

Overview and Highlights

Statewide Taxes Imposed and Property Values

Property taxes imposed in Oregon totaled \$3.41 billion in fiscal year 2002-03, an increase of 5 percent from the year before. This follows an increase of 7.9 percent for fiscal year 2001-02, and 7.6 percent for fiscal year 2000-01.

The increase in 2002-03 can be attributed primarily to growth in property values and new local option and bond taxes. An additional factor that influenced the growth of taxes imposed for some districts was a change in urban renewal calculations. See Appendix B for a description of the urban renewal changes.

Statewide, the real market value of property slightly exceeded \$287 billion, an increase of 4.8 percent since last year. This growth rate continues the trend of increasing property values, but it also continues the trend since 1999-00 of values increasing at a slower rate each year. Year-over-year real market value growth has not been this slow since 1989-90. The recent slowdown in value growth has also been apparent in total assessed value, the value of property subject to tax. It increased from \$210.4 billion in fiscal year 2001-02 to \$219.9 billion in fiscal year 2002-03, an increase of 4.5 percent. Assessed values generally are limited to 3 percent growth per year, so this increase above 3 percent indicates that additional value from property improvements and other exceptions more than offset the effect of properties with assessed values that declined. See the 'Historical Context' description on page 6 for more on assessed value.

Statewide, the ratio of assessed value to market value continued to decline slightly (by 0.3 percent) to 76.5% for 2002-03. For a discussion of the differences between assessed and market value, see *Appendix B: A Recent History of Oregon Property Taxation*.

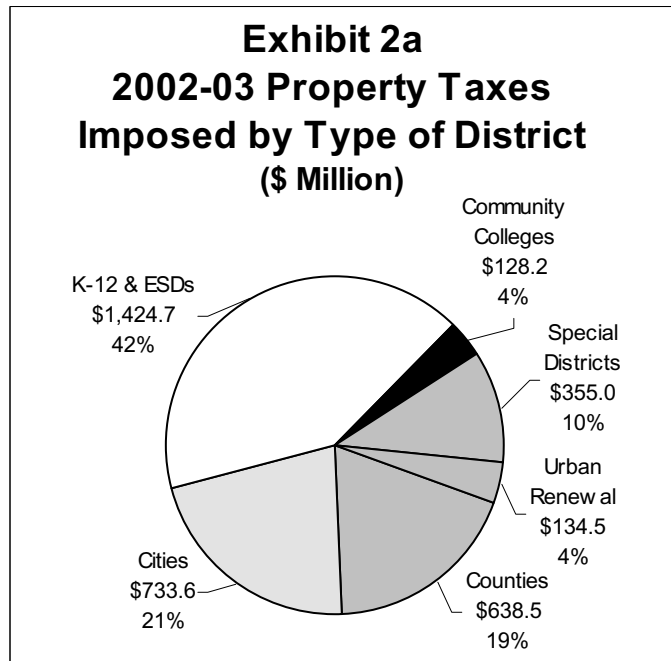
| Exhibit 1 | | | |
|--|-------------|-------------|-------------------|
| SUMMARY OF OREGON PROPERTY VALUES AND TAXES IMPOSED | | | |
| (\$ million) | | | |
| | 2001-02 | 2002-03 | Percent Change |
| Real Market Value* | \$274,041.9 | \$287,260.0 | 4.8% |
| Total Assessed Value* | \$210,435.1 | \$219,877.9 | 4.5% |
| Net Assessed Value* | \$204,832.1 | \$213,998.4 | 4.5% |
| Operating Taxes | \$2,644.8 | \$2,775.2 | 4.9% |
| Bond Taxes | \$480.6 | \$504.9 | 5.1% |
| Total District Taxes | \$3,125.4 | \$3,280.1 | 4.9% |
| Urban Renewal Taxes | \$126.4 | \$134.5 | 6.4% |
| Total, all Taxes | \$3,251.9 | \$3,414.6 | 5.0% |
| * An additional \$21.2 million assessed value of unallocated utility property is taxed by the state, and the tax is then distributed back to counties. See glossary for description of net and total assessed value. | | | |

Taxes by Type of District and by Type of Tax

The accompanying charts illustrate the composition of taxes imposed for 2002-03 by type of district and by type of property tax. Please refer to the Glossary for definitions of terms.

Type of District

Approximately 1,400 districts impose property taxes in Oregon. The accompanying chart illustrates the relative share of property taxes that each type of government imposes, with schools receiving the largest share of property tax revenue at 42 percent of the total. Cities and counties are the next largest district categories, with about 20% of the total each. Special districts, such as fire, road, water, hospital, park, and port districts represent the largest number of districts, but they only imposed 10 percent of the taxes.



Type of Tax

Property taxes are composed of four primary parts: 1) permanent rate and gap bond levies, 2) local option levies, 3) bond levies, and 4) urban renewal revenues. Taxes from permanent rate and gap bond levies comprise the most significant part of property taxes, representing 77 percent of all property taxes imposed. The shares of taxes by type of levy did not change much from last year, but permanent rate levies did grow slightly slower than other levy types.

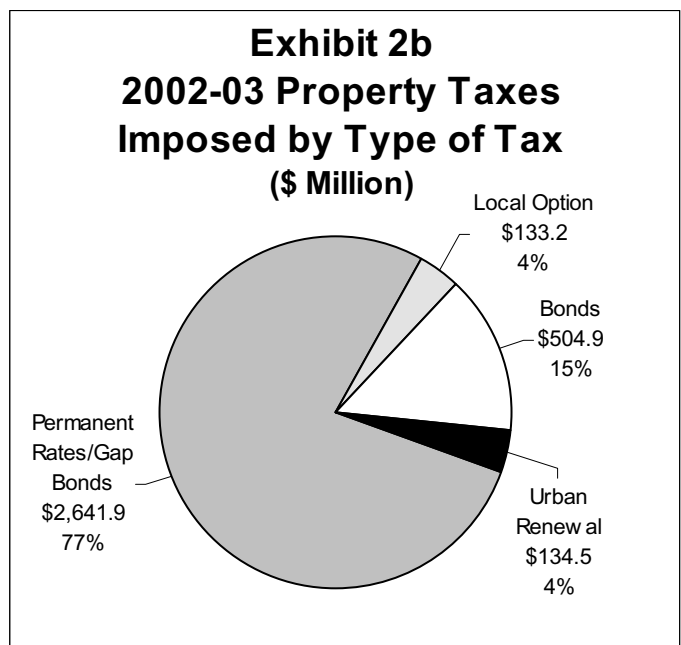


Exhibit 3
Type of Property Taxes Imposed, 2001-02 and 2002-03
By Type of District (Millions of Dollars)

| TYPE OF DISTRICT | Permanent Rate/Gap | | | Local Option | | | Bond | | | Total | | |
|------------------------|--------------------|---------|-------|--------------|---------|-------|---------|---------|--------|---------|---------|-------|
| | 2001-02 | 2002-03 | % Chg | 2001-02 | 2002-03 | % Chg | 2001-02 | 2002-03 | % Chg | 2001-02 | 2002-03 | % Chg |
| Counties | 518.4 | 538.0 | 3.8% | 57.9 | 58.9 | 1.8% | 42.4 | 41.6 | -2.0% | 618.7 | 638.5 | 3.2% |
| Cities | 629.5 | 661.0 | 5.0% | 18.5 | 21.1 | 13.6% | 51.0 | 51.5 | 1.0% | 699.0 | 733.6 | 4.9% |
| K-12 & ESDs | 1,009.3 | 1,058.1 | 4.8% | 34.0 | 36.9 | 8.6% | 294.5 | 329.7 | 12.0% | 1,337.8 | 1,424.7 | 6.5% |
| Community Colleges | 91.4 | 96.3 | 5.4% | 0.0 | 0.0 | NA | 35.9 | 31.9 | -11.0% | 127.3 | 128.2 | 0.8% |
| Special Districts | 270.3 | 288.5 | 6.7% | 15.5 | 16.3 | 5.2% | 56.9 | 50.2 | -11.7% | 342.7 | 355.0 | 3.6% |
| Total District Taxes | 2,518.8 | 2,641.9 | 4.9% | 126.0 | 133.2 | 5.8% | 480.6 | 504.9 | 5.1% | 3,125.4 | 3,280.1 | 4.9% |
| Urban Renewal Agencies | | | | | | | | | | 126.4 | 134.5 | 6.4% |
| TOTAL | | | | | | | | | | 3,251.9 | 3,414.6 | 5.0% |

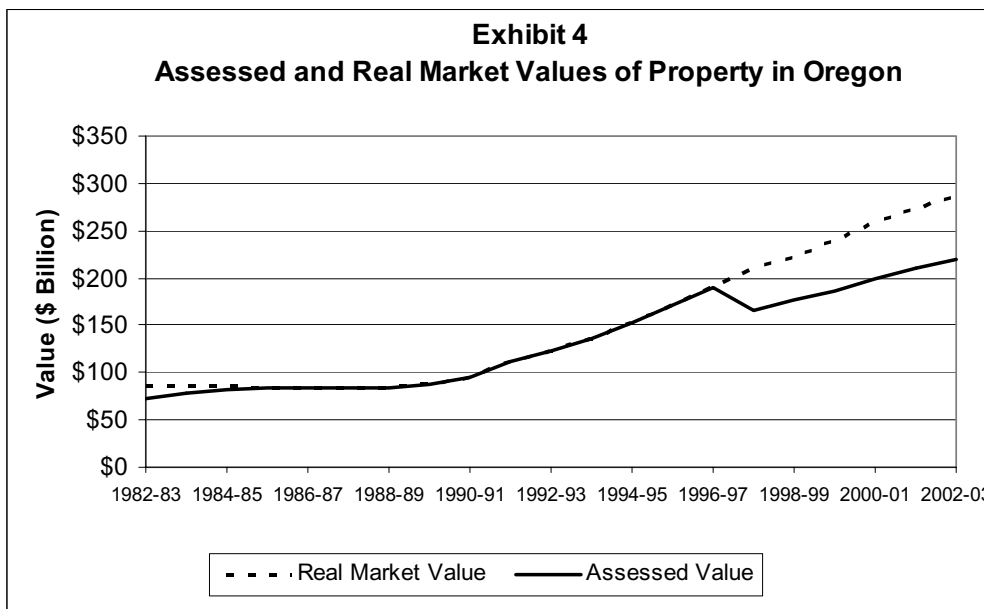
Exhibit 3 summarizes some of the changes in property taxes in fiscal year 2002-03. These include:

- Total property taxes grew by 5 percent in fiscal year 2002-03, a slower rate than last year's 7.9 percent growth. This is the slowest year-over-year growth since the Measure 50 reductions took effect in fiscal year 1997-98.
- Combined taxes from permanent rates and gap bond levies grew by 4.9 percent in fiscal year 2002-03. When only taxes from permanent rates are considered, the increase was only 4.6 percent. As expected, this increase closely matches the 4.5 percent increase in total assessed value.
- Local option taxes grew by 5.8 percent over last year, with city local option taxes increasing fastest. One city local option tax increased by over \$1 million and three other cities used local option levies that had not done so in 2001-02. Several school districts also imposed new local option levies.
- Bonds, the primary taxing vehicle for funding long-term capital projects, increased by 5.1 percent. This is significantly slower than the prior year's increase of 16.8 percent, but bond taxes still continued to grow faster than assessed values. In the fastest growing category, K-12 schools, nine districts increased their bond taxes by more than \$1 million. Two districts reduced their bond taxes by over \$1 million.
- Taxes for urban renewal grew 6.4 percent this year after increasing by 2.3 percent in 2001-02. Most urban renewal agencies increased the amount of revenue they received through property taxes. However, nine agencies raised less revenue than in 2001-02, with four of the nine voluntarily raising less than their full authority. Eight new plan areas were added in 2002-03, but two of those intentionally did not raise division of tax revenue. The new plan areas are located in Columbia, Multnomah, Marion, Linn, Klamath, Polk, and Yamhill counties. See tables F.1 and F.2 for information about specific plan areas.

One important point to consider is that statewide figures result from a wide range of individual district characteristics. For example, 181 of the roughly 1,400 districts in fiscal year 2002–03 did not impose taxes. These were mostly road, water, sanitary, or service districts. Of the districts that did impose taxes in fiscal year 2002–03, roughly 2/3rds increased taxes at a rate no faster than the growth rate of their assessed value. When large districts have substantial changes in their taxes, they can noticeably impact the statewide numbers. The largest 25 districts account for roughly half of all district property taxes imposed in fiscal year 2002–03. Information about specific districts is available in the the 2002–03 edition of the *Oregon Property Tax Statistics Supplement*.

Historical Context

Prior to 1997–98, the assessed, or taxable, value of a property in Oregon was equal to its real market value, except for a brief period in the early 1980s.¹ For 1997–98, Ballot Measure 50 redefined each property’s assessed value as 90 percent of the property’s 1995–96 assessed value, thus separating the assessed and real market value for every property. In addition, the assessed value of a property now is limited to a maximum of 3 percent growth per year. Exhibit 4 shows total assessed value growth from 1982–83 to 2002–03. After relatively modest growth through most of the 1980s, property values grew rapidly from 1989–90 through 1996–97. In fact, values during this period grew by an average annual rate of 11.6 percent.



The passage of Measure 50 in 1997 redefined assessed value. Consequently, 1997–98 total assessed value fell 12.5 percent below the prior year and 21 percent below the 1997–98 real market value. Since 1997–98, statewide assessed value has been increasing gradually each year, but not as fast as real market value. Assessed value has gradually diminished from 79.3 percent to 76.5 percent of statewide real market value.

To fully understand the growth in total assessed value, it is important to know the two possible sources of that growth: existing property and new property. The growth in assessed value for existing property is the value subject to the limit; for every property that existed in 1997–98 and remained unchanged through 2002–03, the assessed value could increase by no more than 3 percent per year. On the other hand, some properties can ex-

¹ For the years 1980 through 1984, assessed values differed from market values because the Legislature set the assessment ratio at a level below 100 percent. The ratio returned to 100 percent in 1985.

perience a decline in assessed value, such as business personal property that depreciates. New property, such as a newly constructed home, represents a new source of assessed value. Some other sources of new value include improvements, where an addition to a house significantly increases the home's value, or rezoned property, where a change in zoning laws could increase the value of a property more than 3 percent in the year that the change took place.

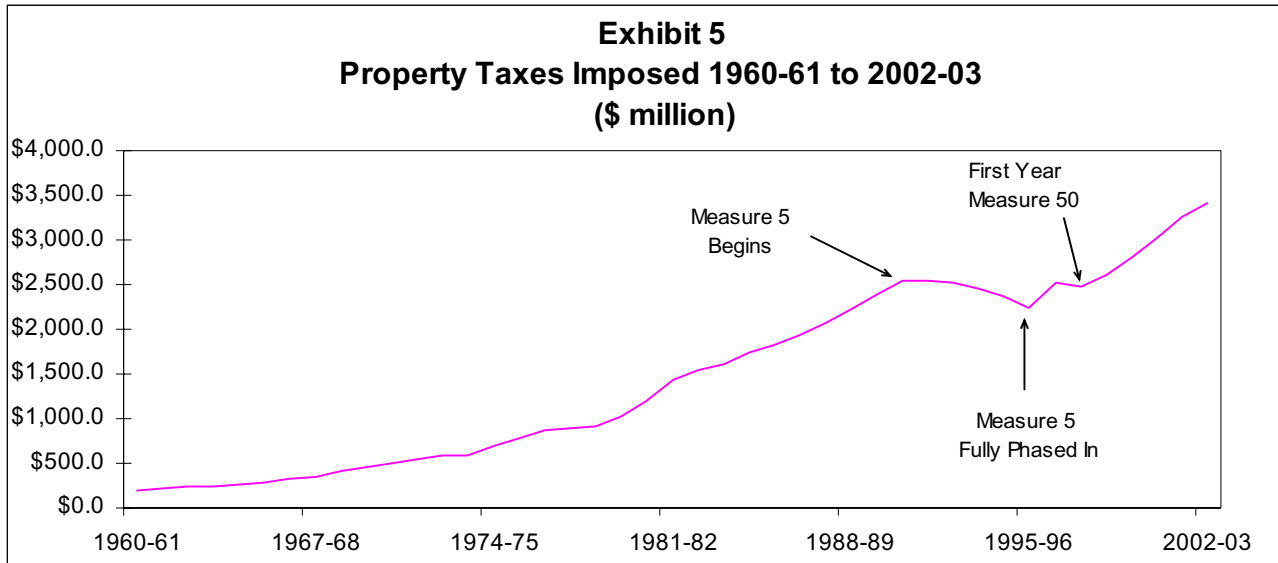
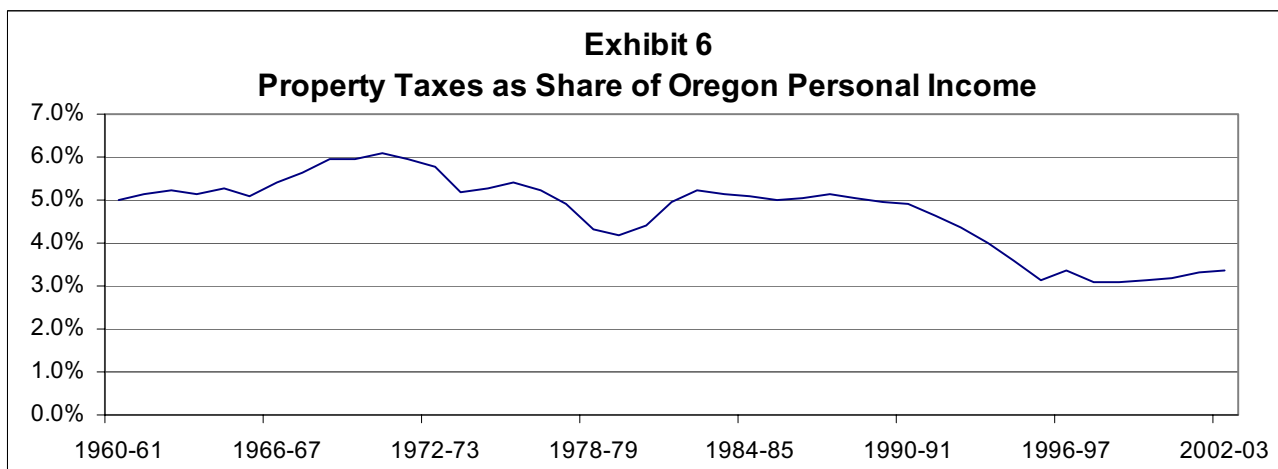


Exhibit 5 displays the growth of Oregon property taxes during the past 43 years. The chart illustrates several distinct periods. After modestly increasing up to the mid-1970s, property taxes grew more rapidly through the early 1990s. In 1990, voters passed Measure 5, and taxes from 1991-92 to 1995-96 were increasingly limited. This resulted in annual declines in taxes imposed through 1995-96. Taxes in 1996-97 increased with assessed values but continued to be restricted by the Measure 5 limitations. Measure 50's limits caused imposed taxes to fall again in fiscal year 1997-98. Since 1997-98, taxes imposed have been increasing, but are at lower levels than they would have been without the limitations.

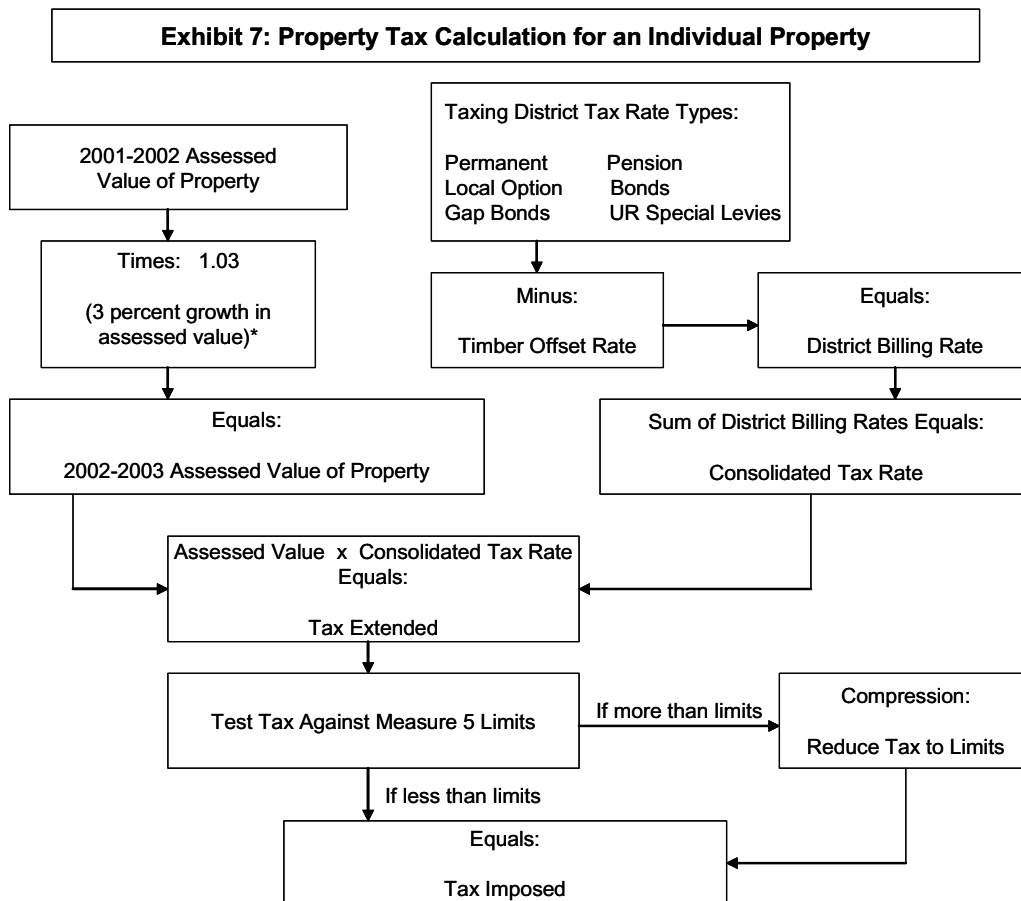


To appreciate the burden of property taxes on taxpayers, it is helpful to look at taxes in relation to personal income, which is a broad-based measure of statewide economic activity. Exhibit 6 shows the share of Oregon personal income that is represented by property taxes. The combination of increasing personal income during the 1990s, and restrictions on property taxes brought about by the two ballot measures, resulted in a decline in the

share of income represented by property taxes. This percentage decreased from over 5 percent in the 1980s to approximately 3 percent in the late 1990s. The gradual increase since 1999-00 is due to much slower income growth (3 percent in the last two years) and continuing increases in property taxes.

How Property Taxes are Determined for an Individual Property

Exhibit 7 shows the process for determining the property tax bill for an individual property. Note that the steps for calculating the billing rate are done for each taxing district in which a property is located. For example, a home may be located within six taxing districts: a county, a city, a K-12 school district, an education service district, a community college district, and a cemetery district. Each of these districts will have a billing rate, and their sum will equal the consolidated tax rate for the home. The assessed value of the home multiplied by the consolidated tax rate results in the tax extended. The nonbond taxes paid to the K-12, education service, and community college districts are subject to the Measure 5 school limit, while the nonbond taxes paid to the county, city, and cemetery are subject to the Measure 5 general government limit. If either the school or general government tax extended amount is greater than the respective Measure 5 limit allows, then the tax is reduced to the limit. In reducing the nonbond tax, the tax for each district is reduced first by reducing local option taxes to zero and then reducing nonbond taxes proportionately. The final tax (nonbond tax plus bond tax) is referred to as the tax imposed, and this is the amount the property owner must pay.



*If improvements were made to the property during 2001, then the assessed value could grow more than 3 percent. Assessed value calculation above is for property with real market value greater than assessed value.