

MESIROW PUBLIC FINANCE

The Oregon Property Tax System

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Biography

- Matt Donahue is a Managing Director in Public Finance at Mesirow. Matt is based in Portland, Oregon and works with state and local governments in the pacific northwest to finance crucial infrastructure projects.
- Matt joined Mesirow in 2024. Prior to joining Mesirow, Matt worked in the pacific northwest for 14 years and led over 200 government financings as investment banker, municipal advisor, or placement agent. After working in education for a decade as a teacher and ed-tech entrepreneur, he began his public finance career as a manager in the State of New Jersey's Office of Public Finance.
- In 2014 Matt was appointed by Governor Kitzhaber to chair the Task Force for School Capital Planning. The work and recommendations of this task force formed the basis for legislation that established the Office of School Facilities and its grant programs. Matt is active in the Portland community as chair of the Multnomah County Tax Supervisory and Conservation Commission and on the Arts Tax Oversight Committee. He also volunteers locally and serves as a board member for 501©-3 non-profits as well as being an active musician.
- Matt earned a bachelor's degree in Afro-American Studies from Harvard College and a Master's of Business Administration from the Yale School of Management. He holds the FINRA Series 7, 50, 52, 53 and 63 licenses.



Table of contents

Topic	Page
1. The Before Times	5
2. Measure 5	6
3. Measure 50	8
4. Our Current Property Tax System	10
5. Property Tax Example	11
6. Compression!	14
7. Criticisms	17
8. Reform Ideas	18
9. Topics Not Covered	19
10. Additional Resources	20

The Before Times – Pre-1990

- Levy-based System
- Properties assessed at 100% of Market Value
- Limitations on property tax annual at growth 6%
- Serial levies
- Disparate local taxation and spending by school districts



Measure 5

- Approved in November 1990
 - 52%
 - 14 out of 36 counties
- Retained levy-based system in name
- Established Maximum Levy Rates for Government Services
 - \$5/1000 of Real Market Value for education districts
 - \$10/1000 of Real Market Value for general government districts

Measure 5 - continued

- Tax base growth still limited at 6%
- Introduced compression
- Bonds exempt from the limits
- Shifted public education funding towards State



Measure 50

- Approved in May 1997
 - Replaced Measure 47
- Completed transition to rate-based property tax system
- Established “permanent” tax levy rates for all district
- Separated assessed value from the real market value
- Created a maximum assessed value for each property

Measure 50 - continued

- Reset taxable assessed values to 90% of real market value in 1995-96
- Eliminated district tax bases and 6% growth
- Incorporated 3% annual tax increases on individual properties
- Bonds still exempted from limits
- Replaced serial levies with local option levies

Our Current Property Tax System

- Rate-based system with Measure 50 permanent rates
- 3% cap on annual growth on maximum assessed value
- Measure 5 limits on tax rate per thousand on property real market value
 - \$5/1000 for education districts
 - \$10/1000 for general government
- Local option levies allowed within the Measure 5 limits (5-year operating/10-year capital)
- GO bond levy rates outside of Measure 5 limits

Property Tax Example – Code Area

General Government	Permanent Rate	Bond Levy Rate	Local Option Rate⁽¹⁾	Consolidated Rate
City of West Linn	\$ 2.1200	\$ 0.3734	\$ 0.0000	\$ 2.4934
Clackamas County (City)	2.4042	0.0914	0.0000	2.4956
County Extension & 4H	0.0500	0.0000	0.0000	0.0500
County Library	0.3974	0.0000	0.0000	0.3974
County Public Safety	0.0000	0.0000	0.3680	0.3680
County Soil Conservation District	0.0500	0.0000	0.0000	0.0500
Tualatin Valley Fire & Rescue District	1.5252	0.1314	0.4500	2.1066
Port of Portland	0.0701	0.0000	0.0000	0.0701
Metro	0.0966	0.3807	0.0960	0.5733
Vector Control	0.0065	0.0000	0.0250	0.0315
Total General Government	6.7200	0.9769	0.9390	8.6359
Education				
Clackamas Community College	0.5582	0.2451	0.0000	0.8033
Clackamas ESD	0.3687	0.0000	0.0000	0.3687
West Linn-Wilsonville School District	4.8684	2.9305	1.5000	9.2989
Total Education	5.7953	3.1756	1.5000	10.4709
Total Tax Rate	\$ 12.5153	\$ 4.1525	\$ 2.4390	\$ 19.1068

Property Tax Example – Residential Property

General		
	Permanent	6.7200
	Local Option	0.9390
	Bond	0.9769
	Total	8.6359
Education		
	Permanent	5.7953
	Local Option	1.5000
	Bond	3.1756
	Total	10.4709

Property Tax Example – Residential Property

Property Value		
	RMV	650,000
	AV	500,000
Taxes		
General Gov	8.6359×500	\$4,317.95
Education	10.4709×500	\$5,235.45
Total		\$9,553.40
Compression Test		
Ed Non Bond Rate x AV	7.2953×500	\$3,647.65
Measure 5 Limit	5.0000×650	\$3,250.00
Compression Loss		\$397.65

Compression!

- Why do we have compression?
 - Compression is the result of the Measure 5 tax limits
- How is compression calculated?
 - Taxes paid on assessed value of property are compared to tax limits calculated on real market value
 - Limits are calculated separately for the limits on general government and education districts

Compression! - continued

- How is compression calculated?
 - If taxes on assessed value are greater than the taxes calculated using the limit rates on real market value, the excess is compressed to the limit rate
 - Local option levies are compressed first and then reduction is applied pro rata based on the levy rate of each district as a percentage of the whole levy rate applied

Compression! - continued

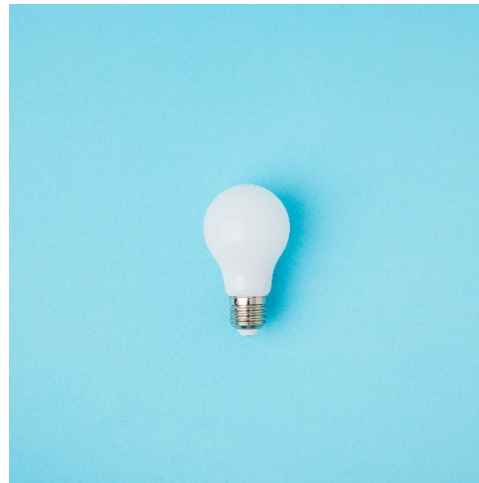
- What are the effects of compression?
 - Taxpayers are limited in maximum taxes based on their ratio of assessed value to real market value
 - Districts with local option levies forgo revenues first
 - Certain taxpayers will pay no part of a local option levy

Criticisms

- Compression creates inequitable tax situations
 - Properties with same real market value can pay very different taxes
 - Historical property values in mid-90s lead to different tax bills
 - Industrial and commercial properties are often valued with same AV and RMV so would pay no property taxes above the Measure 5 limits
 - Differences in historical property tax rates contribute to inability for certain communities to pass bonds due to heightened tax burden

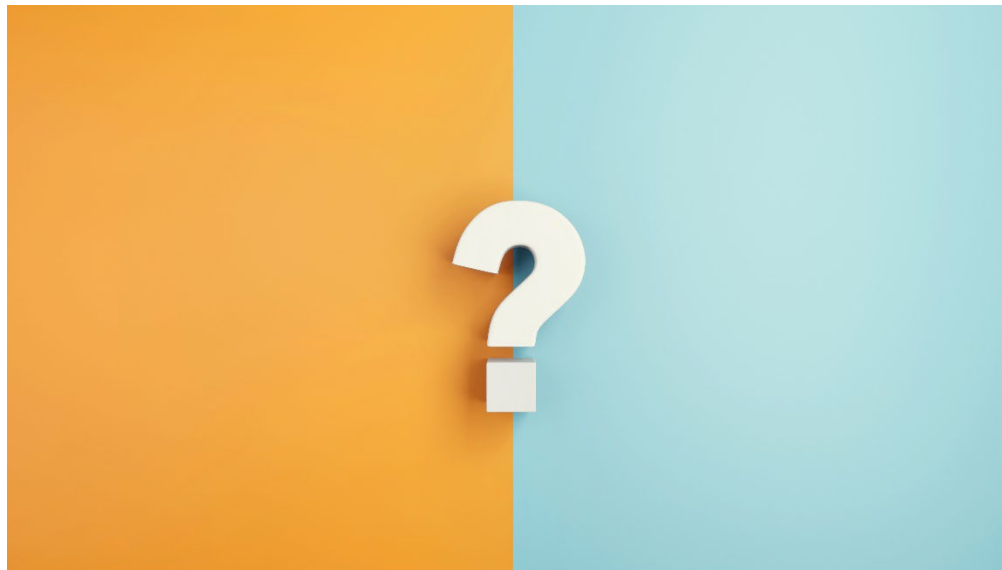
Reform Ideas

- Resetting assessed value at real market value at sale of home
- Exclude local option levies from compression
- Allow voters to increase District's permanent rate



Topics Not Covered

- Urban Renewal
- Commercial/Industrial/Personal Property Valuations
- Strategic Investment Programs and Property Tax Abatement Programs
- Tax Collection and Appeal Processes



Additional Resources

- Recent History of the Oregon Property Tax System - TSCC
 - https://www.tscmultco.com/wp-content/uploads/Recent_History_jan_2012.pdf
- A Brief History of Oregon Property Taxation – Oregon Department of Revenue
 - <https://www.oregon.gov/DOR/programs/gov-research/Documents/303-405-1.pdf#:~:text=This%20document%20consists%20of%20four,Measure%2050%20have%20affected%20the>
- Understanding Property Fluctuations – Deschutes County Assessor
 - https://www.youtube.com/watch?v=Fo_hSySAC2A&t=65s
 - <https://www.youtube.com/watch?v=ykWvgrp84qk>