

House Joint Resolution 3

Introduced and printed pursuant to House Rule 12.00. Pre-session filed (at the request of House Interim Committee on Revenue)

SUMMARY

The following summary is not prepared by the sponsors of the measure and is not a part of the body thereof subject to consideration by the Legislative Assembly. It is an editor's brief statement of the essential features of the measure **as introduced**.

Proposes amendment to Oregon Constitution relating to ad valorem property taxation. Provides that maximum assessed value of property held for commercial or industrial purposes shall equal property's real market value. Provides four-year ramp-up from current maximum assessed value to real market value.

Refers proposed amendment to people for their approval or rejection at next regular general election.

JOINT RESOLUTION

Be It Resolved by the Legislative Assembly of the State of Oregon:

PARAGRAPH 1. The Constitution of the State of Oregon is amended by creating a new section 11m to be added to and made a part of Article XI, and by amending section 11, Article XI, such sections to read:

Sec. 11. (1)(a) 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.

(b) For tax years beginning after July 1, 1997, the property's maximum assessed value shall not increase by more than three percent from the previous tax year.

(c) Notwithstanding paragraph (a) or (b) of this subsection, property shall be valued at the ratio of average maximum assessed value to average real market value of property located in the area in which the property is located that is within the same property class, if on or after July 1, 1995:

(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 the rezoning;

(D) The property is first taken into account as omitted property;

(E) The property becomes disqualified from exemption, partial exemption or special assessment;

or

(F) A lot line adjustment is made with respect to the property, except that the total assessed value of all property affected by a lot line adjustment shall not exceed the total maximum assessed value of the affected property under paragraph (a) or (b) of this subsection.

(d) Property shall be valued under paragraph (c) of this subsection only for the first tax year in which the changes described in paragraph (c) of this subsection are taken into account following the effective date of this section. For each tax year thereafter, the limits described in paragraph (b) of this subsection apply.

(e) The Legislative Assembly shall enact laws that establish property classes and areas sufficient to make a determination under paragraph (c) of this subsection.

NOTE: Matter in **boldfaced** type in an amended section is new; matter [*italic and bracketed*] is existing law to be omitted. New sections are in **boldfaced** type.

1 (f) Each property's assessed value shall not exceed the property's real market value.

2 (g) There shall not be a reappraisal of the real market value used in the tax year beginning July
3 1, 1995, for purposes of determining the property's maximum assessed value under paragraph (a) of
4 this subsection.

5 **(h) Notwithstanding paragraphs (b) and (c) of this subsection, for purposes of ad valorem**
6 **property taxation, property that is used or held for commercial or industrial purposes, as**
7 **defined by law, shall have a maximum assessed value that is equal to the real market value**
8 **of the property.**

9 (2) The maximum assessed value of property that is assessed under a partial exemption or spe-
10 cial assessment law shall be determined by applying the percentage reduction of paragraph (a) and
11 the limit of paragraph (b) of subsection (1) of this section, or if newly eligible for partial exemption
12 or special assessment, using a ratio developed in a manner consistent with paragraph (c) of sub-
13 subsection (1) of this section to the property's partially exempt or specially assessed value in the man-
14 ner provided by law. After disqualification from partial exemption or special assessment, any
15 additional taxes authorized by law may be imposed, but in the aggregate may not exceed the amount
16 that would have been imposed under this section had the property not been partially exempt or
17 specially assessed for the years for which the additional taxes are being collected.

18 (3)(a)(A) The Legislative Assembly shall enact laws to reduce the amount of ad valorem property
19 taxes imposed by local taxing districts in this state so that the total of all ad valorem property taxes
20 imposed in this state for the tax year beginning July 1, 1997, is reduced by 17 percent from the total
21 of all ad valorem property taxes that would have been imposed under repealed sections 11 and 11a
22 of this Article (1995 Edition) and section 11b of this Article but not taking into account Ballot
23 Measure 47 (1996), for the tax year beginning July 1, 1997.

24 (B) The ad valorem property taxes to be reduced under subparagraph (A) of this paragraph are
25 those taxes that would have been imposed under repealed sections 11 or 11a of this Article (1995
26 Edition) or section 11b of this Article, as modified by subsection (11) of this section, other than taxes
27 described in subsection (4), (5), (6) or (7) of this section, taxes imposed to pay bonded indebtedness
28 described in section 11b of this Article, as modified by paragraph (d) of subsection (11) of this sec-
29 tion, or taxes described in section 1c, Article IX of this Constitution.

30 (C) It shall be the policy of this state to distribute the reductions caused by this paragraph so
31 as to reflect:

32 (i) The lesser of ad valorem property taxes imposed for the tax year beginning July 1, 1995, re-
33 duced by 10 percent, or ad valorem property taxes imposed for the tax year beginning July 1, 1994;

34 (ii) Growth in new value under subparagraph (A), (B), (C), (D) or (E) of paragraph (c) of sub-
35 section (1) of this section, as added to the assessment and tax rolls for the tax year beginning July
36 1, 1996, or July 1, 1997 (or, if applicable, for the tax year beginning July 1, 1995); and

37 (iii) Ad valorem property taxes authorized by voters to be imposed in tax years beginning on
38 or after July 1, 1996, and imposed according to that authority for the tax year beginning July 1,
39 1997.

40 (D) It shall be the policy of this state and the local taxing districts of this state to prioritize
41 public safety and public education in responding to the reductions caused by this paragraph while
42 minimizing the loss of decision-making control of local taxing districts.

43 (E) If the total value for the tax year beginning July 1, 1997, of additions of value described in
44 subparagraph (A), (B), (C), (D) or (E) of paragraph (c) of subsection (1) of this section that are added
45 to the assessment and tax rolls for the tax year beginning July 1, 1996, or July 1, 1997, exceeds four

1 percent of the total assessed value of property statewide for the tax year beginning July 1, 1997
2 (before taking into account the additions of value described in subparagraph (A), (B), (C), (D) or (E)
3 of paragraph (c) of subsection (1) of this section), then any ad valorem property taxes attributable
4 to the excess above four percent shall reduce the dollar amount of the reduction described in sub-
5 paragraph (A) of this paragraph.

6 (b) For the tax year beginning July 1, 1997, the ad valorem property taxes that were reduced
7 under paragraph (a) of this subsection shall be imposed on the assessed value of property in a local
8 taxing district as provided by law, and the rate of the ad valorem property taxes imposed under this
9 paragraph shall be the local taxing district's permanent limit on the rate of ad valorem property
10 taxes imposed by the district for tax years beginning after July 1, 1997, except as provided in sub-
11 section (5) of this section.

12 (c)(A) A local taxing district that has not previously imposed ad valorem property taxes and that
13 seeks to impose ad valorem property taxes shall establish a limit on the rate of ad valorem property
14 tax to be imposed by the district. The rate limit established under this subparagraph shall be ap-
15 proved by a majority of voters voting on the question. The rate limit approved under this subpara-
16 graph shall serve as the district's permanent rate limit under paragraph (b) of this subsection.

17 (B) The voter participation requirements described in subsection (8) of this section apply to an
18 election under this paragraph.

19 (d) If two or more local taxing districts seek to consolidate or merge, the limit on the rate of
20 ad valorem property tax to be imposed by the consolidated or merged district shall be the rate that
21 would produce the same tax revenue as the local taxing districts would have cumulatively produced
22 in the year of consolidation or merger, if the consolidation or merger had not occurred.

23 (e)(A) If a local taxing district divides, the limit on the rate of ad valorem property tax to be
24 imposed by each local taxing district after division shall be the same as the local taxing district's
25 rate limit under paragraph (b) of this subsection prior to division.

26 (B) Notwithstanding subparagraph (A) of this paragraph, the limit determined under this para-
27 graph shall not be greater than the rate that would have produced the same amount of ad valorem
28 property tax revenue in the year of division, had the division not occurred.

29 (f) Rates of ad valorem property tax established under this subsection may be carried to a
30 number of decimal places provided by law and rounded as provided by law.

31 (g) Urban renewal levies described in this subsection shall be imposed as provided in subsections
32 (15) and (16) of this section and may not be imposed under this subsection.

33 (h) Ad valorem property taxes described in this subsection shall be subject to the limitations
34 described in section 11b of this Article, as modified by subsection (11) of this section.

35 (4)(a)(A) A local taxing district other than a school district may impose a local option ad
36 valorem property tax that exceeds the limitations imposed under this section by submitting the
37 question of the levy to voters in the local taxing district and obtaining the approval of a majority
38 of the voters voting on the question.

39 (B) The Legislative Assembly may enact laws permitting a school district to impose a local op-
40 tion ad valorem property tax as otherwise provided under this subsection.

41 (b) A levy imposed pursuant to legislation enacted under this subsection may be imposed for no
42 more than five years, except that a levy for a capital project may be imposed for no more than the
43 lesser of the expected useful life of the capital project or 10 years.

44 (c) The voter participation requirements described in subsection (8) of this section apply to an
45 election held under this subsection.

1 (5)(a) Any portion of a local taxing district levy shall not be subject to reduction and limitation
2 under paragraphs (a) and (b) of subsection (3) of this section if that portion of the levy is used to
3 repay:

4 (A) Principal and interest for any bond issued before December 5, 1996, and secured by a pledge
5 or explicit commitment of ad valorem property taxes or a covenant to levy or collect ad valorem
6 property taxes;

7 (B) Principal and interest for any other formal, written borrowing of moneys executed before
8 December 5, 1996, for which ad valorem property tax revenues have been pledged or explicitly
9 committed, or that are secured by a covenant to levy or collect ad valorem property taxes;

10 (C) Principal and interest for any bond issued to refund an obligation described in subparagraph
11 (A) or (B) of this paragraph; or

12 (D) Local government pension and disability plan obligations that commit ad valorem property
13 taxes and to ad valorem property taxes imposed to fulfill those obligations.

14 (b)(A) A levy described in this subsection shall be imposed on assessed value as otherwise pro-
15 vided by law in an amount sufficient to repay the debt described in this subsection. Ad valorem
16 property taxes may not be imposed under this subsection that repay the debt at an earlier date or
17 on a different schedule than established in the agreement creating the debt.

18 (B) A levy described in this subsection shall be subject to the limitations imposed under section
19 11b of this Article, as modified by subsection (11) of this section.

20 (c)(A) As used in this subsection, "local government pension and disability plan obligations that
21 commit ad valorem property taxes" is limited to contractual obligations for which the levy of ad
22 valorem property taxes has been committed by a local government charter provision that was in
23 effect on December 5, 1996, and, if in effect on December 5, 1996, as amended thereafter.

24 (B) The rates of ad valorem property taxes described in this paragraph may be adjusted so that
25 the maximum allowable rate is capable of raising the revenue that the levy would have been au-
26 thorized to raise if applied to property valued at real market value.

27 (C) Notwithstanding subparagraph (B) of this paragraph, ad valorem property taxes described in
28 this paragraph shall be taken into account for purposes of the limitations in section 11b of this Ar-
29 ticle, as modified by subsection (11) of this section.

30 (D) If any proposed amendment to a charter described in subparagraph (A) of this paragraph
31 permits the ad valorem property tax levy for local government pension and disability plan obli-
32 gations to be increased, the amendment must be approved by voters in an election. The voter par-
33 ticipation requirements described in subsection (8) of this section apply to an election under this
34 subparagraph. No amendment to any charter described in this paragraph may cause ad valorem
35 property taxes to exceed the limitations of section 11b of this Article, as amended by subsection (11)
36 of this section.

37 (d) If the levy described in this subsection was a tax base or other permanent continuing levy,
38 other than a levy imposed for the purpose described in subparagraph (D) of paragraph (a) of this
39 subsection, prior to the effective date of this section, for the tax year following the repayment of
40 debt described in this subsection the local taxing district's rate of ad valorem property tax estab-
41 lished under paragraph (b) of subsection (3) of this section shall be increased to the rate that would
42 have been in effect had the levy not been excepted from the reduction described in subsection (3)
43 of this section. No adjustment shall be made to the rate of ad valorem property tax of local taxing
44 districts other than the district imposing a levy under this subsection.

45 (e) If this subsection would apply to a levy described in paragraph (d) of this subsection, the

1 local taxing district imposing the levy may elect out of the provisions of this subsection. The levy
2 of a local taxing district making the election shall be included in the reduction and ad valorem
3 property tax rate determination described in subsection (3) of this section.

4 (6)(a) The ad valorem property tax of a local taxing district, other than a city, county or school
5 district, that is used to support a hospital facility shall not be subject to the reduction described in
6 paragraph (a) of subsection (3) of this section. The entire ad valorem property tax imposed under
7 this subsection for the tax year beginning July 1, 1997, shall be the local taxing district's permanent
8 limit on the rate of ad valorem property taxes imposed by the district under paragraph (b) of sub-
9 section (3) of this section.

10 (b) Ad valorem property taxes described in this subsection shall be subject to the limitations
11 imposed under section 11b of this Article, as modified by subsection (11) of this section.

12 (7) Notwithstanding any other existing or former provision of this Constitution, the following
13 are validated, ratified, approved and confirmed:

14 (a) Any levy of ad valorem property taxes approved by a majority of voters voting on the
15 question in an election held before December 5, 1996, if the election met the voter participation re-
16 quirements described in subsection (8) of this section and the ad valorem property taxes were first
17 imposed for the tax year beginning July 1, 1996, or July 1, 1997. A levy described in this paragraph
18 shall not be subject to reduction under paragraph (a) of subsection (3) of this section but shall be
19 taken into account in determining the local taxing district's permanent rate of ad valorem property
20 tax under paragraph (b) of subsection (3) this section. This paragraph does not apply to levies de-
21 scribed in subsection (5) of this section or to levies to pay bonded indebtedness described in section
22 11b of this Article, as modified by subsection (11) of this section.

23 (b) Any serial or one-year levy to replace an existing serial or one-year levy approved by a
24 majority of the voters voting on the question at an election held after December 4, 1996, and to be
25 first imposed for the tax year beginning July 1, 1997, if the rate or the amount of the levy approved
26 is not greater than the rate or the amount of the levy replaced.

27 (c) Any levy of ad valorem property taxes approved by a majority of voters voting on the ques-
28 tion in an election held on or after December 5, 1996, and before the effective date of this section
29 if the election met the voter participation requirements described in subsection (8) of this section
30 and the ad valorem property taxes were first imposed for the tax year beginning July 1, 1997. A levy
31 described in this paragraph shall be treated as a local option ad valorem property tax under sub-
32 section (4) of this section. This paragraph does not apply to levies described in subsection (5) of this
33 section or to levies to pay bonded indebtedness described in section 11b of this Article, as modified
34 by subsection (11) of this section.

35 (8) An election described in subsection (3), (4), (5)(c)(D), (7)(a) or (c) or (11) of this section shall
36 authorize the matter upon which the election is being held only if:

37 (a) At least 50 percent of registered voters eligible to vote in the election cast a ballot; or

38 (b) The election is a general election in an even-numbered year.

39 (9) The Legislative Assembly shall replace, from the state's General Fund, revenue lost by the
40 public school system because of the limitations of this section. The amount of the replacement re-
41 venue shall not be less than the total replaced in fiscal year 1997-1998.

42 (10)(a) As used in this section:

43 (A) "Improvements" includes new construction, reconstruction, major additions, remodeling,
44 renovation and rehabilitation, including installation, but does not include minor construction or on-
45 going maintenance and repair.

1 (B) "Ad valorem property tax" does not include taxes imposed to pay principal and interest on
2 bonded indebtedness described in paragraph (d) of subsection (11) of this section.

3 (b) In calculating the addition to value for new property and improvements, the amount added
4 shall be net of the value of retired property.

5 (11) For purposes of this section and for purposes of implementing the limits in section 11b of
6 this Article in tax years beginning on or after July 1, 1997:

7 (a)(A) The real market value of property shall be the amount in cash that could reasonably be
8 expected to be paid by an informed buyer to an informed seller, each acting without compulsion in
9 an arm's length transaction occurring as of the assessment date for the tax year, as established by
10 law.

11 (B) The Legislative Assembly shall enact laws to adjust the real market value of property to
12 reflect a substantial casualty loss of value after the assessment date.

13 (b) The \$5 (public school system) and \$10 (other government) limits on property taxes per \$1,000
14 of real market value described in subsection (1) of section 11b of this Article shall be determined
15 on the basis of property taxes imposed in each geographic area taxed by the same local taxing dis-
16 tricts.

17 (c)(A) All property taxes described in this section are subject to the limits described in para-
18 graph (b) of this subsection, except for taxes described in paragraph (d) of this subsection.

19 (B) If property taxes exceed the limitations imposed under either category of local taxing dis-
20 trict under paragraph (b) of this subsection:

21 (i) Any local option ad valorem property taxes imposed under this subsection shall be propor-
22 tionally reduced by those local taxing districts within the category that is imposing local option ad
23 valorem property taxes; and

24 (ii) After local option ad valorem property taxes have been eliminated, all other ad valorem
25 property taxes shall be proportionally reduced by those taxing districts within the category, until
26 the limits are no longer exceeded.

27 (C) The percentages used to make the proportional reductions under subparagraph (B) of this
28 paragraph shall be calculated separately for each category.

29 (d) Bonded indebtedness, the taxes of which are not subject to limitation under this section or
30 section 11b of this Article, consists of:

31 (A) Bonded indebtedness authorized by a provision of this Constitution;

32 (B) Bonded indebtedness issued on or before November 6, 1990; or

33 (C) Bonded indebtedness:

34 (i) Incurred for capital construction or capital improvements; and

35 (ii)(I) If issued after November 6, 1990, and approved prior to December 5, 1996, the issuance
36 of which has been approved by a majority of voters voting on the question; or

37 (II) If approved by voters after December 5, 1996, the issuance of which has been approved by
38 a majority of voters voting on the question in an election that is in compliance with the voter par-
39 ticipation requirements in subsection (8) of this section.

40 (12) Bonded indebtedness described in subsection (11) of this section includes bonded indebt-
41 edness issued to refund bonded indebtedness described in subsection (11) of this section.

42 (13) As used in subsection (11) of this section, with respect to bonded indebtedness issued on
43 or after December 5, 1996, "capital construction" and "capital improvements":

44 (a) Include public safety and law enforcement vehicles with a projected useful life of five years
45 or more; and

1 (b) Do not include:

2 (A) Maintenance and repairs, the need for which could reasonably be anticipated.

3 (B) Supplies and equipment that are not intrinsic to the structure.

4 (14) Ad valorem property taxes imposed to pay principal and interest on bonded indebtedness
5 described in section 11b of this Article, as modified by subsection (11) of this section, shall be im-
6 posed on the assessed value of the property determined under this section or, in the case of specially
7 assessed property, as otherwise provided by law or as limited by this section, whichever is applica-
8 ble.

9 (15) If ad valorem property taxes are divided as provided in section 1c, Article IX of this Con-
10 stitution, in order to fund a redevelopment or urban renewal project, then notwithstanding sub-
11 section (1) of this section, the ad valorem property taxes levied against the increase shall be used
12 exclusively to pay any indebtedness incurred for the redevelopment or urban renewal project.

13 (16) The Legislative Assembly shall enact laws that allow collection of ad valorem property
14 taxes sufficient to pay, when due, indebtedness incurred to carry out urban renewal plans existing
15 on December 5, 1996. These collections shall cease when the indebtedness is paid. Unless excepted
16 from limitation under section 11b of this Article, as modified by subsection (11) of this section,
17 nothing in this subsection shall be construed to remove ad valorem property taxes levied against the
18 increase from the dollar limits in paragraph (b) of subsection (11) of this section.

19 (17)(a) If, in an election on November 5, 1996, voters approved a new tax base for a local taxing
20 district under repealed section 11 of this Article (1995 Edition) that was not to go into effect until
21 the tax year beginning July 1, 1998, the local taxing district's permanent rate limit under subsection
22 (3) of this section shall be recalculated for the tax year beginning on July 1, 1998, to reflect:

23 (A) Ad valorem property taxes that would have been imposed had repealed section 11 of this
24 Article (1995 Edition) remained in effect; and

25 (B) Any other permanent continuing levies that would have been imposed under repealed section
26 11 of this Article (1995 Edition), as reduced by subsection (3) of this section.

27 (b) The rate limit determined under this subsection shall be the local taxing district's permanent
28 rate limit for tax years beginning on or after July 1, 1999.

29 (18) Section 32, Article I, and section 1, Article IX of this Constitution, shall not apply to this
30 section.

31 (19)(a) The Legislative Assembly shall by statute limit the ability of local taxing districts to
32 impose new or additional fees, taxes, assessments or other charges for the purpose of using the
33 proceeds as alternative sources of funding to make up for ad valorem property tax revenue re-
34 ductions caused by the initial implementation of this section, unless the new or additional fee, tax,
35 assessment or other charge is approved by voters.

36 (b) This subsection shall not apply to new or additional fees, taxes, assessments or other charges
37 for a government product or service that a person:

38 (A) May legally obtain from a source other than government; and

39 (B) Is reasonably able to obtain from a source other than government.

40 (c) As used in this subsection, "new or additional fees, taxes, assessments or other charges" does
41 not include moneys received by a local taxing district as:

42 (A) Rent or lease payments;

43 (B) Interest, dividends, royalties or other investment earnings;

44 (C) Fines, penalties and unitary assessments;

45 (D) Amounts charged to and paid by another unit of government for products, services or prop-

1 erty; or

2 (E) Payments derived from a contract entered into by the local taxing district as a proprietary
3 function of the local taxing district.

4 (d) This subsection does not apply to a local taxing district that derived less than 10 percent
5 of the local taxing district's operating revenues from ad valorem property taxes, other than ad
6 valorem property taxes imposed to pay bonded indebtedness, during the fiscal year ending June 30,
7 1996.

8 (e) An election under this subsection need not comply with the voter participation requirements
9 described in subsection (8) of this section.

10 (20) If any provision of this section is determined to be unconstitutional or otherwise invalid,
11 the remaining provisions shall continue in full force and effect.

12 **Sec. 11m. (1) This section applies to each unit of property in this state described in par-**
13 **agraph (h) of subsection (1) of section 11 of this Article that has a real market value that is**
14 **greater than the maximum assessed value of the property for the tax year.**

15 **(2) Notwithstanding paragraph (h) of subsection (1) of section 11 of this Article:**

16 **(a) For the tax year beginning July 1, 2021, the maximum assessed value of property de-**
17 **scribed in subsection (1) of this section shall be increased by 25 percent of the difference**
18 **between the real market value and the maximum assessed value of the property for the tax**
19 **year.**

20 **(b) For the tax year beginning July 1, 2022, the maximum assessed value of property de-**
21 **scribed in subsection (1) of this section shall be increased by 50 percent of the difference**
22 **between the real market value and the maximum assessed value of the property for the tax**
23 **year.**

24 **(c) For the tax year beginning July 1, 2023, the maximum assessed value of property de-**
25 **scribed in subsection (1) of this section shall be increased by 75 percent of the difference**
26 **between the real market value and the maximum assessed value of the property for the tax**
27 **year.**

28 **(d) For tax years beginning on or after July 1, 2024, the maximum assessed value of**
29 **property described in subsection (1) of this section for the tax year shall equal the real**
30 **market value of the property for the tax year.**

31 **(3) This section is repealed on January 2, 2026.**

32
33 **PARAGRAPH 2. The amendment proposed by this resolution shall be submitted to the**
34 **people for their approval or rejection at the next regular general election held throughout**
35 **this state.**