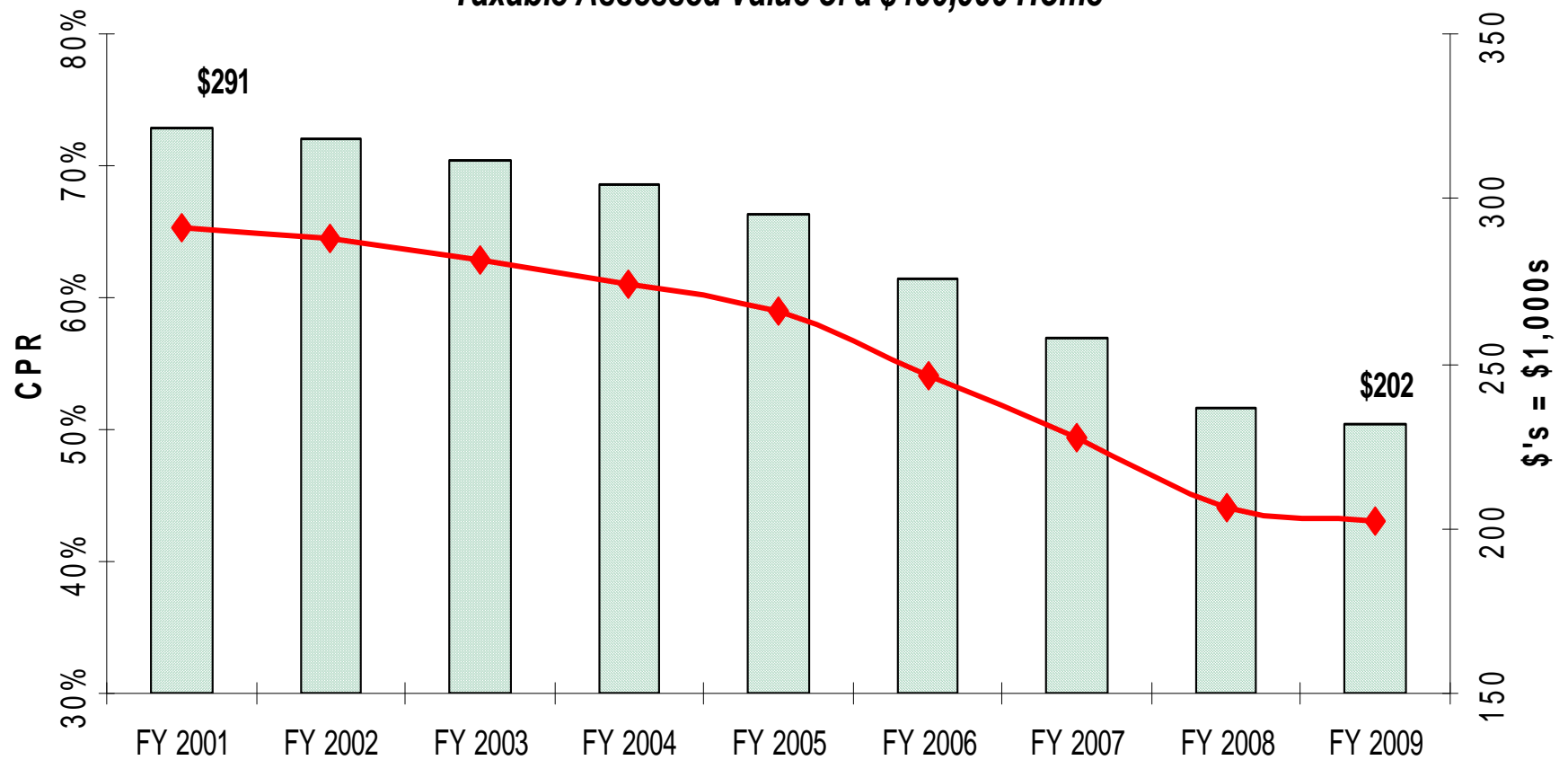
Changes in Values

Multnomah County RMV v. AV
Since FY 1999-2000



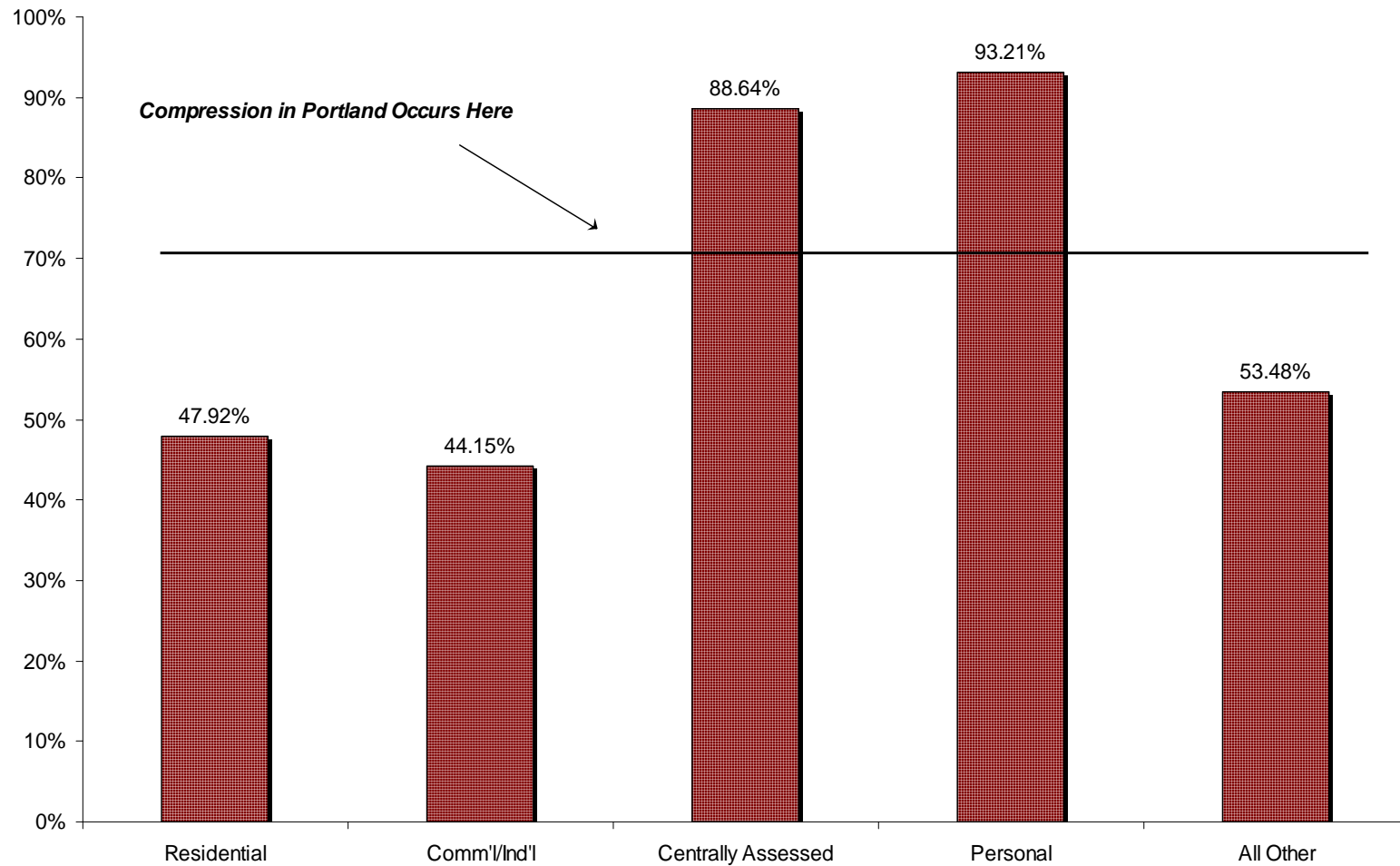
The CPR and Tax Impacts

Effect of CPR on Residential Property Taxable Assessed Value of a \$400,000 Home



Estimating Tax Capacity

Ratio of Assessed Value (AV) to Real Market Value (RMV)
by Property Class, FY 2008 Values



Sensitivity Analysis

- How Much Room Under The Measure 5 Cap?
 - Potential Revenue Yield Based on Countywide Averages
 - Implications For Revenue Yield From New Levies
 - “Back Door” Impact of Urban Renewal

Countywide Capacity by Property Class Based on FY 2007-08 Real Market Value

	Total Potential Revenue
Residential	\$ 43,378,085
Commercial/Industrial	14,481,535
Centrally Assessed	-
Personal	-
All Other	4,509,729
Total	\$ 62,369,349



Tax Facts

- Total Real Market Value = \$100.3 Billion
 - Residential Property Accounts for 62%

- Total Assessed Value = \$50.7 Billion

- Total Imposed Taxes = \$1.1 Billion
 - Multnomah County Share - 24%

- Revenue Lost to Measure 5 Compression
 - Permanent Rate - \$4.8 Million (2.3%)
 - Library Local Option - \$6.1 Million (13.5%)



Summary

- Constitutional Measures Have Changed Property Tax System w/ Varying Results
 - Most Taxpayers Have Experienced Significant Tax Relief
 - Limits on Value Growth Have Made Tax Bills More Predictable
 - Shifted Responsibility for Education Funding to State
 - Double Majority Effectively Limits When Tax Districts Can Seek Voter Approval for New Levies

- Current System Restricts Largest Source of Revenue for Most Local Governments
 - Annual Growth Does Not Keep Pace w/ Costs
 - CPR Divorces Tax Payments From Market Values
 - In Portland, Combined Tax Rates Cause Compression

- Estimating New Revenue Has Become More Difficult
 - Good News – Additional Capacity Does Exist
 - Compression Concentrated on Local Option Levies
 - Variables Are Many; Any Increase Impacts Other Levies

