

Oregon Property Tax History

Elements of a “Good” Property Tax System

- ~~Simple~~
- ~~Transparent~~
- ~~Adequate~~
- ~~Comprehensible~~
- Predictable

Brief History of the Property Tax System



Pre-
Measure 5



Measure 5
1990



Measure 50
1997



Before Measure 5 - The Levy System

- Budgets determined taxes:
 - Taxing district budget ÷ market value in district = tax rate
 - Effective statewide tax rate went from \$19.05/\$1,000 in 1980 to \$26.61/\$1,000 in 1990
 - Five failed votes to limit property tax between 1978 and 1988

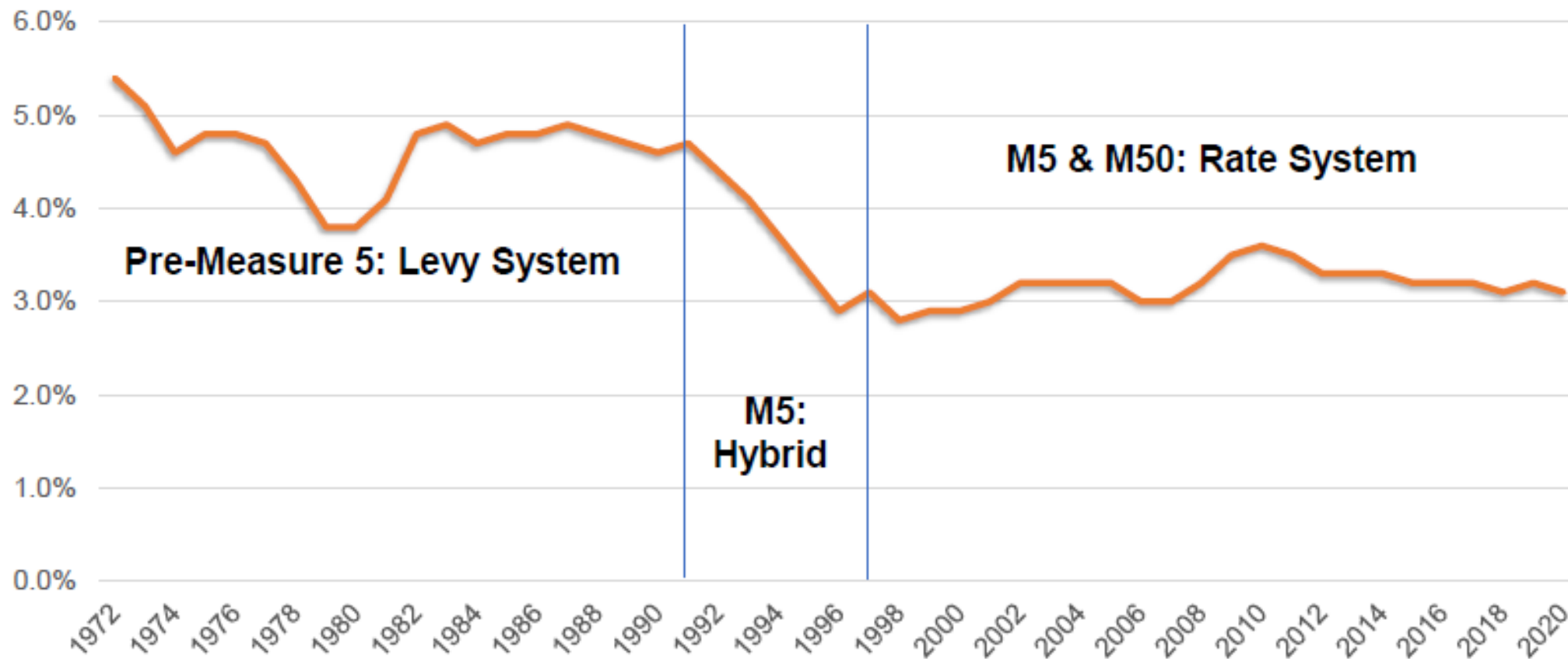
Measure 5 – The Hybrid System

- Passed in 1990 by a 52% margin, took effect in 1991-92
- Budgets still drove rates, but with new rate limits of 1% of market value for general government and 0.5% for schools
- Operating taxes beyond rates are compressed down, bonds are outside limits and not compressed
- Shifted majority of K-12 education funding from local property taxes to state income taxes over five-year phase in
- Created competition between districts for revenue under the limits
- By 1996 increasing residential values caused rates to fall below limits

Measure 50 – The Rate Based System

- Measure 47 approved by voters in 1996 but was unworkable
- Legislature sent Measure 50 to voters in 1997 and it was approved beginning 1997-98, four main components:
 1. Created permanent rate limits.
 2. Limited growth of assessed values by 3% Annually
 3. Limited local voters' ability to increase taxes through temporary "local option" levies
 4. Kept Measure 5 rate limits of 1.5% of market value

Property Tax as a Percent of Personal Income



Measure 50 Assessed Value is the Lesser of:

Real Market Value (RMV):

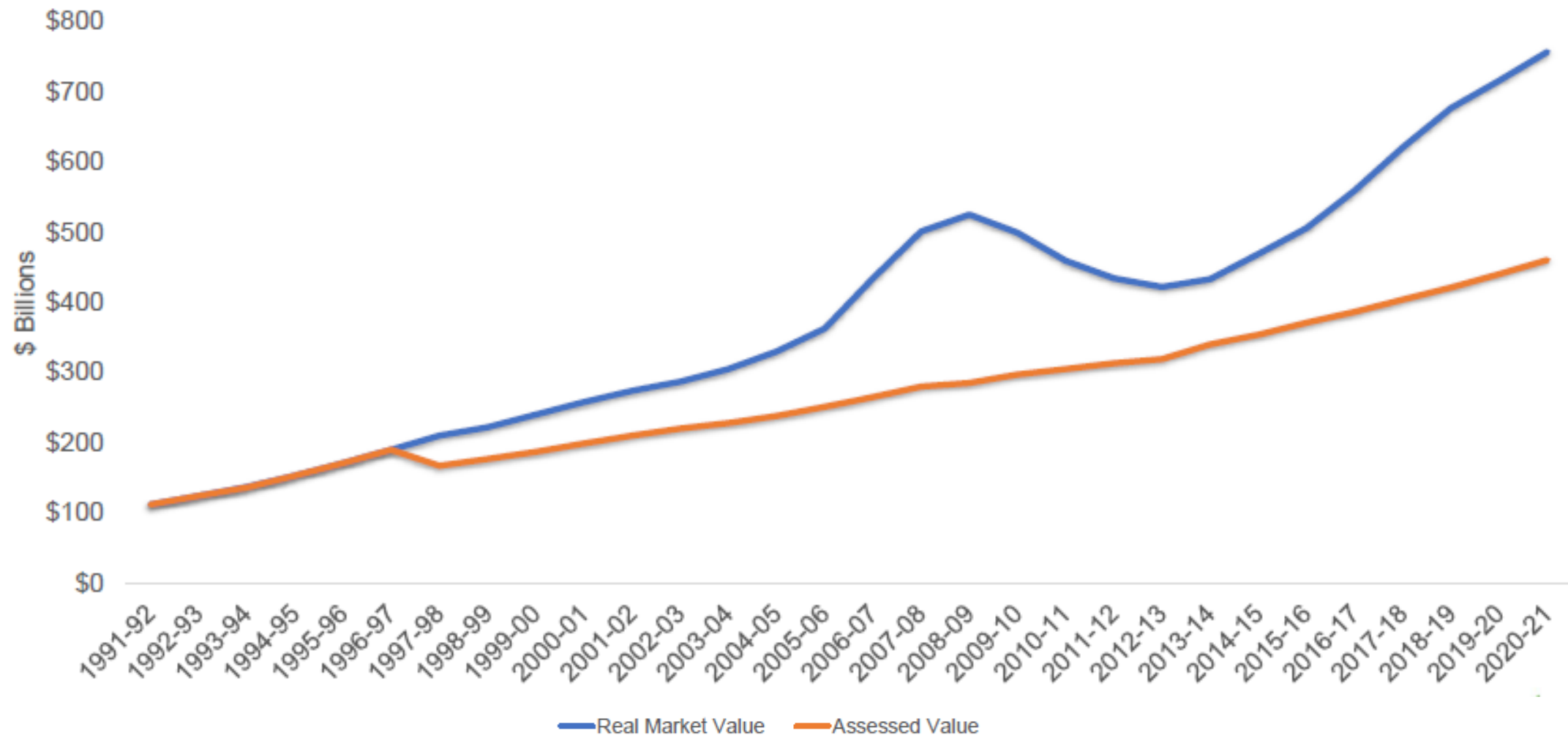
- What the property could sell for as of assessment date

OR

Maximum Assessed Value (MAV):

- Originally set at 90% of 1995-96 market value
- Increases limited to 3% per year unless there is an exception event (like new construction)
- New construction goes on at average ratio for property type in the area

30 Years of Property Values in Oregon



Measure 50 Rate Limits

Permanent Rates

- Calculation took 1997 levies, reduced by 17%, then divided by 90% of the 1995-96 market value
- Cannot be changed by voters

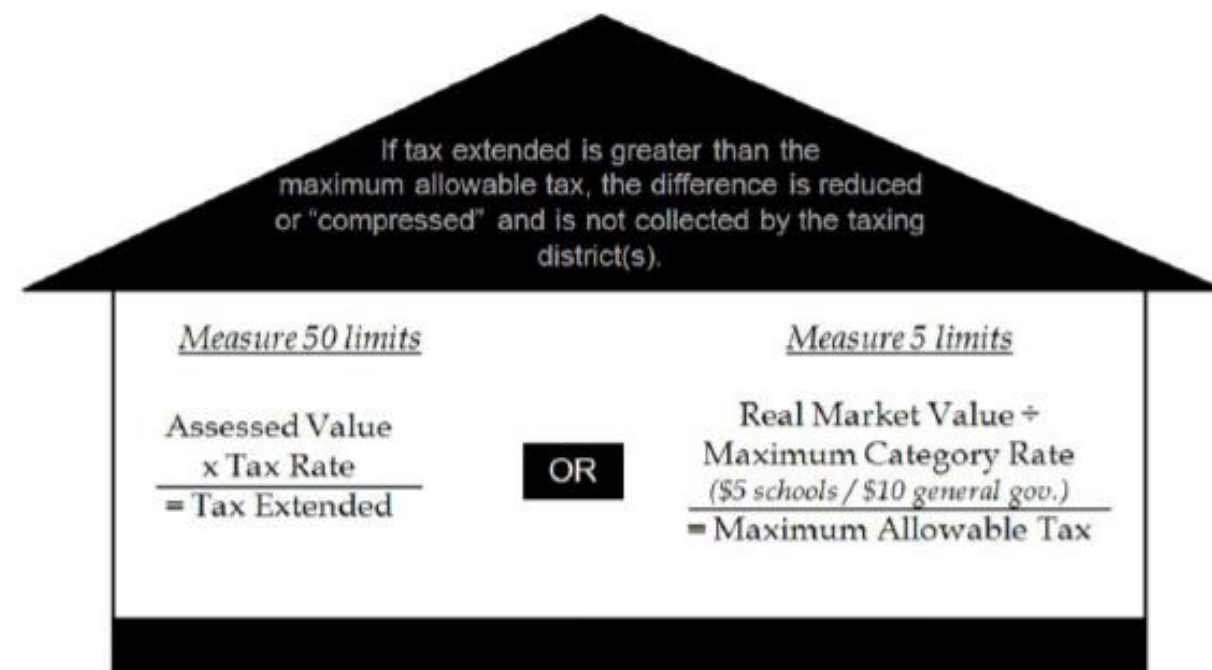
Local Option Levies

- Require voter approval
- Temporary levies for additional capital (10 years) or operating funds (5 years)
- Levied in addition to permanent rates
- Compress to zero before permanent rate levies
- 7.9% of state-wide taxes in 2020-21

Measure 5 Rate Limitations

Measure 50 kept Measure 5 Rate Limits

- \$10/\$1,000 for general government
- \$5/\$1,000 for education
- Applied against market value
- Local Option levies compressed to zero before permanent rate levies
- Bond levies are not compressed



Problems with the System

Tax Inequities

- Between properties
- Between neighborhoods

Rate Inequities

- Magnified by changes in revenue sources

Compression Losses

- Competition between districts
- Not all voters pay

Property Tax Compression Loss

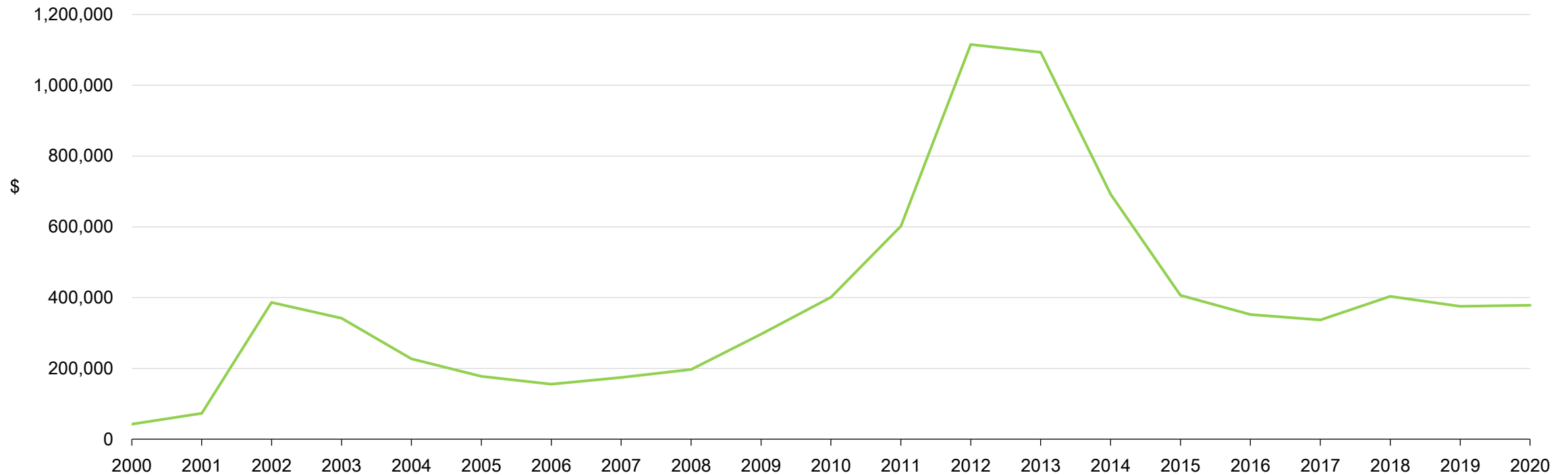
- Measure 5 established a \$10 government limit per \$1,000 of RMV for each property. Once the tax rate is applied to the Assessed Value, that amount is tested against the Measure 5 limit. If the assessed tax exceeds that limit, the amount is compressed (reduced) across all of the taxing districts.
- Salem (Marion County) Current Government Rate: \$10.3999
- Salem (Polk County) Current Government Rate: \$9.5407

The Mechanics of Compression Loss

Net Tax Comparisons	House 1 With RMV Spread	House 2 No RMV Spread
Real Market Value (RMV)	210,000	200,000
Assessed Value (AV)	200,000	200,000
Measure 5 Limit (\$10 per \$1,000 RMV)	2,100	2,000
Government Tax Rate (Salem Marion County)	10.3999	10.3999
Tax Amount based on Tax Rate	2,079.98	2,079.98
Less: Compression	-	(79.98)
Net Tax	2,079.98	2,000.00

Property Tax Compression

Total Compression Loss
City of Salem (District 113)



The issue in Salem

Sold \$365,000 February 2021

Assessed Value \$259K

2021-22 Tax \$5,095



Sold \$387,000 November 2021

Assessed Value \$128K

2021-22 Tax \$2,521



Budget Situation

- Needs continue to outpace resources – General Fund structural imbalance.
- New Services - Unsheltered programs started using one-time revenues.

Property Tax Limitations' Effect on Salem

