CHAPTER 2: PROPERTY TAX

The property tax is the second largest tax in Oregon, providing most of the revenue for non-school local governments and roughly one quarter of the revenue for school districts. Total property taxes imposed, including taxes for urban renewal agencies, totaled $5.4 billion in the 1997–99 biennium.

Oregon's property tax system underwent a major transformation in 1997–98 as the voter-approved Measure 50 was implemented. Measure 50 cut property taxes and made three fundamental changes to the structure of the property tax system: first, it replaced most tax levies with permanent tax rates; second, it rolled back the assessed value of every property in the state to 90 percent of its 1995–96 assessed value; and third, it limited the future growth in each property's assessed value to three percent per year.

For a more detailed description of Oregon's property tax system under Measure 50, see the Oregon Department of Revenue publication Oregon Property Tax Statistics, Fiscal Year 1999–00.

Property Tax Expenditures

The tax base for the property tax is considered to be all property in Oregon. Tax expenditures occur when certain property is removed from the assessment roll, and thus excluded from taxation. There are three types of property tax expenditures: full exemption, partial exemption, and special assessment. A property tax expenditure may exempt a property's entire value from taxation, referred to as a full exemption, or may exempt only a portion of value. These partial exemptions exist in several different forms. For example, a program may exempt only improvement value, but the land value continues to be taxed. Other properties may be exempt from their city tax rate but pay all other property taxes. Partial exemptions also result when taxable value is frozen at a point in time, and all additions to value are exempt from taxation.

A final type of property tax expenditure is known as a special assessment. Specially assessed properties are valued using an assessment technique which results in a lower taxable value than would be the case if the usual assessment practice were used.

Revenue Loss and Shift

The revenue impact for property tax expenditures consists of two components: revenue loss and shift. Under Oregon's property tax system before Measure 5 passed in 1990, if property value was removed from the assessment roll because it was exempt, the result was a higher tax rate applied to all remaining property. There was no revenue loss to districts, and taxes were shifted completely to other properties. In contrast, under the tax rate limitations of Measure 5 exempting property from taxation resulted in revenue losses for local districts if tax rates were at the constitutional rate limits because rates could not rise to compensate for the reduction in taxable value. If tax rates were below the rate limits, rates could rise to compensate for the lower taxable value, and taxes were shifted to other properties.

Under the Measure 50 system, exempting property from taxation can still result in both a loss and a shift, much like under the Measure 5 system. Losses occur because the permanent tax rates established by Measure 50 do not adjust in response to changes in taxable assessed value. Consequently, the granting of property tax exemptions leads to revenue losses for local governments and schools. Shifts occur because most bond and local option taxes are passed by voters as fixed dollar amounts, which must be paid by owners of all taxable property. The removal of value leads to a higher tax rate, shifting taxes to other properties. Because nearly 80 percent of all property taxes are from permanent rates, the revenue losses due to property tax exemptions are much larger than the shifts.

Property tax expenditures also interact with other parts of the public finance system. Because part of the property tax revenue lost to school districts is replaced by state funding to schools, property tax exemptions have an indirect effect on the state General Fund. This replacement component is not included in the revenue impacts reported here. For all property tax expenditures, the detailed descriptions report both the revenue loss and shift separately, while Tables 1 and 2 report the total of the loss and shift.

2.001 ACADEMIES, DAY CARE, AND STUDENT HOUSING

Oregon Statute: 307.145
Sunset Date: None
Year Enacted: 1957

1999–00 Assessed Value of Property Exempted: $490.0 Million

	Loss	Shift	Total
1999–01 Revenue Impact:	$12,700,000	$2,600,000	$15,300,000
2001–03 Revenue Impact:	$14,000,000	$2,800,000	$16,800,000

DESCRIPTION: Property owned by a charitable or religious organization that is used for child care facilities, schools, academies, or student housing accommodations is exempt from property taxation, if not exempt under ORS 307.130 as literary or scientific (Charitable, Literary, and Scientific Organizations (2.099)). Child care facilities must be certified by the Child Care Division of the Employment Department. To qualify, the property must be used exclusively for, or in immediate connection with educational purposes. The organization must file an application with the county assessor to claim the exemption.

PURPOSE: To broaden the application of the Charitable, Literary, and Scientific Organizations (2.099) exemption to certain school and child care property.

WHO BENEFITS: Approximately 600 schools and day care properties in 12 counties were exempt in 1999. Roughly 50 percent of the accounts and 64 percent of the value of exempted property are in Clackamas, Multnomah and Washington counties.

EVALUATION: This tax expenditure is partially used by organizations that qualify through the Oregon Pre-kindergarten program and achieves its purpose for at least those organizations. It reduces costs of the Oregon Pre-kindergarten program which helps lay the groundwork for a child's intellectual, emotional, social and physical development; it helps children get a good start in life by supporting strong parenting, appropriate education, adequate nutrition and health care. The Oregon Pre-kindergarten program serves children who are below the federal poverty level. Studies have shown that participation in a quality preschool program increases the chances of a child successfully completing school and holding a job while decreasing the chances of dropping out of school and needing public assistance. Money invested in our youth through this program means less money will be required later for more costly programs.

It is a fiscally effective method of achieving its purpose. [*Evaluated by the Department of Education.*]

2.002 FRATERNITIES, SORORITIES, AND COOPERATIVES

Oregon Statute: 307.460
Sunset Date: None
Year Enacted: 1973

1999–00 Assessed Value of Property Exempted: $23.6 Million

	Loss	Shift	Total
1999–01 Revenue Impact:	$300,000	$50,000	$350,000
2001–03 Revenue Impact:	$400,000	$50,000	$450,000

DESCRIPTION: Certain property owned by a qualified nonprofit corporation, such as a fraternity, sorority, or cooperative housing organization, is exempt from property taxes imposed by schools, educational service districts, and community colleges. The property must be rented exclusively to students who attend an accredited educational institution and student occupancy must be non-discriminatory. If an exempt property loses its qualification, additional taxes equal to the tax benefit of the exemption for all exempt years plus interest and a 20 percent penalty are due. The Leased Student Housing Publicly Owned Exemption (2.004) covers similar property owned by a public college.

PURPOSE: To help keep college housing costs to a minimum and provide equitable treatment with those students living on campus in publicly owned dormitories (Leased Student Housing Publicly Owned (2.004)).

WHO BENEFITS: About 135 accounts are exempt and are located primarily in Benton, Lane and Yamhill counties.

EVALUATION: This tax expenditure achieves its purpose and contributes to containing the costs of higher education. Fraternities, sororities, and cooperatives are not-for-profit organizations. They are also important traditional components in the housing supply for colleges and universities. These organizations provide the second largest option for campus student housing (dormitories are the first). Consequently, this exemption is valuable in supporting higher education.

It is a fiscally effective means of achieving its purpose. [*Evaluated by the Oregon University System.*]

2.003 STUDENT HOUSING FURNISHINGS

Oregon Statute: 307.195
Sunset Date: None
Year Enacted: 1957

1999–00 Assessed Value of Property Exempted: $2.1 Million

	Loss	Shift	Total
1999–01 Revenue Impact:	$50,000	$10,000	$60,000
2001–03 Revenue Impact:	$60,000	$10,000	$70,000

DESCRIPTION: Generally, household furnishings that are leased with a housing unit are considered taxable. However, all personal property, furniture, goods and furnishings in a student housing cooperative, fraternity, or sorority are exempt from property taxation. This tax expenditure is an extension of Fraternities, Sororities, and Cooperatives Exemption (2.002).

PURPOSE: To help keep college housing costs to a minimum by giving personal property of fraternities, sororities, and co-ops the same exempt status as personal property used in public school dorms.

WHO BENEFITS: About 135 accounts are exempt and are located primarily in Benton, Lane and Yamhill counties.

EVALUATION: This tax expenditure achieves its purpose. As with real property taxes, the tax exemption on personal property for not-for-profit student housing is a valuable provision in minimizing housing costs for students.

It is a fiscally effective means of achieving its purpose. [*Evaluated by the Oregon University System.*]

2.004 LEASED STUDENT HOUSING PUBLICLY OWNED

Oregon Statute: 307.110(3)(a)
Sunset Date: None
Year Enacted: 1947

1999–00 Assessed Value of Property Exempted: $303.9 Million

	Loss	Shift	Total
1999–01 Revenue Impact:	$7,900,000	$1,600,000	$9,500,000
2001–03 Revenue Impact:	$8,700,000	$1,800,000	$10,500,000

DESCRIPTION: In general, when public property is held under contract of sale or is leased to a private individual or business, it is considered taxable. However, all publicly owned property that is rented or leased to students attending a school or college, such as state owned dormitory rooms, is exempt from property tax. This provision applies to all student housing, such as dormitories and student family housing, owned by the Oregon University System and leased by publicly owned schools to students.

PURPOSE: To help keep college housing costs to a minimum by treating state higher education dormitories the same as other public property (State and Local Property (2.092)).

WHO BENEFITS: Approximately 10,000 students who lease dorm rooms or apartments from eight state colleges and universities.

EVALUATION: This tax expenditure achieves its purpose and is critical to minimizing the cost of student housing. Housing costs are one of the major expenses to students, particularly at a time when their income generation is limited and generally committed to education expenses. Exempting these properties from taxes is a tremendous contribution in facilitating access to higher education.

This is probably the most fiscally effective means of addressing this particular issue. [*Evaluated by the Oregon University System.*]

2.005 HIGHER EDUCATION PARKING SPACE

Oregon Statute: 307.095(3)
Sunset Date: 6-30-02
Year Enacted: 1989

1999–00 Assessed Value of Property Exempted: $120 Million

	Loss	Shift	Total
1999–01 Revenue Impact:	$3,100,000	$600,000	$3,700,000
2001–03 Revenue Impact:	$1,600,000	$300,000	$1,900,000

DESCRIPTION: In general, when public property is held under contract of sale or is leased to a private individual or business, it is considered taxable. However, state property owned by the Oregon University System and rented to employees and students for parking use is exempt from property tax. University spaces rented to the general public for a fee are taxable.

PURPOSE: To help keep college costs to a minimum.

WHO BENEFITS: All eight higher education campuses rent parking spaces to students and employees. Some are paved lots and others are parking structures built with bond revenue. Most of the value is in Portland at Oregon Health Sciences University and Portland State University.

EVALUATION: This tax expenditure achieves its purpose and is an additional element in providing access to higher education. Reducing the cost of parking for students, who generally have a severely limited income, is another means of providing financial assistance to students attending colleges and universities. Applying this exemption to all parking eliminates the administrative costs of separately tracking student and employee parking. [*Evaluated by the Oregon University System.*]

2.006 PRIVATE LIBRARIES FOR PUBLIC USE

Oregon Statute: 307.160
Sunset Date: None
Year Enacted: 1854

1999–00 Assessed Value of Property Exempted: $425,000

	Loss	Shift	Total
1999–01 Revenue Impact:	Less Than $50,000	Less Than $50,000	Less Than $50,000
2001–03 Revenue Impact:	Less Than $50,000	Less Than $50,000	Less Than $50,000

DESCRIPTION: Private property used as a library open to the public is exempt from property taxation. The exemption includes the real property, books, and furnishings dedicated to library use. Privately owned libraries open to the general public use the exemption while publicly owned libraries are exempt as public property (State and Local Property (2.092)). The owner must file an application with the county assessor to claim the exemption (ORS 307.162).

PURPOSE: To broaden the application of the Charitable, Literary and Scientific Organization Exemption (2.099) to public or private libraries, treating them as places of learning similar to schools.

WHO BENEFITS: Six libraries use this exemption within Jackson and Multnomah counties.

EVALUATION: This tax expenditure, in all but a few cases, is no longer necessary to ensure that Oregonians have access to public library services. It is a vestige of the time, in the 19th century, when Oregon did not have a public library law which enabled local communities to establish tax-supported libraries. Today there are 128 such libraries serving nearly the entire state and a number of other libraries, mostly organized as non-profit corporations, that do not claim the exemption afforded under ORS 307.160.

At least three of these libraries in Jackson County are branches of Jackson County Library Services and are leased from private owners. Jackson County Library Services is currently embarked on a county-wide library building program that will result in new facilities for three communities, owned by the county. This program will be completed in five years and at that time, the tax exemption will presumably no longer be claimed.

There is a Polish library in Multnomah County that presumably provides Polish-language materials that are not readily available at the Multnomah County Library. It seems probable that the Polish Library could claim a tax exemption by virtue of being a non-profit corporation, or by using some other exemption available under ORS 307. If this were to happen, ORS 307.160 may no longer be needed in Multnomah County.

Due to a lack of information, it is difficult for the State Library Board to make a definitive evaluation regarding the remaining three libraries claiming this exemption. The most fiscally effective means of providing quality public library services to all Oregonians is through the establishment of tax-supported public libraries under the provisions of ORS 357. Over 200 communities in Oregon have chosen to establish tax-supported public libraries under ORS 357. Within a few years, the State Library Board hopes to be able to recommend to the Governor that this tax expenditure be repealed. [*Evaluated by the State Library*.]

2.007 LEASED HEALTH CARE PROPERTY

Oregon Statute: 307.110(3)(i)
Sunset Date: None
Year Enacted: 1999 (SB 965)

1999–00 Assessed Value of Property Exempted: $1.1 Million

	Loss	Shift	Total
1999–01 Revenue Impact:	Less Than $50,000	Less Than $50,000	Less Than $50,000
2001–03 Revenue Impact:	Less Than $50,000	Less Than $50,000	Less Than $50,000

DESCRIPTION: In general, when public property is held under contract of sale or is leased to a private individual or business, it is considered taxable. This tax expenditure exempts the property of a health district if the property has been leased or rented for purposes of providing facilities for health care practitioners. The health district must be in a frontier rural county, as defined by the Office of Rural Health.

PURPOSE: To clarify the tax treatment of property that a health district owns but leases or rents to other health care providers.

WHO BENEFITS: Residents of rural communities who have formed to support a health district.

EVALUATION: This modest benefit costs local governments less than $50,000 per biennium and affects only seven Oregon counties. It allows very fragile rural hospitals located in "frontier" communities to use a portion of their property to provide office space for physicians, without incurring a tax liability on those properties. Provision of adequate and convenient office space is often a critical factor in the recruitment and retention of rural physicians. Passage of this law has allowed Harney District Hospital to complete new office suites for its physicians and will ultimately affect other frontier hospitals as well. [*Evaluated by the Office of Rural Health.*]

2.008 LONG-TERM CARE FACILITIES

Oregon Statute: 307.808
Sunset Date: None
Year Enacted: 1999 (HB 2079)

1999–00 Assessed Value of Property Exempted: $0 (begins July 1, 2000)

	Loss	Shift	Total
1999–01 Revenue Impact:	$0	$0	$0
2001–03 Revenue Impact:	$750,000	$150,000	$900,000

DESCRIPTION: A property tax exemption is allowed for certain long-term care facilities and adult foster homes. The long-term care facilities must have an average residency rate of at least 70 percent and the adult foster homes an average residency rate of at least 60 percent of residents who are eligible for Medicaid. The exemption applies if the governing body of the local taxing districts adopt the property tax exemption by ordinance. Each long-term care facility and adult foster home will be required to get the exemption from each taxing district. The facility will only receive a property tax exemption from those taxing districts granting the exemption. The exemption applies to tax years beginning on or after July 1, 2000. Both real and personal property can be exempt from the long-term facilities, which include nursing facilities, assisted living, or a residential care facility.

PURPOSE: ORS 307.808 states that "…owners of long term care facilities who devote substantial proportions of those facilities to providing long term care to residents eligible for medical services under Medicaid provide an essential community service. …a property tax exemption will enable these essential community provider long term care facilities to increase the quality of care provided to facility residents."

WHO BENEFITS: Residents of long-term care facilities and foster homes.

EVALUATION: This tax expenditure has not achieved its purpose during its first year of operation. The exemption process has two parts. The Senior and Disabled Services Division (SDSD) certifies that the long-term care facility met the Medicaid residency criteria during the previous calendar year. SDSD certified 225 facilities in 25 counties as having met the residency criteria during 1999. The local taxing districts grant the property tax exemption; however, none has granted an exemption as of July 31, 2000. [*Evaluated by the Senior and Disabled Services Division.*]

2.009 SENIOR SERVICES CENTERS

Oregon Statute: 307.147
Sunset Date: None
Year Enacted: 1993

1999–00 Assessed Value of Property Exempted: $2.9 Million

	Loss	Shift	Total
1999–01 Revenue Impact:	$80,000	$20,000	$100,000
2001–03 Revenue Impact:	$80,000	$20,000	$100,000

DESCRIPTION: Property that is owned by a nonprofit organization and used for senior services and qualified activities is exempt from property tax. To qualify, the property must be open to people over age 50 and used for senior activities. Eligible activities include food service programs, exercise and health screening, estate planning, crafts workshops, and dances. If the property is used primarily for fund raising or as living quarters then the exemption is not allowed. The nonprofit organization must file an application with the county assessor to claim the exemption.

PURPOSE: To expand upon the Charitable, Literary, and Scientific Organizations (2.099) exemption.

WHO BENEFITS: Roughly 20 properties primarily located in Coos, Curry and Douglas counties.

EVALUATION: There is insufficient information at this time to determine if this tax expenditure achieves its purpose. While it does exempt properties that do not meet the requirements of Charitable, Literary, and Scientific Organizations (2.099), one concern is the restriction placed on fund raising. This condition often translates into a choice for senior service centers between fund raising and this property tax exemption. It is not likely that many centers will opt for the exemption over the fund raising so questions of applicability and efficiency of this tax expenditure arise. [*Evaluated by the Senior and Disabled Services Division.*]

2.010 SENIOR DEFERRAL PROGRAM

Oregon Statute: 311.668 and 311.704
Sunset Date: None
Year Enacted: 1963 modified in 1999 (HB 2901)

	Loss	Shift	Total
1999–01 Revenue Impact:	Not Applicable	Not Applicable	- $12,500,000
2001–03 Revenue Impact:	Not Applicable	Not Applicable	$2,600,000

DESCRIPTION: Oregon homeowners age 62 or over may delay paying both property taxes on their residences as well as special assessments for local improvements. Instead, the state pays the property taxes and assessments and charges the homeowners an annual interest rate of six percent. The state must be repaid, with interest, when the owner dies, sells the property, or moves.

To qualify for entrance into the property tax deferral portion of the program, the taxpayer must have had a total household income of $27,500 or less for the preceding year. To continue in the program, the taxpayer must have federal adjusted gross income (FAGI) of $32,000 or less. To qualify for the special assessments deferral portion of the program, the taxpayer must be age 62 or older and have had a total household income of less than $17,500 for the preceding year.

The 1999 Legislature modified the property tax deferral portion of the program by expanding eligibility to homeowners who qualify for federal Social Security disability benefits. The change begins in 2001–2002 and there is no age requirement for these participants. The program is expected to grow by roughly 3,500 participants per year beginning in 2001-02. These additional participants are expected to defer roughly $5.5 million in property taxes per year. For a disabled homeowner who is less than 62 years old, the lien from the deferred property taxes cannot exceed 90 percent of the real market value of the property.

Another change made by the 1999 Legislature was that, beginning in 2001–2002, if FAGI exceeds $32,000, the amount of taxes deferred is reduced by $0.50 for every dollar of FAGI in excess of $32,000. Prior law simply would have excluded such taxpayers from participation in the program. And beginning with tax year 2002–2003, the income limits will be adjusted annually for changes in the cost of living.

The Department of Revenue maintains records on the amount of tax deferred in each year as well as the amount repaid, with interest, each year. The reported tax benefit is the difference between deferrals and repayments in a given year. In years when repayments are greater than deferrals, the tax benefit is reported as a negative number. With the expansion of the program to include disabled homeowners of any age, deferrals are expected to exceed repayments beginning in 2001–2002. Thus the benefit reported here changes from a negative figure in 1999–01 to a positive figure in 2001–03.

PURPOSE: To defer the property tax burden on low-income seniors in recognition than many may not have the resources to pay their taxes until they sell their homes.

WHO BENEFITS: Approximately 9,100 low-income, senior homeowners chose to defer their local property taxes for the 1999–00 fiscal year. These deferrals translated into nearly $12.4 million in local property taxes that were paid by the state. The average amount of local property taxes paid was $1,360. Currently, the total amount of deferred taxes owed to the state is just under $134 million.

As for the deferral of special assessments, 170 low-income, senior homeowners chose to participate in this aspect of the program in 1999–00. These deferrals resulted in the state paying over $70,000 in special assessments, or $415 per participant, on average.

EVALUATION: This tax expenditure achieves its purpose. It provides a mechanism by which elderly people might have an option to assist themselves during retirement years if other mechanisms of retirement were not adequate. While most elderly people have a strong aversion to drawing down the equity in their homes to pay for retirement, it should be noted that current retirement index data forecasts that current retirement programs and saving patterns of persons aged 30 to 48 are not adequate to maintain these individuals at a living standard commensurate with their current living standards. Projections suggest that the rate of retirement savings must increase three-fold from present levels to accomplish this future parity. The inability to achieve this parity will cause greater numbers of people to look at government service programs to assist them. The present population of 30–48 is substantial and will have a dramatic impact when they reach the retirement age. Therefore, this program will have greater importance in the years to come. One concern centers on the state's ability to sustain this program into the future as the eligible taxpayer base grows. [*Evaluated by the Senior and Disabled Services Division.*]

2.011 ENTERPRISE ZONE BUSINESSES

Oregon Statute: 285B.698
Sunset Date: 6-30-09
Year Enacted: 1985, modified 1999 (HB1127 and SB 245)

1999–00 Assessed Value of Property Exempted: $2.2 Billion

	Loss	Shift	Total
1999–01 Revenue Impact:	$57,100,000	$11,500,000	$68,600,000
2001–03 Revenue Impact:	$63,700,000	$12,900,000	$76,600,000

DESCRIPTION: Qualified property owned or leased by a qualified business firm in an enterprise zone is exempt from property tax for three years. The exemption period may be increased to four or five years by a city or county zone sponsor if statutory employee compensation requirements, or other specified sponsor conditions are met. The qualified property must be used to produce income and each application must be for more than $25,000 of investment. Unlike with 2.014 (Key Industry Strategic Investment), the value of the land is not exempt under the Enterprise Zone Business exemption.

Cities and counties apply for enterprise zones and the Director of the Economic and Community Development Department approves zone designations in areas with qualifying levels of economic hardship, and pursuant to competitive evaluation among applicants, as necessary. Zone designations cannot exceed 48 in number. There are urban and non-urban zones. An enterprise zone designation terminates after ten years. A firm may continue to qualify subsequent expansions up to ten years after the zone terminates if certain criteria are met. The Director of the Economic and Community Development Department designates new zones as and when existing zones are terminated.

The following property of a qualified firm qualifies: a) a new building costing $25,000 or more; b) an existing building addition or modification costing $25,000 or more; c) real or personal machinery and equipment moved into a zone from outside the county; and d) a building leased from a governmental body.

A business firm is qualified if the firm meets all of the following conditions:

- Provides products or services (assembly, fabrication, storage, etc.) for other businesses;
- Owns or leases property within a zone that is part of the business operation;
- Increases employment by ten percent or one employee, whichever is greater, and;
- Does not substantially decrease employment outside the zone and does not decrease employment inside the zone in years two and three of the exemption period.

In 28 enterprise zones, hotels, motels, and destination resorts qualify. Retail operations located at the same site and owned or operated by the same firms as the hotel, motel or resort also qualify as long as their primary function is to serve the hotel and motel guests.

Property is disqualified if it is moved outside the zone or the firm curtails operations or closes. When property is disqualified, all prior exempt taxes must be repaid.

Unlike Investment in Rural Enterprise Zone (Property Tax)(2.012), the maximum property tax abatement is for five years; the minimum investment required is far lower; and the property or business can be located in either rural or urban areas.

PURPOSE: To “stimulate employment, business and industrial growth” in areas “that need the particular attention of government to help attract private business investment ... by providing tax incentives in those areas” (ORS 285B.665).

WHO BENEFITS: There are currently 44 enterprise zones in 31 counties. In 1999–00, about 140 businesses in these zones benefited from the exemption. Ten businesses accounted for over 80 percent of the total tax benefit. The majority of the exempt value consisted of manufacturing facilities, ranging from electronics to wood products to food processing, as well as a number of other types. There were about 15 hotels or motels exempt, but they comprise a small proportion of the total value. Beneficiaries include the companies’ owners, employees, customers, suppliers and the communities in which they reside.

EVALUATION: This expenditure achieves its purpose. The program has been associated with numerous job-creating investments by mostly in-state companies, as well as some companies attracted from out-of-state, that have benefited Oregon and its economy. The program stimulates the creation of 1,000 to 2,000 jobs each year. These jobs are located in economically depressed areas, and have been effective in improving the quality of life of residents in these areas either directly, by providing a job, or indirectly by paying needed local taxes for local government services. Other benefits to the economy include non-property taxes paid, lower unemployment, higher wages, as well as indirect stimulation such as construction work and orders for suppliers. Although a few zones have been unable to attract new investment, most have been effective.

Issues of equity arise with respect to those who directly benefit from a tax incentive program. Such inequity is justified by the overall benefits that accrue indirectly from economic development. In addition, these zones are relatively common, their benefits are the same throughout the state, and the typical zone covers all property within an area. These characteristics allow a wide spectrum of businesses to participate.

This expenditure is also fiscally effective. The administration is simple, inexpensive, and minimizes the possibility of abuse. Initially the program faced cumbersome statutory provisions but those have been revised. The short time frame of the exemption, three to five years, keeps the cost of the program modest. One alternative to this property tax exemption would be an income tax credit, but that might be more difficult to administer and some firms would be unable to benefit due to lack of tax liability.

A final issue is whether enterprise zone investments would have been made even without this tax incentive. Indisputably, some would have. However, a substantial number of zone investments would not have occurred at all, or would have been significantly delayed, smaller, or less likely to survive their first few years, without the exemption. In addition, this program directs the investment to the areas of the state that are most needy.

There were several recent changes to the structure of this tax expenditure. Revisions made by OR Laws 1999, chapter 460 (HB 1127) increase the number of permitted non-urban enterprise zones by 10. Oregon Laws 1999 Chapter 104 (SB 245) primarily affected this program by simplifying methods of determining business eligibility and extending that eligibility to appropriate facility types not seen in enterprise zones 10 years ago; for example, call centers and regional administrative facilities.

Overall, enterprise zones have become less common in the larger urbanized areas of the Willamette Valley. New designations are increasingly happening in smaller, remote communities that are interested in sponsoring such zones. These rural designations, however, will in no way replace the activity of certain terminated zones (e.g.

Eugene). This will lead to a significant drop in enterprise zone jobs and tax abatements, but any exemptions in some of the more rural zones will be greatly welcomed. [*Evaluated by the Economic and Community Development Department.*]

2.012 INVESTMENT IN RURAL ENTERPRISE ZONE (PROPERTY TAX)

Oregon Statute: Note following 285B.689
Sunset Date: 12-31-02
Year Enacted: 1997

1999–00 Assessed Value of Property Exempted: $0 (no exempt value on roll on January 1, 1999).

	Loss	Shift	Total
1999–01 Revenue Impact:	$0	$0	$0
2001–03 Revenue Impact:	Not Available	Not Available	Not Available

DESCRIPTION: The value of all property and improvements to certain large investments in a non-urban enterprise zone is exempt from property tax for up to 15 years, depending on local approval. The investment must be located in a county with chronic unemployment or chronic low income. Depending on the location in the state, the investment must exceed a minimum amount ranging from $1 million to $50 million, the firm must hire at least 10, 35, 50, or 75 full-time employees within five years, and the average worker compensation must be at least 50 percent above the county average.

A business applies for certification with the city and/or county sponsoring the enterprise zone, and with the county assessor in which the zone is located. The following conditions must be met for approval:

- The governing body of the county or city has adopted a resolution approving the tax exemption;
- The business has committed to meet the investment and hiring requirements;
- The business has a written agreement with the cities or county that sponsor the zone, which may include additional requirements, including contributions for local services or infrastructure; and
- The facility is located in a county with chronic unemployment, as defined in statute.

If a certified business fails to meet the requirements of the program, all prior exempt taxes must be repaid.

All property value is exempt during the construction period. The 7 to 15 year exemption period begins after the facility is completed.

Properties receiving the property tax exemption are also eligible to receive a corporate income tax credit (Investment in Rural Enterprise Zone (Income Tax) (1.133)), if approved by the governor.

There are a few key differences between this expenditure and 2.011 (Enterprise Zone Businesses). First, the minimum investment ranges from $1 million to $50 million, whereas it is only $25,000 under 2.011 (Enterprise Zone Businesses). Second, this expenditure exempts qualified businesses from property tax for up to fifteen years, whereas under 2.011 (Enterprise Zone Businesses) the exemption period is for five years. Finally, the location of the business must be in rural areas; for 2.011 (Enter-

prise Zone Businesses), this does not apply and the business can be located in either rural or urban areas.

Approval from the Governor's office is not required for this expenditure, but is required for the accompanying Income Tax exemption, 1.133 Investment in Rural Enterprise Zones (Income Tax). For both these exemptions, applications are handled by the Economic and Community Development Department.

The revenue estimate is very uncertain at this point. First, only one company is expected to use this expenditure in the near future. It is not clear whether the first phase of construction will be completed before late 2001. Even if this first phase is completed, there is no sound estimate of how much exempt value will qualify. Therefore, the revenue impacts for the 2001–03 biennium are shown as "Not Available."

PURPOSE: To encourage investment in non-urban enterprise zone areas of chronic unemployment or low income.

WHO BENEFITS: This provision is intended to benefit "non-urban" enterprise zones and the surrounding residents in counties with chronic unemployment or low income. In addition to the residents receiving benefits, other beneficiaries include the participating companies, their suppliers, customers, and employees.

EVALUATION: At this time, no company has used this provision, although one construction company has begun a locally approved project, and approval is pending for another. It is possible, and perhaps likely that if Oregon did not have this provision, that the current would have relocated to another state. Therefore, this provision appears to be having the intended effect on investment in Oregon.

Although not necessary for the current investment, changes by SB 245 passed in the 1999 legislative session made these long term rural tax incentives conceivable as something that might be used to induce much-needed private investment in Central and Eastern Oregon enterprise zones. Before these changes, the likelihood of them having an effect was very small in those locations and elsewhere.

To allow these changes to have greater opportunity to work, the Economic and Community Development Department intends to submit a proposal for a modest extension and clarification of the sunset provision. [*Evaluated by the Economic and Community Development Department.*]

2.013 COMMERCIAL BUILDINGS UNDER CONSTRUCTION

Oregon Statute: 307.340
Sunset Date: None
Year Enacted: 1959

1999–00 Assessed Value of Property Exempted: $530 Million

	Loss	Shift	Total
1999–01 Revenue Impact:	$13,800,000	$2,800,000	$16,600,000
2001–03 Revenue Impact:	$15,400,000	$3,100,000	$18,500,000

DESCRIPTION: Certain commercial and industrial buildings are exempt from property taxation while they are under construction. A new structure or addition is exempt from property taxation if, on the January 1 assessment date, it:

- is under construction,
- is not and has not been used or occupied,

- is being built for the purpose of earning income,
- is not to be occupied for at least one year after beginning construction if a non-manufacturing facility, and
- is not centrally assessed property.

The exemption cannot be claimed for more than two years. Machinery and equipment at the building site also qualifies if it is to be installed in the structure. The property is listed for assessment but the assessment is canceled if proof that the property meets the above requirements is furnished to the assessor by April 1 of the assessment year.

PURPOSE: To encourage investment in business by delaying property taxes until the facility can earn income.

WHO BENEFITS: About 40 properties were exempt in 1999–00. The location and amount can fluctuate substantially from year to year as major construction projects take place. For example, the 1999–00 exempt value was slightly over half that in 1997–98. The majority of the exempt value is typically in the Portland metro area.

EVALUATION: This expenditure achieves its purpose by allowing new investments to delay paying property taxes until they are actually earning income. Economic consequences are also relevant. New construction and investments might be significantly deterred by the additional up-front cost of paying property taxes on partially finished but unused property.

This expenditure is also fiscally effective. Alternatives to this expenditure would be to refund such taxes through direct payments or credits on other taxes. The administrative burdens and complexity of these alternatives suggest that the current cancellation is the most fiscally effective means of achieving the purpose.

This program, however, seems to be greatly under-utilized, probably because it is not widely known and administrative technicalities have limited its accessibility. [*Evaluated by the Economic and Community Development Department.*]

2.014 KEY INDUSTRY STRATEGIC INVESTMENT

Oregon Statute: 307.123
Sunset Date: None
Year Enacted: 1993

1999–00 Assessed Value of Property Exempted: $1.6 Billion

	Loss	Shift	Total
1999–01 Revenue Impact:	$40,400,000	$8,100,000	$48,500,000
2001–03 Revenue Impact:	$65,600,000	$13,300,000	$78,900,000

DESCRIPTION: The assessed value above $100 million of certain investment projects is exempt from property tax for up to 15 years. The $100 million threshold was set in 1993 and increases each year by a compounded three percent. The Oregon Economic and Community Development Commission determines whether a project is eligible for the tax exemption.

A key industry is defined in statute as an industry that sells goods or services in markets with national or international competition and that makes a major contribution to the Oregon economy. Examples are forest products, agricultural products, high technology, primary and fabricated metals, fisheries, interstate and international

tourism, film and video production, graphic communications, biotechnology, software, environmental services, plastics, and aerospace (ORS 285B.280(3)).

The key industry business must enter into a first-source hiring agreement with a publicly funded training provider. The business must pay an annual community services fee equal to the lesser of (a) 25 percent of the equivalent property tax on the exempt value or (b) $2 million. The county and city (if located in a city) where the project is located share the annual fee by mutual agreement. The county and city must have an agreement with a business applicant about any special requirements before the county requests a project (ORS 285B.386).

PURPOSE: The purpose is to allow Oregon to compete with other states for major investment projects by establishing an upper limit on property taxes for an investment project. These projects tend to have very high investment levels per employee (i.e. they are capital intensive) and property taxes may be significantly higher than the cost of government services associated with the business and its employees.

WHO BENEFITS: Four projects have been approved by Washington County and two projects by Multnomah County. A total of four projects have current value exempt. Three projects were exempt under this program in 1996–97, while the fourth project came into this program in 1998–99. It is often the case that the investment still under construction may be exempt initially as Commercial Buildings Under Construction (2.013). All the firms participating in this program are high technology industry businesses. Businesses that have value exempt typically pay about 25 percent of their property taxes saved in annual community services fees. Such fees are used for specific projects. Negotiations regarding the projects that benefit from the payment of such community service fees is conducted at the County level. The increased revenue impact for the 2001–03 biennium reflects additions to exempt value that will affect that biennium.

EVALUATION: The program appears to achieve its goal of encouraging capital-intensive investment in Oregon, particularly in high technology industries. A key question in evaluating this expenditure is whether or not the investments receiving tax benefits under this program would have been made without the program. That question cannot be answered with certainty, but there is evidence that both state and local officials have felt that such a program was necessary to increase the likelihood that Oregon locations would be chosen as the sites for capital-intensive investments in key industries. The fact that local officials have approved five applications under the program indicates that local officials believe these tax expenditures have a net positive value to their communities. If the investment would not have been made in Oregon without the program, there is also a likely increase in state corporation income tax.

Economists have a range of opinions as to whether or not industrial investment tax incentives such as this are beneficial to local, regional, and national economies. Some claim that such incentives simply benefit the participating companies who receive lower tax bills at the expense of the participating jurisdictions that either receive lower tax revenue or must charge existing taxpayers more than otherwise. Other economists claim that both participants gain from the arrangement, with companies paying more reasonable taxes in communities that place a higher value than other communities on obtaining the companies' jobs, local purchases, and other benefits. [*Evaluated by the Economic and Community Development Department.*]

2.015 INVENTORY

Oregon Statute: 307.400(3)(f)
Sunset Date: None
Year Enacted: 1969

1999–00 Assessed Value of Property Exempted: $14.1 Billion

	Loss	Shift	Total
1999–01 Revenue Impact:	$363,200,000	$73,300,000	$436,500,000
2001–03 Revenue Impact:	$396,800,000	$80,500,000	$477,300,000

DESCRIPTION: Inventory is exempt from property taxation. In general, inventory is tangible personal property that is or will become part of the stock held for sale in the ordinary course of a taxpayer's business. This includes materials, supplies, containers, goods in process, and finished goods and the for-sale inventory of retail shopping outlets, but not machinery and equipment used to produce these goods.

PURPOSE: To eliminate the tax compliance burden of enumerating inventory, to provide tax relief to small merchants, and to eliminate behavior specifically aimed at reducing inventories on the date of assessment, especially when that behavior negatively affects the economy.

WHO BENEFITS: Manufacturing, wholesale and retail trade businesses benefit from this exemption. Because the value of inventory varies by industry, some types of businesses benefit from this exemption relatively more than others.

In a competitive market, businesses that receive the tax exemption will pass most or all of this tax savings on to their customers. There may also be some residual benefit from this tax savings passed on to the businesses' employees and suppliers.

EVALUATION: This expenditure achieves its purpose. For most types of businesses (particularly manufacturers, wholesalers, and retailers), inventory represents the largest category of business assets. Therefore a property tax on inventory would tend to impact most businesses to a greater extent than existing ad valorem taxes on personal and real property.

Virtually every state provides some form of property tax exemption for inventory. From this perspective, the Oregon exemption allows the state's businesses to be on equal footing with competitors located in other states. The provision's elimination of the burden of enumerating inventory for tax purposes eliminates a potentially large and unnecessary cost on businesses, especially small businesses, and leaves businesses freer to plan its inventory based on sound business practices. [*Evaluated by the Economic and Community Development Department.*]

2.016 PERSONAL PROPERTY LESS THAN $10,000

Oregon Statute: 308.250(2)
Sunset Date: None
Year Enacted: 1979

1999–00 Assessed Value of Property Exempted: $386 Million

	Loss	Shift	Total
1999–01 Revenue Impact:	$10,000,000	$2,000,000	$12,000,000
2001–03 Revenue Impact:	$11,200,000	$2,300,000	$13,500,000

DESCRIPTION: If a taxpayer has less than $10,000 in assessed value of business personal property in a county in a given year, the property tax assessment is canceled for that year. Prior to 1997–98 the threshold was $3,000. An initial return must be filed with the assessor who then cancels the assessment. After an initial cancellation a taxpayer may file an annual statement declaring that the value continues to be less than $10,000.

PURPOSE: To reduce the filing burden for many small businesses and avoid the administrative processing and collection costs for returns where this cost may be more than the tax owed.

WHO BENEFITS: This exemption benefits small businesses directly, and indirectly benefits the suppliers, customers, and employees of those businesses. About 55,000 accounts (about one third of all personal property accounts) were reported as being valued at less than $10,000 in 1999–00. The average tax reduction was approximately $110 per account.

EVALUATION: This exemption is effective in reducing the filing burden for small business, and is consistent with Oregon's desire to encourage entrepreneurial activity in the state. The average tax reduction is exceedingly small and probably, by itself, does not make much difference to the operation of the small business. However, the reduced filing burden, in combination with the modest tax exemption, may help encourage small businesses to form and remain in business.

The exemption probably does not reduce administrative costs for county assessors' offices, since the assessor must continue to track these accounts and revalue them each year with additions and deletions considered. [*Evaluated by the Economic and Community Development Department*.]

2.017 CARGO CONTAINERS

Oregon Statute: 307.850
Sunset Date: 6-30-02
Year Enacted: 1979

1999–00 Assessed Value of Property Exempted: $32.9 Million

	Loss	Shift	Total
1999–01 Revenue Impact:	$800,000	$200,000	$1,000,000
2001–03 Revenue Impact:	$500,000	$100,000	$600,000

DESCRIPTION: Cargo containers primarily used for cargo transportation on ocean going ships are exempt from property tax. Cargo containers must be designed for more than one mode of transport, be strong enough for repeated use, and be fitted with handling devices. The exemption in effect applies only to containers used in domestic trade. A 1979

U.S. Supreme Court decision exempts containers used in foreign commerce under the Foreign Commerce provisions of the U.S. Constitution.

PURPOSE: To help Oregon ports remain competitive with Washington and California which exempt all cargo containers. The statute reinstated the status quo of not taxing cargo containers after an Attorney General opinion determined that cargo containers were taxable personal property.

WHO BENEFITS: The equivalent of roughly 10,000 twenty-foot containers is estimated to be in the state. The tax benefit estimate reported above includes the value of all 10,000 of these containers. Almost all of these are used in foreign commerce and thus would be exempt even without this specific statute. Containers used in domestic trade would probably have their value apportioned between Oregon and other states.

EVALUATION: Because most of the containers covered by this exemption would also be exempt from Oregon property tax due to their use in foreign commerce, the effectiveness of this exemption cannot reasonably be based on an evaluation of the exemption's impact on cargo container traffic. However, this exemption may be effective in eliminating a tax bias against the domestic use of cargo containers. [*Evaluated by the Economic and Community Development Department.*]

2.018 DOCKS AND AIRPORTS LEASED FROM PORT DISTRICT

Oregon Statute: 307.120
Sunset Date: None
Year Enacted: 1947

1999–00 Assessed Value of Property Exempted: $212.0 Million

	Loss	Shift	Total
1999–01 Revenue Impact:	$5,500,000	$1,100,000	$6,600,000
2001–03 Revenue Impact:	$6,100,000	$1,200,000	$7,300,000

DESCRIPTION: In general, when public property is held under contract of sale or is leased to a private individual or business, it is considered taxable. However, public dock property that is used for berthing ships or barges, or handling, loading and unloading cargo from ships is exempt from property tax. Dock property that is leased by a private entity and used for storage of cargo that is in transshipment is assessed an in lieu-of-tax payment as long as there is no change to the cargo. Dock property that is leased or used for any other purpose is not exempt. Each year, the lessee must file an application with the county assessor to claim the exemption.

Port district or city-owned airport property serving fewer than 300,000 inhabitants that is leased and used by private individuals remains exempt as long as rent proceeds are used for airport maintenance.

PURPOSE: To exempt public dock property that is leased or rented by private individuals for certain purposes, probably to be more competitive with other states.

WHO BENEFITS: Exempt value of leased port property that is subject to an in lieu payment is $80 million. This property is in nine counties, but Multnomah County accounts for about 90 percent of the exempt value. Assessors report another $60 million of exempt value that is either dock property not subject to in lieu payments or airport property. Beneficiaries include those who use docks and airports directly and those affected by the increased level of business activity in port districts that, without this exemption, might not have occurred.

IN LIEU: The in lieu tax is one quarter of one percent of the assessed value of the property and is distributed to the school districts. Typically, about $250,000 of in lieu tax is paid to school districts in each tax year, primarily in Multnomah County.

EVALUATION: This exemption is likely to shift a portion of the local property tax burden from owners and users of dock and airport property to owners of other property. However, increased economic activity due to this exemption may more than compensate for this tax shift by raising the level of corporate income taxes paid in Oregon. [*Evaluated by the Economic and Community Development Department*.]

2.019 LEASED PUBLICLY-OWNED SHIPYARD PROPERTY

Oregon Statute: 307.110(3)(h)
Sunset Date: 6-30-10
Year Enacted: 1995

1999–00 Assessed Value of Property Exempted: $72 Million

	Loss	Shift	Total
1999–01 Revenue Impact:	$2,100,000	$400,000	$2,500,000
2001–03 Revenue Impact:	$2,400,000	$500,000	$2,900,000

DESCRIPTION: In general, when public property is held under contract of sale or is leased to a private individual or business, it is considered taxable. However, publicly owned shipyard property leased by a sole contractor for ship repair, lay-up, conversion, or construction is exempt from property tax. The shipyard must be capable of dry-docking ocean-going vessels of 200,000 deadweight tons or more (this provision was intended to limit the exemption to the Port of Portland). Any shipyard property subleased by the sole contractor is excluded from the exemption. The property is also exempt from the in lieu of property tax payment to school districts equal to one-quarter of one percent.

PURPOSE: To promote the Port of Portland shipyard by making it more competitive with other shipyards for contracting ship repair and construction work.

WHO BENEFITS: The beneficiaries are lessees of Port of Portland shipyard property. The revenue impact reported here is based on the value of the entire shipyard (less any subleased property) since the entire shipyard is exempt under this statute. However, the value of the actual property occupied by the sole contractor has historically been only about ten percent of the value of the entire shipyard. In the past, much of the shipyard has not been leased.

EVALUATION: This exemption appears to be effective. Using this exemption as a negotiating tool, the Port of Portland has successfully leased its shipyard property for the past two years despite strong competition from shipyard properties outside Oregon. Port officials believe that this exemption was an important factor in the success of this lease. [*Evaluated by the Economic and Community Development Department*.]

2.020 SHIP REPAIR FACILITY MATERIALS

Oregon Statute: 308.256(7)
Sunset Date: None
Year Enacted: 1957

1999–00 Assessed Value of Property Exempted: $0 (no exempt value on roll on January 1, 1999).

	Loss	Shift	Total
1999–01 Revenue Impact:	$0	$0	$0
2001–03 Revenue Impact:	$0	$0	$0

DESCRIPTION: Materials and parts held by shipyards and ship repair facilities as of January 1 are exempt from property tax if by April 1 the parts and materials are physically attached or become part of watercraft undergoing major remodeling, renovation, conversion, or repair. The parts and materials are initially assessed, but assessors must cancel the assessment if documentary proof of qualification for exemption is provided prior to April 1.

The value of watercraft under construction or undergoing major remodeling is also exempt, as described in Watercraft Locally Assessed (2.073).

PURPOSE: To help Oregon shipyards compete with shipyards in other states.

WHO BENEFITS: This exemption predates the full inventory exemption (2.015). Most, if not all, of the material exempted by this statute would probably be considered inventory. Assessors report no exempt value.

EVALUATION: Not Evaluated.

2.021 AIRCRAFT BEING REPAIRED

Oregon Statute: 308.559
Sunset Date: None
Year Enacted: 1995

1999–00 Assessed Value of Property Exempted: $3.6 Million

	Loss	Shift	Total
1999–01 Revenue Impact:	$100,000	$20,000	$120,000
2001–03 Revenue Impact:	$120,000	$20,000	$140,000

DESCRIPTION: A portion of property value of aircraft owned by an airline transportation company undergoing major work at an Oregon facility are exempt from property tax, based on the following allocation approach: the Oregon value of an airline company is normally determined by first valuing the entire company. The Oregon portion of that value is then determined based on an allocation formula which takes into account the number of Oregon departures, number of hours in Oregon, and the amount of Oregon cargo. This exemption reduces the number of hours in Oregon in the allocation formula, and thus reduces the Oregon property value for an airline doing aircraft repair in Oregon.

Major work includes scheduled maintenance, repairs, renovation and conversion in which the total labor expended for the work exceeds 10 hours. The exemption first applied in tax year 1996–97.

PURPOSE: To promote the aircraft repair industry, promote the aircraft maintenance center in Portland (Pamcorp), and to provide an aircraft repair exemption comparable to the exemption for Railroad Cars Being Repaired (2.022).

WHO BENEFITS: Airline companies who repair aircraft in Oregon are the beneficiaries. There is currently only one facility operating. The Portland aircraft maintenance facility is not operating, and Pamcorp is no longer in existence.

EVALUATION: This exemption was created at least partly to encourage the location of a major aircraft repair facility in Oregon. The prospective facility was to be managed by a firm named Pamcorp. However, despite the fact that buildings were built to house this activity, Pamcorp did not succeed in operating the facility and is no longer in business. In this respect, the exemption has not yet succeeded in achieving its desired result. The exemption is currently being used by Horizon Air and may in the future more fully achieve its original desired result. [*Evaluated by the Economic and Community Development Department*.]

2.022 RAILROAD CARS BEING REPAIRED

Oregon Statute: 308.665
Sunset Date: None
Year Enacted: 1973

1990-00 Assessed Value of Property Exempted: $0 (no exempt value on roll on January 1, 1999).

	Loss	Shift	Total
1999–01 Revenue Impact:	$0	$0	$0
2001–03 Revenue Impact:	$0	$0	$0

DESCRIPTION: Railroad cars owned by private car companies and undergoing major work are exempt from property taxation. "Major work" includes remodeling, renovation, conversion or repairs if the total labor exceeds ten hours. A railroad car is exempt from the time it awaits transportation to a repair facility to the time it is returned from a repair facility. Documentary proof of qualification for exemption must be furnished to the Department of Revenue. Private car companies have "major work" done at two companies in Oregon.

PURPOSE: To promote the railroad car repair industry, and to have a railroad repair exemption comparable to the exemption for ship repair (Watercraft Locally Assessed (2.073)).

WHO BENEFITS: Private railroad car companies are the potential beneficiaries, although no such company is using this provision at the moment.

EVALUATION: This expenditure may reduce the disadvantage to using Oregon sites for rail car repair compared to some other potential rail car repair sites in the United States where the rail cars being repaired may not be subject to property tax. This makes Oregon marginally more competitive with such areas. The expenditure would probably slightly increase the number of rail cars repaired in Oregon. However, no railcars qualified for this program in 1999–00. [*Evaluated by the Economic and Community Development Department*.]

2.023 RECREATION FACILITY ON FEDERAL LAND

Oregon Statute: 307.182
Sunset Date: 6-30-02
Year Enacted: 1975

1999–00 Assessed Value of Property Exempted: $53.7 Million

	Loss	Shift	Total
1999–01 Revenue Impact:	$1,100,000	$200,000	$1,300,000
2001–03 Revenue Impact:	$600,000	$100,000	$700,000

DESCRIPTION: Federal government land remains exempt from property tax when occupied and used by a commercial recreation facilities operator under a permit. Examples are ski resorts and lake marinas on federal land. Only the land is exempt. All real and personal property improvements are taxable to the taxpayer having possession of the property.

This exemption applies only to recreation facility land held under permit. Some recreation facility land is held under a lease, and is taxable.

PURPOSE: To provide tax relief to compensate for the cost of permit fees, the financial problems of the industry at the time the exemption was passed, and the difficulty of valuing the property with its restrictions. The exemption may also avoid "double taxation" since 25 percent of the fee income to the Forest Service is shared with counties.

WHO BENEFITS: The Forest Service has almost 16,000 acres under permit for over 40 ski and lake recreational areas throughout Oregon. Fees paid to the Forest Service for these permits total a little over $1 million annually, mostly for ski areas. One-quarter of this amount is shared with the counties.

EVALUATION: This expenditure achieves its purpose. Recreation areas that benefit from this legislation are on Forest Service land via a Special Use Permit. This permit, while long-term, is very restrictive and not at all like a typical private landlord-tenant arrangement. These restrictions make it very difficult to establish a value on the property. In addition, removal of the property tax exemption for recreation facilities on federal lands would subject these areas to some level of double taxation unless other adjustments were also made. [*Evaluated by the Economic and Community Development Department*.]

2.024 DEFENSE CONTRACTOR WITH FEDERAL PROPERTY

Oregon Statute: 307.065
Sunset Date: None
Year Enacted: 1965

1999–00 Assessed Value of Property Exempted: $0(no exempt value on roll on January 1, 1999).

	Loss	Shift	Total
1999–01 Revenue Impact:	$0	$0	$0
2001–03 Revenue Impact:	$0	$0	$0

DESCRIPTION: Property that is owned by the federal government and in the possession of a private contractor upon an agreement with an Armed Forces agency is exempt from property tax. The property must be in use under a federal defense or space contract to assemble or manufacture a product.

PURPOSE: The purpose of the exemption is unknown. It may be to clarify that the property is not taxable because of its federal ownership status, and to help promote the defense industry in Oregon.

WHO BENEFITS: No property could be identified as currently exempt.

EVALUATION: This expenditure appears to be consistent with the treatment of other federal property, since this property is titled to the federal government even though in the possession of a contractor. The exemption should provide some incentive for Oregon companies to pursue federal defense contracts. Given Oregon's minimal stature in receiving federal contracts, Oregon's companies could greatly increase their sales from such contracts without the concentration and dependency on federal contracts that has led to booms and busts in other parts of the country. [*Evaluated by the Economic and Community Development Department*.]

2.025 INDUSTRY APPRENTICESHIP/TRAINING TRUST

Oregon Statute: 307.580
Sunset Date: None
Year Enacted: 1983

1999–00 Assessed Value of Property Exempted: $3.4 Million

	Loss	Shift	Total
1999–01 Revenue Impact:	$90,000	$20,000	$110,000
2001–03 Revenue Impact:	$100,000	$20,000	$120,000

DESCRIPTION: All real and personal property owned, being purchased, or leased by an industry apprenticeship or training trust is exempt from property taxation if the industry apprenticeship or training trust meets all of the following conditions:

- the trust is organized only for assisting or implementing training programs according to ORS Chapter 660, Apprentices and Trainees;
- the property is used exclusively and actively in training;
- the trust is exempt from federal income taxes; and
- the trust does not discriminate.

PURPOSE: To provide equity between training trusts and other private schools. (Trusts cannot qualify for an exemption under other statutes because they are not incorporated and are prevented from doing so by federal regulation.)

WHO BENEFITS: Training trusts exist in five counties.

EVALUATION: There is insufficient information at this time to determine if this tax expenditure achieves its purpose although it appears to allow for a greater use of funds in developing the workforce to meet the challenges of the future. [*Evaluated by the Employment Department*.]

2.026 FAIRGROUND LEASED STORAGE SPACE

Oregon Statute: 307.110(3)(d)
Sunset Date: None
Year Enacted: 1987

1999–00 Assessed Value of Property Exempted: Negligible

	Loss	Shift	Total
1999–01 Revenue Impact:	Less than $50,000	Less than $50,000	Less than $50,000
2001–03 Revenue Impact:	Less than $50,000	Less than $50,000	Less than $50,000

DESCRIPTION: In general, when public property is held under contract of sale or is leased to a private individual or business, it is considered taxable. This tax expenditure provides an exception to that general rule. County or state fairground land or buildings utilized for horse stalls or for storage of recreational vehicles or farm machinery and equipment are exempt from property tax.

PURPOSE: To promote fairs by allowing fair boards to earn more revenue throughout the off season to support fairs. Boards can charge higher rent because the renter pays no property taxes.

WHO BENEFITS: County fairs benefit from this exemption. The State Fair does not have any leased property that is exempt under this statute.

EVALUATION: Not Evaluated.

2.027 NEW HOUSES IN A DISTRESSED AREA

Oregon Statute: 458.020
Sunset Date: 6-30-03
Year Enacted: 1989

1999–00 Assessed Value of Property Exempted: $42.2 Million

	Loss	Shift	Total
1999–01 Revenue Impact:	$1,200,000	$200,000	$1,400,000
2001–03 Revenue Impact:	$1,400,000	$200,000	$1,600,000

DESCRIPTION: A new single family housing unit built in a distressed area can be exempt from property tax for ten years. Only the value of the dwelling is exempt while the land remains taxable. A distressed area is designated by the city and may include deteriorated, unsafe, or abandoned structures that are detrimental to the safety and health of the community. A city can designate up to 20 percent of its land area as distressed.

Approval by the city will exempt only the city taxes. To exempt all property taxes, districts representing 51 percent of the taxes on the property must also agree to the exemption.

To qualify for the exemption, the single family dwelling must: 1) be constructed after January 1, 1990 and before July 1, 2003; 2) be used as a dwelling for one person or family; and 3) have a value that is no more than 120 percent of the median sales price of single family homes located in the city.

To grant an exemption, a city must do all the following: 1) adopt a resolution or ordinance; 2) designate a distressed area; 3) adopt standards and guidelines; 4) approve applications; and 5) certify approved exemptions to the assessor.

The property owner must file an application with the city to claim the exemption. A change of use will disqualify the property from the program. Upon disqualification an additional tax equal to the tax benefit in the last year exempt times the number of years exempt (10 maximum) is due.

PURPOSE: To "stimulate the construction of new single family residences in distressed urban areas in this state in order to improve in those areas the general life quality, to promote residential infill development on vacant or underutilized lots, to encourage home ownership and to reverse declining property values" (ORS 458.010).

WHO BENEFITS: Since the beginning of the program in 1990, 815 qualifying houses have been built in Portland. The number of properties more than doubled in the four years between 1995–96 and 1999–00. The average exempt property value per house is about $52,000, for a tax benefit per house of slightly under $1,000 per year.

EVALUATION: This expenditure achieves its purpose. The program is relatively efficient to administer in comparison with other types of housing funding. There is no need to channel funding through different layers of government and minimal need to establish larger bureaucratic mechanisms to develop program guidelines or to review for program eligibility. The home either qualifies, or it doesn't. The exemption is intended to provide an incentive for builders to build housing they would not otherwise build in distressed areas by providing to the purchaser of a qualifying home a full property tax exemption on the building for 10 years. Whether any given home would or would not have been built without the benefit of the exemption is difficult to determine. The popularity of the program with builders suggests that the exemption functions well.

A major advantage of tax exemptions over a direct expenditure is the ability to tie the exemption to the specific project with little risk to the City. If the project is not constructed the assistance is not tied up pending the fate of the project in the way a direct budgeted funding commitment would be. In other words, there is no lost opportunity of funds committed to a project that is not constructed; nor is there any lost revenue.

Additionally, the program provides an additional incentive that helps to design the housing product in ways consistent with local policy.

The program is available to both for profit and nonprofit housing developers. It is governed by state enabling legislation which carries a ten year sunset date. Local programs can be designed with a variety of monitoring and evaluative controls. [*Evaluated by the Housing and Community Services Department.*]

2.028 REHABILITATED HOUSING

Oregon Statute: 308.459
Sunset Date: 6-30-08
Year Enacted: 1975

1999–00 Assessed Value of Property Exempted: $17.8 Million

	Loss	Shift	Total
1999–01 Revenue Impact:	$500,000	$100,000	$600,000
2001–03 Revenue Impact:	$600,000	$100,000	$700,000

DESCRIPTION: A city or county may exempt from property tax any value that is attributed to the rehabilitation of housing or conversion of buildings for housing (single or multi-family) for ten years. To be eligible for the partial exemption, the property (land and improvements) must:

- be at least 25 years old in 1986 and have undergone rehabilitation that cost at least five percent of the assessed value of the property before rehabilitation, or have undergone rehabilitation between 1989 and 1998 that cost at least 50 percent of the assessed value of the property before rehabilitation;
- be in substantial compliance with applicable building or housing codes;
- be residential units of which at least 50 percent are for nontransient occupants;
- be in a designated distressed area if owner occupied; and
- be approved for exemption by the city or county.

To grant an exemption, a city or county must:

- adopt the procedures in the statutes;
- adopt standards for eligible rehabilitation including, if desired, negotiation of rents charged during the exemption period;
- accept both preliminary and final applications;
- approve or disapprove applications, giving reasons for its actions; and
- certify approved exemptions to the assessor.

Property is frozen at its value before rehabilitation for ten years. However, if the owners of the property participate in a low income rental assistance contract with a government agency, the city may extend the limited assessment through December 31 of the assessment year during which the termination date of the contract falls. Qualified property is exempt only from city or county taxes. If districts representing at least 51 percent of the taxes on the property pass resolutions supporting the exemption, then the exemption applies to the taxes of all districts.

If use of the property changes, an additional tax equal to the sum of the tax benefits in the years exempt, up to a maximum of ten years, is due.

PURPOSE: To “encourage the rehabilitation of existing units in substandard condition and the conversion of transient accommodation to permanent residential units and the conversion of non-residential structures to permanent residential units in order to make these units sound additions to the housing stock of the state” (ORS 308.453).

WHO BENEFITS: Portland had 192 rehabilitation properties in 1998–99, down slightly from the 222 properties in 1995–96. Multi-family housing accounted for over 80 percent of the total exempt value. On average almost sixty percent of the value of this housing was exempt.

EVALUATION: This expenditure achieves its purpose. This is a relatively older tax exemption program, and offers a greater track record than others. The exemption is intended to provide an incentive for investor owners of rental properties to preserve and rehabilitate qualified housing that might not otherwise be improved, and to provide a similar incentive as that granted to owner occupants of housing in distressed areas (New Houses in Distressed Area (2.027)).

The owner applies for the exemption up front, during the building permit phase of the conversion or rehabilitation project. An inspector comes to the property, makes the necessary determination that the property is not in substantial compliance with applicable codes, and assesses what changes need to be made to bring the development into substantial compliance. The owner then undertakes the prescribed work, agrees to limit the rate of investment return from rents to 10 percent per year, and receives the rehabilitation exemption in return. The requirements that the development be out of code compliance at the beginning of the project, and the participating owner’s rate of investment return be limited, act as a restriction on the level of rents charged or other possible abuse of the exemption.

After the ten year exemption, the property comes back onto the tax rolls at its new, higher value, increasing revenues to the taxing jurisdictions. Tenants, property owners and local governments all benefit in the long term. When looking at the increased use of this exemption in the Portland area alone, it is easy to see the magnitude of change has occurred in large part to this exemption program. It has the added advantage of being easy to access and easy to administer. Determination of a home or development’s qualification for the exemption is easily made. This tax exemption

appears to be both a fiscally effective and an efficient means of achieving its public purpose. [*Evaluated by the Housing and Community Services Department*.]

2.029 MULTI-FAMILY RENTAL HOUSING IN CITY CORE

Oregon Statute: 307.630
Sunset Date: 6-30-06
Year Enacted: 1975

1999–00 Assessed Value of Property Exempted: $107 Million

	Loss	Shift	Total
1999–01 Revenue Impact:	$3,100,000	$600,000	$3,700,000
2001–03 Revenue Impact:	$3,500,000	$700,000	$4,200,000

DESCRIPTION: A city may exempt from property tax the value of multiple family rental housing (excluding land) in its downtown area for up to ten years or, if rent is subsidized by the state or federal government, for a longer period. Housing includes newly constructed housing and conversions to housing. To grant an exemption a city must:

- adopt the procedures in the statutes;
- designate the eligible core area;
- adopt standards for eligible developments including existing use of property, design, rents, and long-run public benefits;
- provide and accept applications;
- hold public hearings to determine whether proposed projects could be built without property tax benefits; and
- approve or disapprove applications, giving reasons for its actions.

Approved property is exempt from city property taxes. If districts representing at least 51 percent of the taxes on the property pass resolutions supporting the exemption, then the exemption applies to the taxes of all districts. The exemption may be granted for up to ten years. However, land cannot be exempt and for multi-unit conversions only the added conversion value is exempt. Construction is to be completed by July 1, 2006, but an extension is possible.

Any city over 300,000 in population (i.e., Portland) may include urban renewal land and land near the central business district within its eligible core area.

Additional taxes for up to ten years are due if the use of the property is changed to condominiums or the owner has benefited from exemption when the property should not have been exempt.

The 1995 Legislature made several changes to this program, which became effective July 1, 1997. In addition to core areas, cities may designate light rail station areas or transit oriented areas. Counties may designate light rail station areas or transit oriented areas but not core areas. Portland chose to adopt this provision as a separate program titled Property Tax Exemption for New Transit Supportive Residential or Mixed Use Development.

PURPOSE: To "stimulate the construction of rental housing in the core areas of Oregon's urban centers to improve the balance between the residential and commercial nature of those areas..." and to have city programs emphasizing the "development of vacant or underutilized sites in the core areas..." with "rental rates accessible to a broad range of the general public" (ORS 307.600).

WHO BENEFITS: The cities of Portland, Salem and Eugene have a core area multi-family rental housing program. About ten properties are exempt in Portland, one in Salem and seven in Eugene. The total number of housing units built in Portland since the beginning of this program is 1,415.

EVALUATION: This expenditure achieves its purpose. This is a relatively older tax exemption program, and offers a long track record to judge its success. The exemption offers an incentive for developers to construct or convert to rental housing developments they would not other wise construct or convert in city downtown core areas. The burden of proof falls on the developers as to whether any given development would have been built without the benefit of the exemption. This point must be demonstrated through a series of public hearings. The exemption is popular, but the process for either seeking or receiving qualification for the exemption is expensive and time consuming. Salem, for example, still presently has only one property that has this exemption for a total of 92 units (Salem has had a total of 3 since the exemption was created). The exemption expires in 2001. Two attempts have been made in the last few years to gain approval for a housing development in Salem's Downtown Urban Renewal District. The first time, the city approved the project but the county had not adopted a resolution supporting the exemption. The second proposal was withdrawn with the developer citing the time and expense involved in the process as being too prohibitive. Eugene has 7 properties that are exempt under this program.

The process for obtaining the exemption is cumbersome. The city of Portland charges $5,000 per application to help offset the costs associated with qualifying a property for the exemption. The city holds three hearings on the application and must ultimately adopt a city ordinance to approve it. The Portland Development Commission and the city of Portland both get involved in detailed analyzes and negotiations to ensure the exempted property provides such public benefits as 1)reduction of rents, 2) a limited rate of return on investment to the developer and the subsequent owner of only 10–12 percent per year, and 3) public art, landscaping, child care, or set asides of land for public parks. Although developments need only ten units or more to qualify for the exemption, the complexity of the process makes it impractical for all but large developments. Therefore, the exemption tends to exclude smaller projects and less sophisticated housing developers.

No limit exists for how expensive the exempted units may be as long as the overall development is located in a qualifying geographical area, would not be so located without the exemption, and serves some public purpose. The hearings process is designed to ensure that these requirements are met, but the Portland hearings have rarely attracted any significant public input. As a result, exemptions have been entered on the Portland City Council's consent calendar for relatively summary disposition. The proposed project in Salem, on the other hand, attracted a great deal of opposition, primarily because the plan was for high end condominiums on the riverfront.

The exemption seems to perform a solid public purpose, but is subject to a locally designed approval process. [*Evaluated by the Housing and Community Services Department*.]

2.030 LOW-INCOME MULTI-UNIT HOUSING

Oregon Statute: 307.600
Sunset Date: 12-31-09
Year Enacted: 1999

1999–00 Assessed Value of Property Exempted: $0 (program begins July 1, 2000).

	Loss	Shift	Total
1999–01 Revenue Impact:	Less than $50,000	Less than $ 50,000	Less than $50,000
2001–03 Revenue Impact:	Less than $50,000	Less than $ 50,000	Less than $50,000

DESCRIPTION: The 1999 legislature extended eligibility for a 10-year property tax exemption to existing building owners who have converted their facility into multiple-unit housing for low-income residents, in a city or county which has adopted an ordinance. It establishes an exemption from property tax for housing subject to a low income assistance contract with a state or with the United States government. 1999 legislation allows exemption only when the city or county has designated itself as area in which exemptions may be granted and has approved exemption application and applies to tax years beginning on or after July 1, 2000, and before July 1, 2006.

This 1999 legislation (HB 2090) establishes an exemption from property tax for housing subject to a low income assistance contract with state or United States government. It allows exemption only when the city or county has designated itself as area in which exemptions may be granted and has approved exemption application and applies to tax years beginning on or after July 1, 2000, and before July 1, 2006.

Large cities, such as Portland, currently face a major problem of retaining their supply of low-income housing facilities. When low-income housing owners' contracts expire, some of them are choosing to convert the property to real market value. Provisions of this measure will allow cities to encourage retention of low-income housing by providing property tax exemptions to owners.

The city of Portland has not yet adopted the changes to the statute but intends to do so in the next year. The 10 year exemption will be offered to owners of existing subsidized housing as an incentive to not convert to market rate housing. Even with the property tax exemption as an incentive, most owners will likely choose to sell their properties to capture the accumulated equity. The city of Portland expects that only a couple of owners will choose to stay in annually and utilize the 10 year exemption.

PURPOSE: To provide an incentive to expand the supply of low-cost rental housing beyond what would be built by the competitive marketplace.

WHO BENEFITS: Since the program is new, there are no historical data on the taxpayers that utilize this exemption.

EVALUATION: The tenants of subsidized housing are of very low income and would have very limited opportunities in finding replacement housing at the same subsidized rents without this program. [*Evaluated by the Department of Housing and Community Services.*]

2.031 NEW HOUSING FOR LOW INCOME RENTAL

Oregon Statutes: 307.517 and 307.518
Sunset Date: 12-31-09
Year Enacted: 1989

1999–00 Assessed Value of Property Exempted: $14.1 Million

	Loss	Shift	Total
1999–01 Revenue Impact:	$400,000	$80,000	$480,000
2001–03 Revenue Impact:	$460,000	$90,000	$550,000

DESCRIPTION: Newly constructed rental housing occupied by low income persons are exempt from property taxes for 20 years if the property meets all of the following conditions:

- located in a city or county that adopts state statutes;
- built after the city or county adopts state statutes;
- approved by the city or county upon application;
- rented only to persons with income less than 60 percent of area median income based on U.S. Department of Housing and Urban Development Criteria;
- rented at rates that reflect the full property tax reduction.

The owner may be either a for-profit business or nonprofit entity. Leasehold interests qualify if the lease requires payment of property tax or the rent reflects the exemption tax savings. In addition, low income rental residences owned by a nonprofit public benefit or religious corporation under state law (rather than as a federal 501(c(3)) nonprofit) are exempt provided the corporation uses 90 percent of its rental income for repair, purchase, or onsite daycare services for the residents.

Approved property is exempt only from city or county taxes. To exempt all property tax, districts levying 51 percent or more of the taxes on the property must pass a resolution to approve the exemption.

The property owner or lessee must file an application with the appropriate governing body by the sunset date to claim the exemption. Disqualification occurs if the property is not used as required. If disqualified, additional taxes equal to the sum of the tax benefits for the years exempt (up to ten years) are due. The sunset deadline is now 12-31-09.

PURPOSE: To encourage for-profit businesses to develop low income housing by providing an exemption similar to that available to nonprofits in cities adopting an exemption program under ORS 307.541 (2.033 Nonprofit Low Income Rental Housing). The exemption is to help meet the need for low income housing especially after a decline in federal funding.

WHO BENEFITS: About 30 properties in Baker City, Bend, Corvallis, Eugene, North Plains and Roseburg are exempt under this provision. About half the exempt value is in Eugene. There may be a few properties in other cities.

EVALUATION: This expenditure is critical to the viability of many low income housing developments; it achieves its stated purpose. The exemption reduces the operating expenses for the provider of low income housing, thereby resulting in lower rents. Without this assistance in lowering rents, some Oregonians could not afford decent housing; in some cases, this housing would not be built.

Where a taxing jurisdiction has adopted the authorizing provisions, the process by which it grants the exemption is quite straightforward; if a development meets the criteria, it receives the benefit of the exemption. It is relatively easy to administer once in place. However, some jurisdictions have not adopted the authorizing provisions because the extent of their ability to add constraints to existing criteria for granting exemptions has not been clearly established. An amendment clarifying the ability of local governments to add additional criteria or to shorten the length of the exemption would be of value, in encouraging more local governments to adopt and use this exemption.

The taxing entity typically requires an annual report of tenant income levels and the rental rates being charged in exempted developments. This helps ensure fulfillment of the requirement that the project rental rates reflect the full property tax reduction and prevents possible abuse of the exemption by developers or development owners.

After the 20-year exemption, the entire property comes onto the tax rolls at its full assessed value. Tenants, property owners, and local governments benefit in the long term.

The impact of Ballot Measure 50 on this exemption is unclear as of yet. Measure 50 may discourage local governments from using this exemption in the future. Under Measure 50, property tax exemptions cause actual revenue losses to local governments. Prior to Measure 50, exemptions did not decrease local tax revenues because other property tax payers paid at a higher tax rate to compensate.

This exemption enables local governments to contribute to providing affordable housing in their communities without raising additional revenue and spending it on affordable housing. The administrative costs of this exemption are likely less than would be incurred through a direct program developed to achieve this objective. This exemption fits well with other direct and indirect spending programs for affordable housing assistance. The exemption is both fiscally effective and an efficient means of achieving its public goal. [*Evaluated by the Housing and Community Services Department.*]

2.032 HOUSING AUTHORITY RENTAL UNITS

Oregon Statute: 456.225
Sunset Date: None
Year Enacted: 1991

1999–00 Assessed Value of Property Exempted: $550 Million

	Loss	Shift	Total
1999–01 Revenue Impact:	$16,100,000	$3,200,000	$19,300,000
2001–03 Revenue Impact:	$18,000,000	$3,600,000	$21,600,000

DESCRIPTION: Property that is owned or leased by housing authorities is exempt from all state and local taxes and special assessments. Property held in a partnership with private partners is also exempt so long as the housing authority is the general partner or manager of the property and the property is used for housing low-income persons. Housing authorities are public corporations at the city or county level created under ORS 456.055. They provide affordable housing services to low income individuals and families.

The 1997 Legislature expanded the definition of "housing project" to include certain leased commercial facilities. This allows housing authorities to own commercial facilities that can then be leased to private operators.

The housing authority must file an application with the county assessor to claim the exemption on property that is leased. The assessed value exempt represents the insurance value, since these properties are not assessed for taxation purposes, as are most other types of properties. Generally speaking, the insurance value of a property is lower that the property's real market value.

PURPOSE: The exemption recognizes housing authority property to be "public property used for essential public and governmental purposes" (ORS 456.225) and gives it the same exempt status as other public property. The exemption also facilitates authorities providing lower rents to low income renters.

WHO BENEFITS: In 1997, Oregon's 22 housing authorities rented about 12,300 units of housing to approximately 26,500 low or very low income people, including an elderly population, a disabled population, single parents and their children, children being the largest single population element among those served. HUD definition of very low income is those who earn 50 percent or less of median income. Low income is defined as those who earn 80 percent or less of median income.

IN LIEU: A housing authority can agree to make payments in lieu of tax payments for improvements, services and facilities furnished by local governments, such as streets, lighting, water and sewer, but the payments cannot exceed estimated costs for these services.

EVALUATION: This expenditure achieves its purpose. The exemption itself has been around for at least ten years and has been amended at the instigation of the housing authorities. It is believed, however, that the statute was required in the beginning (in, or along with, the federal Housing Act of 1937. Oregon's first housing authority was chartered in 1938) by the federal government of the states that wanted to contract with the federal government for housing development dollars. Since then, the exemption has proven to be a critical component of housing authorities' ability to provide housing affordable to very low income tenants. The exemption has been extensively used and heavily relied upon to allow housing authorities to provide more units of housing and units at more affordable rates to very low income tenants.

The exemption achieves affordable rents in the following two ways. First, approximately 50 percent of housing authority tenants pay a rent of 30 percent of their income. That is the maximum they can pay under federal law in public housing—that is, federally subsidized, housing authority owned housing. The balance of their rent is paid by the federal government through the housing authority. Tenant rent cannot be increased if the cost of their housing unit is increased. The benefit of the property tax exemption in these units is that the housing authorities can make more units available to a larger number of tenants than if there were no exemption.

Second, approximately 50 percent of the tenants live in housing owned by housing authorities but not subsidized by the old federal public housing subsidies. Instead, this housing has been financed through a mix of commercial loans and "off market" financing sources including federal Low Income Housing Tax Credits, the Oregon Housing Fund, and the property tax exemption. In these housing developments, rent is not restricted to 30 percent of income. Even though the tenants are low income, their rents are directly related to construction and operating costs. The property tax exemption is a substantial part of making these units affordable to low income households.

The people who benefit from this expenditure have average household incomes of approximately $8,000 annually, and many have little or no income at all. Clearly, fewer of them would have affordable housing, and some no housing at all, without this exemption. This exemption successfully achieves its purpose. The process for providing the exemption is very straightforward and easily administered; upon demonstration of a housing authority's qualifying relationship to a given piece of property, the exemption is granted. It is unlikely that local jurisdictions would prefer to collect taxes and use them in a direct spending program to achieve the low income housing development that this exemption make possible. The exemption is also the most fiscally effective means of achieving its purpose. [*Evaluated by the Housing and Community Services Department.*]

2.033 NONPROFIT LOW INCOME RENTAL HOUSING

Oregon Statute: 307.541
Sunset Date: 6-30-04
Year Enacted: 1985

1999–00 Assessed Value of Property Exempted: $142.4 Million

	Loss	Shift	Total
1999–01 Revenue Impact:	$4,200,000	$800,000	$5,000,000
2001–03 Revenue Impact:	$4,700,000	$900,000	$5,600,000

DESCRIPTION: A city or county may exempt from property tax (both land and improvements) low income rental housing owned or being purchased by a nonprofit corporation. Qualifying corporations must be exempt from federal income tax (section 501(c) (3) or (4) of the Internal Revenue Code) and upon liquidation distribute remaining assets to other tax-exempt charitable organizations or the state of Oregon.

Qualified property is exempt only from city or county taxes. To exempt all property taxes, districts levying 51 percent or more of the taxes on the property must pass resolutions to approve the exemption.

The nonprofit corporation must certify that the income levels are below 60 percent of median family income guidelines and describe how the exemption will benefit project residents. No restriction exists on whether the housing is newly constructed, an existing structure or rehabilitated structure.

Each year the nonprofit corporation must file an application with the appropriate governing body to claim the exemption. No specific limitation exists as to the number of years a given property may receive the exemption, except that the program is scheduled to sunset in 2004.

PURPOSE: To encourage the provision of affordable low income rental housing. The intent is for nonprofit organizations to help fill the need for low income housing especially after federal housing subsidy cutbacks.

WHO BENEFITS: About 15 nonprofit organizations in the Portland area had 477 exempt properties in 1999-00. A few properties in other cities are also exempt.

EVALUATION: This expenditure achieves its purpose. The exemption is intended to enable community development corporations and other qualifying local nonprofit organizations to provide affordable rental housing for low income households they would otherwise be unable to provide. To qualify for this popular program, the nonprofit submits an application each year for a one year exemption renewable indefinitely before the exemption's sunset date so long as the organization, tenants, and property continue to meet the qualifying criteria. The exemption is simple to administer because the criteria are clear: 1) the benefiting organization must be a qualified nonprofit; 2) the benefiting tenants must have qualifying income levels; and 3) the property must consist of qualifying rental housing. Having met these requirements, a nonprofit will receive its exemption. The tax expenditure appears to be both a fiscally effective and efficient means of achieving its goal. These exemptions can be counted as matching funds by the state and other local participating jurisdictions to enable the expenditure of HUD Home Investment Partnerships funds. [*Evaluated by the Housing and Community Services Department.*]

2.034 NONPROFIT HOUSING FOR THE ELDERLY

Oregon Statute: 308.490
Sunset Date: None
Year Enacted: 1969

1999–00 Assessed Value of Property Exempted: $0.4 million

	Loss	Shift	Total
1999–01 Revenue Impact:	Less than $50,000	Less than $50,000	Less than $50,000
2001–03 Revenue Impact:	Less than $50,000	Less than $50,000	Less than $50,000

DESCRIPTION: The assessed value of a home for the elderly operated by a nonprofit corporation may be reduced by using certain appraisal methods. ORS 307.375 directs county assessors not to take into account replacement cost considerations, but rather to consider: the amount of money or money's worth for which the property may be exchanged in a reasonable period of time; the gross income that could be reasonably expected from the property if leased or rented; and the relative supply and demand for such properties. For assessment purposes nonprofit homes for the elderly shall be valued by considering only the income and market data approaches. The cost approach to value shall not be considered. Reliance on the income approach generally results in lower assessed values, and thus lower property tax.

The nonprofit corporation must be organized and operated to provide permanent residential, recreational and social facilities primarily for the elderly and receive 95 percent of its gross operating revenue from payments for housing, medical, and recreation services received in its facilities.

PURPOSE: To encourage housing for the elderly. The statutory policy is to recognize "benefits inherent in operation of these homes, especially in the housing and care furnished to elderly persons for whom this state and its political subdivisions otherwise might be responsible..." (ORS 308.490(1)).

WHO BENEFITS: There are three reported homes, all in Multnomah county.

EVALUATION: Whether this tax expenditure achieves its purpose is difficult to determine without more information. Unlike many other housing-related tax expenditure programs, this does not involve local government decision making, but rather contemplates that nonprofit owners of qualified housing will deal directly with local assessors. The tax expenditure is intended to encourage owners to provide housing for the elderly that they might not otherwise be able to provide. The program benefits the owner directly through reduced property taxes and the occupants indirectly by assuring that this form of housing is available to them, presumable at a reduced rate from market rents commensurate with the tax savings. No verification mechanism is in place to assure this result. Additionally, those active in the provision of affordable housing in the state of Oregon claim this program is not significant in state or local efforts to provide affordable housing. [*Evaluated by the Housing and Community Services Department.*]

2.035 NONPROFIT ELDERLY HOUSING STATE FUNDED

Oregon Statute: 307.242
Sunset Date: None
Year Enacted: 1977

1999–00 Assessed Value of Property Exempted: $54.6 Million

	Loss	Shift	Total
1999–01 Revenue Impact:	Not Applicable	Not Applicable	$1,900,000
2001–03 Revenue Impact:	Not Applicable	Not Applicable	$2,100,000

DESCRIPTION: Homes for the elderly built or acquired after January 1, 1977 by private nonprofit corporations (ORS 307.375 qualifications) that receive subsidies under certain federal and state housing programs are exempt from property taxation. The corporation may not charge more than one month's rent as a "move-in" fee or deposit, and rents must reflect the property tax savings. The occupants do not qualify for the any veteran's exemption or homestead tax relief. If the corporation receives a state subsidy, any property added after January 1, 1990 is not eligible for exemption. Funds are appropriated as part of the Elderly Rental Assistance program. Since the state pays the property taxes, there is no revenue loss or shift to taxing districts.

A claim must be filed with the county assessor. The assessor assesses the property as if no exemption existed. However, the taxes are paid by the state.

PURPOSE: To "assist private nonprofit corporations to provide permanent housing, recreational and social facilities, and care to elderly persons." (ORS 307.241). The exemption reduced the cost of new elderly housing to qualify for federal Housing and Urban Development National Housing Act funds. At the time, providing the nonprofit corporation a tax exemption accomplished this at about the same cost of providing Homeowners and Renters Refund Program (HARRP) tax relief to eligible occupants. While the HARRP program was phased out in 1991, the state funded tax relief for these elderly housing projects still remains.

WHO BENEFITS: The state paid 1999–00 property taxes of $901,000 for 36 homes with over 1,500 units. Homes are in 17 counties with 10 of the 36 in Multnomah county. Between 1997-98 and 1999–00, there was a net addition of 4 homes.

EVALUATION: Generally, this expenditure appears to achieve its purpose. The effect of the state funded tax relief is to reduce housing project operating expenses, thereby reducing the rents to project occupants. Tenants otherwise would have to support the property taxes through the monthly rent they pay. The average monthly rent reduction is about $40 per unit. This may have been significant figure when the program was conceived, but represents less that ten percent of current comparable apartment (only) rent or approximately 2 percent of assisted living monthly costs.

Because eligible project sponsorship or ownership is limited to nonprofit corporations, it is assumed the full benefit of the tax relief is passed on to the project tenants. This assumption cannot be confirmed as no mechanism is in place to monitor project operating budgets to assure this result.

It is also assumed that the elderly households that reside in eligible housing projects have limited incomes which warrant the benefit of this rent reduction. There is no review which confirms this assumption.

The current annual application process is very time consuming and involves a minimum of six separate steps, each year. The administrative steps for county government include: 1) mail applications to each qualifying nonprofit, 2) verify information received form each applicant, 3) provide a copy of the information to the Department of revenue, 4) notify applicant of approval/denial, 5) send tax statements and certification letter to the Department of Revenue for payment, 6) notify applicant that the taxes have been paid. An alternative to the annual application could be a statement of compliance from the qualifying nonprofit, if verification is required.

An alternate means to provide an equal benefit to the project residents would be a rent subsidy program. Administration of a rent subsidy program would be more administratively burdensome than the existing subsidy, however.

A direct property tax exemption may be a more efficient means to provide a like benefit to the project tenants. However, local taxing districts (such as cities and schools) would not receive compensating income if a direct property tax exemption were implemented in lieu of the tax relief program. This revenue loss would be relatively small when considered in the context of the overall scope of exemptions and special assessments. [*Evaluated by the Housing and Community Services Department.*]

2.036 FARM LABOR HOUSING AND DAYCARE CENTERS

Oregon Statute: 307.485
Sunset Date: None
Year Enacted: 1973

1999–00 Assessed Value of Property Exempted: $12.6 Million

	Loss	Shift	Total
1999–01 Revenue Impact:	$300,000	$70,000	$370,000
2001–03 Revenue Impact:	$350,000	$70,000	$420,000

DESCRIPTION: Eligible farm labor camps and associated day care centers are exempt from property tax. An eligible farm labor camp is a place where housing, sleeping places, or camping grounds are owned and operated by a nonprofit corporation in compliance with appli-

cable health codes. Housing can be provided to agricultural workers not currently employed if employed when work is available. Housing can also be for workers' families. An eligible day care center must be owned or operated by a nonprofit corporation and operated in conjunction with an eligible farm labor camp.

In lieu of property taxes, owners of exempt farm labor housing must make tax payments to the county treasurer equal to ten percent of yearly net rentals. A claim for exemption must be made each year with the county assessor. The assessor, in turn, forwards applications to the Department of Revenue, the State Fire Marshal, Children's Services Division, and the local health officer for approval. A health inspection of the housing must be made each year.

PURPOSE: To encourage low cost housing for farm workers by nonprofit corporations. Charging rental fees would otherwise make the housing taxable even though owned by a nonprofit.

WHO BENEFITS: Direct recipients are the nonprofit owners and operators of farm labor housing and associated day care centers. The farm workers and their families who live in the housing are the indirect beneficiaries of the credit. In 1997–98 there were about 50 farm labor housing properties exempt in eight counties with about 80 percent of the value in Hood River, Malheur, Umatilla and Washington counties. Eleven nonprofit corporations operate the housing.

IN LIEU: Nonprofit corporations operating farm labor housing do not usually have a net income after depreciation is taken into account, and hence generally make no in lieu payment. When payments are made, they are usually small. Any funds collected are distributed to taxing districts where the exempt property is located.

EVALUATION: This expenditure achieves its purpose. Without the tax exemption the daycare facilities may not be built or rehabilitated at all. Assuming that the difference between (a) the amount of property taxes that would be owed without this statute and (b) the amount of the payment in lieu of taxes that in fact is paid under the statute, is passed along to the residents, then the benefit of the tax expenditure is easily calculated by the amount of the reduced rent or day care cost.

While an administrative improvement would be to eliminate the requirement that an application be filed every year, it is probably the trigger mechanism needed for the annual health and safety inspections. [*Evaluated by the Housing and Community Services Department.*]

2.037 FEDERAL LAND UNDER SUMMER HOMES

Oregon Statutes: 307.183 and 307.184
Sunset Date: 6-30-02
Year Enacted: 1975

1999–00 Assessed Value of Property Exempted: $40.0 Million

	Loss	Shift	Total
1999–01 Revenue Impact:	$1,000,000	$200,000	$1,200,000
2001–03 Revenue Impact:	$600,000	$100,000	$700,000

DESCRIPTION: In general, when public property is held under contract of sale or is leased to a private individual or business, it is consider taxable. However, the *land* under summer homes that is owned by the Forest Service or Bureau of Land Management and used by permit or lease is exempt from property tax. The summer home, other buildings or

structures and improvements to the land (water or septic systems, electric service and landscaping) are all taxable to the lessee.

PURPOSE: The probable purpose of this provision is to provide tax relief to compensate for the cost of permit fees, and to avoid the difficulty of valuing the property with its restrictions. The exemption reinstates the status quo of no land lease taxation after a court decision in 1971 found such land taxable. The exemption may also avoid "double taxation" since 25 percent of the fee income to the Forest Service is shared with counties.

WHO BENEFITS: In 1994 the Forest Service had 1,639 homesite permits totaling 616 acres in 17 counties. Clackamas County was the leading location with 558 homesites totaling 140 acres. Fees paid to the Forest Service for these permits totaled about $1,270,000 in 1994, or about $776 per permit. One quarter of this amount, or about $318,000 was shared with the counties. The forest service is no longer tracking this program, as newer data is not readily available.

EVALUATION: Not Evaluated.

2.038 WAR VETERANS AND THEIR SPOUSES

Oregon Statute: 307.250
Sunset Date: None
Year Enacted: 1921, modified in 1999 (HB 2040)

1999–00 Assessed Value of Property Exempted: $356.0 Million

	Loss	Shift	Total
1999–01 Revenue Impact:	$9,200,000	$1,900,000	$11,100,000
2001–03 Revenue Impact:	$10,300,000	$2,100,000	$12,400,000

DESCRIPTION: Eligible war veterans or their surviving spouses qualify for a limited exemption on their homestead or personal property. For 2000, the exemption amount is $9,020. Those eligible include:

- any war veteran certified to be at least 40 percent disabled by the U.S. Veterans Administration;
- any war veteran who is certified to be at least 40 percent disabled by a licensed physician and whose total gross income is less than (a) $8,778 if no spouse or dependent child, (b) $11,497 if spouse or dependent child and (c) $11,497 plus $1,496 for the third and each additional dependent family member; and
- any surviving spouse of a war veteran (whether or not the veteran was disabled), as long the spouse remains unmarried.

The exemption is $12,020 in 2000 for veterans and their surviving spouses if the war veteran had service-connected disabilities of 40 percent or more as certified by the U.S. Veterans Administration. No gross income limit applies in the case of service-connected disability.

A war veteran is defined in ORS 174.105 as anyone who served in the Armed Forces of the United States at least 90 days during World War I, World War II, or the Korean War, or served at least 210 days anytime after 1955.

The veteran's exemption amount has been updated as a result of 1999 legislation and an annual 3 percent inflation index has been added.

The revenue impacts reported here include those real property exemptions for veterans who live in qualified nonprofit homes for the elderly (War Veterans in Nonprofit Elderly Housing (2.039)).

PURPOSE: To recognize the service and sacrifices made by veterans for the country and to compensate veterans for reductions in civilian earning capacity due to disabilities.

WHO BENEFITS: In 1999–00 about 51,000 veterans or their spouses received the exemption. The average exemption was about $9,900 and the average tax reduction was about $210.

EVALUATION: This tax expenditure achieves its purpose by providing an additional income benefit to disabled veterans and surviving spouses of all veterans. In many cases, if it were not for this benefit, the veteran or spouse may lose their home or become dependent on social assistance programs. This additional spendable income also helps the local economy.

The expenditure is fiscally effective. It allows disabled veterans and surviving spouses to remain independent and reduces their use of other social programs. [*Evaluated by the Department of Veterans' Affairs*.]

2.039 WAR VETERANS IN NONPROFIT ELDERLY HOUSING

Oregon Statute: 307.370
Sunset Date: None
Year Enacted: 1969

1999–00 Assessed Value of Property Exempted: $4.6 Million

	Loss	Shift	Total
1999–01 Revenue Impact:	$130,000	$30,000	$160,000
2001–03 Revenue Impact:	$150,000	$30,000	$180,000

DESCRIPTION: Qualified nonprofit homes for the elderly can claim the veterans real property tax exemption for their residents if they pass the tax benefit through to the eligible individuals in terms of lower rentals. However, veterans or their widows who are residents of nonprofit homes for the elderly do not qualify for the War Veterans and their Spouses (2.038) property tax exemption because they do not own their living units. To qualify under War Veterans in Nonprofit Elderly Housing (2.039), the home must:

- be nonprofit;
- receive at least 95 percent of their operating revenue (excluding investment income) from residents for living, medical, recreational and social service costs;
- not allow any of its net earnings to benefit any private individual; and
- provide that, if the corporation is dissolved, any remaining assets revert to the state or to an exempt, religious, charitable, scientific, literary, or educational organization.

These are the same homes described under Nonprofit Housing for the Elderly (2.034). However, this exemption relates to the value of the personal property exempt. A claim for exemption must be filed with the county assessor.

Besides the real property veteran's exemption, all personal property of nonprofit homes for the elderly is exempt from property taxation. The exempt value reported here is for personal property of the nonprofit homes only. The real property veteran's exemption is included in War Veterans and their Spouses (2.038).

PURPOSE: To extend veteran property tax exemption benefits to those not owning a home but living in a nonprofit home for elderly persons. In addition, the personal property exemption is to encourage housing for the elderly.

WHO BENEFITS: About 15 homes have personal property exempt.

EVALUATION: This expenditure only partially achieves its purpose. It does allow disabled veterans and spouses who are living in nonprofit homes for the elderly to receive a rent reduction equivalent to the tax reduction for those who own their homes, as described in War Veterans and their Spouses (2.038). This benefit may allow disabled veterans and surviving spouses to remain independent and reduces their use of other social programs.

However there are only about 15 such nonprofit homes for the elderly where disabled veterans and spouses can receive a rent reduction. It would appear that the number of veterans and spouses who can take advantage of this program is quite limited. In addition, we did not have the information to verify that the rent reductions were passed through to the eligible veterans and spouses, although a verification mechanism is in place. According to statute, each nonprofit corporation must provide information to

the county assessor to show that the appropriate rent credit was given to each applicable resident. [*Evaluated by the Department of Veterans' Affairs*.]

2.040 FARM LAND

Oregon Statute: 308A.050
Sunset Date: None
Year Enacted: 1967

1999–00 Assessed Value of Property Exempted: $4.9 Billion

	Loss	Shift	Total
1999–01 Revenue Impact:	$97,000,000	$20,700,000	$117,700,000
2001–03 Revenue Impact:	$103,000,000	$22,100,000	$125,100,000

DESCRIPTION: Under local property tax law, land used exclusively for farming may be specially assessed at its value for farm use instead of its value in its "highest and best use" (ORS 308A.050 to 308A.128). Legitimate farm activity may involve crops, livestock, poultry, fur-bearing animals, honeybees, dairies, animal husbandry, aquatic species, and cultured Christmas trees. Farm use land may also include a woodlot of 20 acres or less, wasteland, land under farm buildings, and ponds. The farmer must intend to make a profit using accepted farming practices. See ORS 308A.056 for the definition of farm use.

Farm use land is specially assessed at its "value for farm use" and not its value in other use. Farm use value is determined by an income approach. Under this approach income generated (before property taxes) from comparable properties is capitalized into a present value for farm use. The capitalization rate is the average interest rate charged over the last five years by the Farm Credit Service (formally Federal Land Bank) on loans for Oregon farm properties plus the local property tax rate. The Department of Revenue calculates the rate each year.

Eligible farm land is in one of two categories:

- Zoned farm land—inside an exclusive farm use (EFU) zone; or
- Unzoned farm land—outside an exclusive farm use zone (non-EFU).

The farm use value of zoned and unzoned farm land is determined the same way. However, the eligibility and disqualification procedures are different.

Zoned Farm Land

Special assessment of zoned farm land is automatic if the land is in a qualifying farm use. No application is needed. Zoned land becomes disqualified if it is not being used as a farm or the land is rezoned to a non-farm use. If land is disqualified, an additional tax may be required. The additional tax is equal to the sum of the tax benefit received in each of the prior years (up to a maximum) of special assessment. The maximum number of years is 10 for land outside an urban growth boundary and five if inside an urban growth boundary. However, if a disqualifying zone change is not requested by the owner, no additional tax is imposed.

Unzoned Farm Land

An application must be filed for special assessment of unzoned farm land. In addition to being in farm use, unzoned farm land must be part of a farm unit that earns a minimum gross income from farm use in three of the last five non-flood or non-drought calendar years. For farms of more than 6 but less than 30 acres, the minimum income required is $100 per acre. For farms of less than 6 acres, the minimum income is $650, and for farms of 30 acres or more, the requirement is $3,000.

If land is disqualified additional taxes may be required. The additional taxes are equal to the sum of all tax benefits received in prior years (up to five) of special assessment. If land is disqualified for current special assessment because the gross income test is not met, the additional taxes are deferred as long as the land remains in limited farm use and one year of additional taxes is forgiven for each year the land remains in limited farm use.

PURPOSE: To preserve the agricultural economy of the state, to protect natural resources and open space, to prevent urban growth and development influences from increasing land values to the point where farming is no longer an economically viable use of the land, and to limit expansion of urban development into rural areas.

WHO BENEFITS: Farmers benefit directly. Oregon residents in general also benefit through a healthy agricultural economy, through the preservation of natural resources and open space, and through more efficient development patterns. About 15.6 million acres of land is assessed at farm use value with 16 percent in western Oregon and 84 percent in eastern Oregon. Of this total, about 82 percent is zoned farm use land and 18 percent is unzoned.

EVALUATION: The special farm use assessment of land zoned for exclusive farm use has played an essential part in achieving Oregon's Agricultural Land Use Policy to preserve the maximum amount of agricultural land in large blocks. It is the primary incentive offered to encourage owners of rural lands to hold such lands in exclusive farm use zones. (See ORS 215.243). The effective protection of agricultural land requires well-coordinated special assessment and land use programs.

However, the unzoned special farm use assessment program can conflict with Oregon's land use program in both urban and rural areas. In urban areas, it can discourage timely development by lowering an owner's holding costs and encouraging speculation. In rural areas, the requirement to apply for special assessment and meet a minimum income is a disincentive to property owners to rezone appropriate areas for rural residential development and also makes development in exclusive farm use areas (where there is no application or income requirement) more attractive to those seeking a rural homesite. [*Evaluated by the Department of Land Conservation and Development*.]

2.041 FARM HOMESITES

Oregon Statute: 308A.253
Sunset Date: None
Year Enacted: 1987

1999–00 Assessed Value of Property Exempted: $177.6 Million

	Loss	Shift	Total
1999–01 Revenue Impact:	$4,600,000	$900,000	$5,500,000
2001–03 Revenue Impact:	$5,100,000	$1,000,000	$6,100,000

DESCRIPTION: A farm homesite being used in conjunction with specially assessed farm land has a special assessed property value. The homesite specially assessed value is calculated as the average per acre real market value for the contiguous bare farm land under the same ownership plus up to $4,000 for land improvements. Land improvements would include a well and septic system necessary for a homesite. The homesite special assessment is the value of one acre of land for each homesite. If disqualified, no additional tax is imposed unless the homesite is established as a non-farm dwelling under ORS 215.236 (See ORS 308A.259). Also, a homesite related to wildlife habitat program is eligible to receive the same farm use tax assessment rate.

PURPOSE: To improve the financial viability of farming by reducing the property tax burden, and to reduce the incentive to convert productive farm land to urban uses.

WHO BENEFITS: The number of farm homesites in Oregon is estimated at about 30,000. This includes homesites used for a combination of farm and forestry. The average value exempted is about $5,900 per homesite.

The value per acre of farm land tends to decrease as the farm acreage increases. Thus small farm homesite special values under this statute are likely to be higher than the homesite special value for larger farms.

EVALUATION: Extending special farm assessments to farm homesites reinforces the effects of special assessments for Farm Land evaluated in 2.040. [*Evaluated by the Department of Land Conservation and Development*.]

2.042 FARM MACHINERY AND EQUIPMENT

Oregon Statute: 307.400(3)
Sunset Date: None
Year Enacted: 1973

1999–00 Assessed Value of Property Exempted: $2.1 Billion

	Loss	Shift	Total
1999–01 Revenue Impact:	$41,300,000	$8,800,000	$50,100,000
2001–03 Revenue Impact:	$46,100,000	$9,900,000	$56,000,000

DESCRIPTION: Personal property machinery and equipment used in farm operations involving crops, livestock, poultry, fur-bearing animals, bees, dairying, animal husbandry, or other agricultural or horticultural products are exempt from local property taxation. Specifically included are components of center pivot irrigation systems, frost control systems, trellises, hop harvesting equipment, oyster racks and other in-water structures used to raise bi-valve mollusks, equipment used in the egg industry, and meteorological and radio communication equipment used in monitoring field burning smoke.

PURPOSE: To improve the financial viability of farming.

WHO BENEFITS: All farmers who own machinery and equipment receive benefits from this provision.

EVALUATION: This expenditure appears to be achieving its purpose. Agricultural machinery is extremely expensive, and farmers spend more on machinery per worker than any other industry. Profit margins are very tight and prices fluctuate dramatically from year to year. Placing a fixed tax on equipment that may or may not bring a return to the owner in any given year creates a financial burden on the producers.

Arguably, many small producers could not afford a tax on personal property, and the costs of filing personal property tax returns would be an additional burden. The current tax exemption appears a more appropriate treatment of this particular situation than direct spending. Producers would likely argue that it is working as is and should not be altered. [*Evaluated by the Department of Agriculture*.]

2.043 MOBILE FIELD INCINERATORS

Oregon Statute: 307.390
Sunset Date: None
Year Enacted: 1971

1999–00 Assessed Value of Property Exempted: $0.6 Million

	Loss	Shift	Total
1999–01 Revenue Impact:	Less than $50,000	Less than $50,000	Less than $50,000
2001–03 Revenue Impact:	Less than $50,000	Less than $50,000	Less than $50,000

DESCRIPTION: Mobile field incinerators owned by farmers and used exclusively for sanitizing grass seed fields by means other than open-field burning are exempt from property tax. Incinerators must be purchased within five years after they are certified by the Department of Environmental Quality. The Oregon Department of Agriculture currently manages field burning operations in Oregon.

PURPOSE: To encourage pollution control by the use of mobile field incinerators in place of open field burning of grass straw.

WHO BENEFITS: The Department of Agriculture is aware of only one mobile field incinerator currently in use. Because of the high costs of operation, it is unlikely more will be built.

EVALUATION: This expenditure is not achieving the purpose for which it was intended. The current technology of mobile field incinerators appears too expensive to be a viable alternative to other approaches used to sanitize grass seed fields. Barring a major technological advance that reduces its cost, the use of mobile field incinerators is likely to cease completely. [*Evaluated by the Department of Agriculture*.]

2.044 AGRICULTURAL COMMODITY CLEANING PROPERTY

Oregon Statute: 307.120
Sunset Date: None
Year Enacted: 1999 (SB 548)

1999–00 Assessed Value of Property Exempted: $3.7 million

	Loss	Shift	Total
1999–01 Revenue Impact:	Less than $50,000	Less than $50,000	$60,000
2001–03 Revenue Impact:	$100,000	$50,000	$150,000

DESCRIPTION: A partial property tax exemption is allowed for real property, owned or leased by a municipality or port, when the property is used to clean or decontaminate agricultural commodity cargo. Once real property qualifies, taxpayer pays a tax of one quarter of 1 percent of the assessed value of the exempt property.

PURPOSE: To encourage cleaning or decontaminating of agricultural commodity cargo.

WHO BENEFITS: Grain cleaning facility leased by a municipality or port. In recent years, there has been increasing demand from Asian wheat importers to have less dockage in their grain imports. This prompted the construction of a grain cleaning facility on the Port of Portland land near the grain loading/unloading processing facilities.

EVALUATION: Not Evaluated.

2.045 CROPS, PLANTS, AND FRUIT TREES

Oregon Statute: 307.320
Sunset Date: None
Year Enacted: 1957

1999–00 Assessed Value of Property Exempted: $786.6 Million

	Loss	Shift	Total
1999–01 Revenue Impact:	$15,600,000	$3,300,000	$18,900,000
2001–03 Revenue Impact:	$16,600,000	$3,600,000	$20,200,000

DESCRIPTION: Deciduous trees, shrubs, plants, crops, cultured Christmas trees, and cultivated hardwood trees growing on agricultural land are exempt from local property taxation. When crops and plants are harvested and unsold as of the assessment date, they are treated as inventory subject to the Inventory exemption (2.015).

PURPOSE: To improve the financial viability of farming by reducing the property tax burden and to eliminate the filing of personal property tax returns for farmers. The statute was passed to maintain the status quo of not taxing these plants after a court case found them taxable.

WHO BENEFITS: Oregon has about 2.8 million acres of harvested cropland (excluding Christmas trees). Roughly a third of the exempt value is for vineyards, berries and fruit and nut trees, a third for annual row and other crops, and a third for Christmas trees.

EVALUATION: This exemption is accomplishing its purpose. Commodities of this nature represent standing crop inventory and may be, at any given time, unmarketable by industry standards. Given the vagaries of weather, etc. they may never reach marketability.

It is our view that this expenditure is the most fiscally effective means of achieving its purpose. [*Evaluated by the Department of Agriculture*.]

2.046 FARM ANIMALS AND BEES

Oregon Statute: 307.400(1)
Sunset Date: None
Year Enacted: 1969

1999–00 Assessed Value of Property Exempted: $887.6 Million

	Loss	Shift	Total
1999–01 Revenue Impact:	$17,700,000	$3,800,000	$21,500,000
2001–03 Revenue Impact:	$18,700,000	$4,000,000	$22,700,000

DESCRIPTION: The value of livestock, poultry, fur-bearing animals, and bees is exempt from local property taxation.

PURPOSE: To eliminate the burden of enumerating livestock inventories and filing personal property tax returns, to provide tax relief to small farmers, and to eliminate behavior specifically aimed at reducing livestock inventories on the date of assessment.

WHO BENEFITS: Most of the exempt value for farm animals is for calves and cattle. About 17,000 farms in Oregon raise some cattle.

EVALUATION: This tax expenditure is successful in achieving its purpose. It has provided some relief to small farmers and eliminates the incentive to move animals to market specifically for inventory reduction purposes. This allows small operators to market at the most advantageous time for them, taking into account market factors and the condition of the animals. This, in turn, stabilizes the effect on other businesses supported by the small farmer.

The tax expenditure is the most fiscally effective means of achieving its purpose because the business is so volatile and cyclical, and values can vary dramatically within a year's time. [*Evaluated by the Department of Agriculture*.]

2.047 AGRICULTURAL PRODUCTS HELD BY FARMER

Oregon Statute: 307.325
Sunset Date: None
Year Enacted: 1965

1999–00 Assessed Value of Property Exempted: $1.8 Million

	Loss	Shift	Total
1999–01 Revenue Impact:	Less than $50,000	Less than $50,000	Less than $50,000
2001–03 Revenue Impact:	Less than $50,000	Less than $50,000	Less than $50,000

DESCRIPTION: Agricultural products in the possession of the farmer who produced them or acquired them for use in the farm operation are exempt from local property taxation. These products are grain, seed, hay, fruit, vegetables, nuts, hops, wool, fish, poultry held for sale, butter, cheese, evaporated, condensed or concentrated milk, mint, and bivalve mollusks. Most products held by farmers are considered inventories and are exempt under the inventory exemption of the property tax. This provision exempts those products not covered by the inventory exemption, which is a relatively small amount.

PURPOSE: To improve the financial viability of farming. The statute was passed to maintain the status quo of not taxing these products.

WHO BENEFITS: Farmers, primarily those who hold products produced for their own use. This includes those who raise hay and other feed for their own animals.

EVALUATION: This exemption is accomplishing its purpose. It reduces the tax burden on farming, and it makes the treatment of farm products consistent with inventories in other industries. Given the vagaries of the weather, some of these products may never reach maturity and harvest. In addition, it would be extremely difficult to place a value on standing crops because, at any given time, different crops will be at different stages of maturity. [*Evaluated by the Department of Agriculture*.]

2.048 NURSERY STOCK

Oregon Statute: 307.315
Sunset Date: None
Year Enacted: 1971

1999–00 Assessed Value of Property Exempted: $372.8 Million

	Loss	Shift	Total
1999–01 Revenue Impact:	$7,400,000	$1,600,000	$9,000,000
2001–03 Revenue Impact:	$7,900,000	$1,700,000	$9,600,000

DESCRIPTION: Nursery stock in the hands of growers or wholesalers is exempt from local property taxation. The stock can be bare root, balled, in containers, or in or upon the ground. Nursery stock includes ornamental plants, trees, and shrubs grown or kept for propagation or sale as defined in ORS 571.005(5).

PURPOSE: To improve the financial viability of the nursery industry by reducing the property tax burden. The statute was passed to maintain the status quo of not taxing nursery stock and to treat it the same as farm plants and crops.

WHO BENEFITS: Farms in Oregon growing some nursery crops number about 2,000. Most of these farms are in western Oregon and are concentrated in the Willamette Valley.

EVALUATION: This tax expenditure is accomplishing its purpose. The exemption of nursery stock is consistent with the exemption provided for other farm commodities (Crops, Plants, and Fruit Trees (2.045)) and with the exemption of inventories in non-agricultural industries (Inventory (2.015)). Any change, such as the elimination of this exemption, resulting in an increase in market price would reduce the competitiveness of Oregon-grown nursery stock in the national and international marketplaces. The current tax expenditure is the most effective means of achieving this purpose. [*Evaluated by the Department of Agriculture*.]

2.049 LEASED PUBLIC FARMING AND GRAZING LAND

Oregon Statute: 307.110(3)(b)
Sunset Date: None
Year Enacted: 1971

1999–00 Assessed Value of Property Exempted: Included in State and Local Property (2.092).

	Loss	Shift	Total
1999–01 Revenue Impact:	Included in 2.092	Included in 2.092	Included in 2.092
2001–03 Revenue Impact:	Included in 2.092	Included in 2.092	Included in 2.092

DESCRIPTION: In general, when public property is held under contract of sale or is leased to a private individual or business, it is considered taxable. However, state or local government land leased or rented by persons for agricultural or grazing uses who do not pay a cash rent or share of the crop is exempt from local property taxation. In some cases, the lessee performs a service in return for farming or grazing rights. For example, a farmer might use public land for agricultural purposes and in return agree to keep other state or locally-owned land mowed (Chapter 431, 1971).

PURPOSE: To encourage leasing of small parcels of government land (that would be exempt anyway if not leased) to avoid government land maintenance costs.

WHO BENEFITS: Farmers and ranchers who lease state and local land. The expenditure also benefits state and local governments, who in exchange receive land maintenance, which may be more valuable than the potential rent and other management issues associated with small, isolated parcels.

EVALUATION: This expenditure effectively achieves its purpose. It produces benefits to local communities through the increased economic activities associated with the livestock industry. The increased economic activities provide additional tax resources for Eastern Oregon counties, and the grazing leases provide revenue to the School Trust Fund.

Without this expenditure, it is likely that costs would exceed benefits due to the substantial costs needed to administer the program in comparison to the returns to the state. Additionally, this exemption may avoid an issue of “double taxation” since part of the grazing lease income to the state is shared with local governments. [*Evaluated by the Department of Agriculture*.]

2.050 LEASED FEDERAL GRAZING LAND

Oregon Statute: 307.060
Sunset Date: None
Year Enacted: 1961

1999–00 Assessed Value of Property Exempted: Included in Federal Property (2.104).

	Loss	Shift	Total
1999–01 Revenue Impact:	Included in 2.104	Included in 2.104	Included in 2.104
2001–03 Revenue Impact:	Included in 2.104	Included in 2.104	Included in 2.104

DESCRIPTION: Federal land leased primarily for agricultural purposes from a federal wildlife conservation agency or used primarily for livestock grazing is exempt from local property taxation. The Bureau of Land Management leases grazing land based on animal unit months (AUM) rather than acres. An animal unit month is defined as the amount of forage needed to sustain one cow for one month.

PURPOSE: To provide property tax relief to livestock owners and to avoid the difficulty of valuing the property with its restrictions. The exemption reinstates the status quo after a court decision in 1961 found such land taxable. The exemption also avoids "double taxation" since part of the fee income to the federal government is shared with local governments.

WHO BENEFITS: Farmers and ranchers who lease federal land for grazing. The expenditure may also benefit local communities through increased economic activity. In 1999, the Bureau of Land Management issued permits and leases for 83,858 AUMs in Oregon.

EVALUATION: This expenditure appears to be achieving its purpose. It provides direct benefits to livestock owners, and without the expenditure the administrative costs of taxing the property would likely exceed the benefits. [*Evaluated by the Department of Agriculture.*]

2.051 OYSTER GROWING ON STATE LAND

Oregon Statute: 622.290
Sunset Date: None
Year Enacted: 1969

1999–00 Assessed Value of Property Exempted: $1.2 Million

	Loss	Shift	Total
1999–01 Revenue Impact:	Less than $50,000	Less than $50,000	Less than $50,000
2001–03 Revenue Impact:	Less than $50,000	Less than $50,000	Less than $50,000

DESCRIPTION: In general, when public property is held under contract of sale or is leased to a private individual or business, it is considered taxable. However, state land being used for the private cultivation of oysters is exempt from local property taxation. Annual cultivation fees and use taxes are in lieu of property taxes and lease fees. The cultivation fee is four dollars per acre (increased from two dollars in 1997) and the use tax is ten cents per gallon (increased from five cents) if the oysters are sold shucked or ten cents per bushel if they are sold in the shell. The value of oyster production on these lands was an estimated $761,810 in 1998. The total acreage of submerged state estuary land has been rather stable for the past five years. Production of shucked oysters harvested, about sixteen thousand gallons per year, has remained about the same as well.

PURPOSE: To provide tax relief to oyster growers and to avoid the difficulty of valuing the property with its restrictions. The exemption maintained the status quo after attempts were made to tax oyster beds.

WHO BENEFITS: Oyster growers who raise oysters on state-owned land. State land is leased for oyster growing in Coos, Douglas, Lincoln, and Tillamook counties. Commercial oyster lease holders range from individuals with only a few acres under lease to large companies with several hundred to a thousand acres.

IN LIEU: The Department of Agriculture collected $15,041 in fees in 1998–99. The in lieu fees were for leasing 3,499 acres and producing 21,766 total gallons of oysters.

EVALUATION: The tax expenditure seems to be effective in achieving its purpose. The expenditure is particularly helpful to growers who are just getting started in the business and to those with small lease holdings. It takes several grow-out years before oysters can be harvested. The tax expenditure helps make it possible for growers to make it through the unproductive years. [*Evaluated by the Department of Agriculture*.]

2.052 POLLUTION CONTROL FACILITIES

Oregon Statute: 307.405
Sunset Date: 12-31-01
Year Enacted: 1967, modified in 1999 (HB 2181)

1999–00 Assessed Value of Property Exempted: $34.4 Million

	Loss	Shift	Total
1999–01 Revenue Impact:	$900,000	$200,000	$1,100,000
2001–03 Revenue Impact:	$500,000	$100,000	$600,000

DESCRIPTION: A pollution control facility owned or leased by a cooperative or nonprofit corporation and used in connection with its trade or business is eligible for a property tax exemption.

The Environmental Quality Commission certifies the facility cost and the exemption percentage. The exemption lasts 20 years from the date of certification.

A pollution control facility is any land, structure, machinery, equipment, or device that prevents, controls or reduces air, water, or noise pollution, solid or hazardous waste, or recycles or disposes of used oil. The 1999 legislature added non-point source pollution control facilities to the list of qualifying projects. In most cases the percentage allocable to pollution control depends on whether the owner earns any income from the facility. Thus, if an air, water, or noise pollution control facility, in addition to reducing pollution, has some useful end product, then only a portion of the construction of the facility might be allocated to pollution control.

This exemption is a companion to the Pollution Control Credit (1.146) on the income tax. For-profit companies are eligible for the income tax credit, while nonprofits and cooperatives are eligible for this property tax exemption.

PURPOSE: To “assist in the prevention, control and reduction of air, water and noise pollution and solid waste, hazardous wastes and used oil in this state by providing tax relief...” (ORS 468.160). The tax relief helps to offset the cost of government imposed requirements for reducing pollution and to encourage the reduction of pollution even if not required.

WHO BENEFITS: The program provides an incentive to cooperatives and non-profits for installing pollution control facilities not required under current law; defined as "sole purpose facilities." The program also compensates cooperatives and non-profits for installing facilities required by the Department of Environmental Quality or by the U.S. Environmental Protection Agency; defined as "principal purpose facilities."

Most of the exempt value was approved before 1983. Only about $1.2 million has been approved since for-profit businesses were denied the choice of a property tax exemption. Thus the amount exempt is likely to decline over time.

EVALUATION: This expenditure has limited success in achieving its purpose. It attempts to provide, for cooperatives and non-profits, an incentive similar to the income tax credit available to for-profit businesses (Pollution Control Credit (1.146)). Since 1995, no cooperatives or non-profits have applied for a property tax exemption. As with the income tax credit, some of the investment qualifying for the property tax exemption is likely a result of the incentive, but most investments would have occurred anyway because they are required by law. [*Evaluated by the Department of Environmental Quality*.]

2.053 NONPROFIT SEWAGE TREATMENT FACILITIES

Oregon Statute: 307.118
Sunset Date: None
Year Enacted: 1997

1999–00 Assessed Value of Property Exempted: $200,000

	Loss	Shift	Total
1999–01 Revenue Impact:	Less than $50,000	Less than $50,000	Less than $50,000
2001–03 Revenue Impact:	Less than $50,000	Less than $50,000	Less than $50,000

DESCRIPTION: An exemption from property taxes is allowed for wastewater treatment, sewage treatment, and related property owned by a nonprofit corporation engaged solely in wastewater treatment and sewage treatment facility applications. It applies to tax years beginning on or after July 1, 1996; refunding and abating any taxes paid for the 1996 and 1997 tax years, and provides an exemption for future tax years. The nonprofit corporation must have been in existence as of January 1, 1997, and the corporation and plant must have been in operation on July 1, 1997. The exemption was created for the Mapleton Commercial Area Owners' Association in Lane County, and it is unlikely any other facilities qualify for the exemption.

PURPOSE: To assist nonprofit sewage treatment facility.

WHO BENEFITS: There appears to only be one entity in the state qualified for this tax relief, the Mapleton Commercial Area Owners' Association. The beneficiaries of this legislation are the owners of the three homes and 17 businesses comprising the membership of the Mapleton Commercial Area Owners' Association.

EVALUATION: This legislation provides an economic benefit for communities who elect to manage their wastewater treatment needs through formation of a nonprofit corporation. This form of organization is rare; only one such organization was covered by the law when it was passed. Because the existing law does not cover other privately owned community sewer system in the state, such as trailer and recreational vehicle parks, it has limited applicability to Oregon businesses. [*Evaluated by the Department of Environmental Quality.*]

2.054 RIPARIAN HABITAT LAND

Oregon Statute: 308A.362
Sunset Date: None
Year Enacted: 1981

1999–00 Assessed Value of Property Exempted: $200,000

	Loss	Shift	Total
1999–01 Revenue Impact:	Less than $50,000	Less than $50,000	Less than $50,000
2001–03 Revenue Impact:	Less than $50,000	Less than $50,000	Less than $50,000

DESCRIPTION: Land designated as riparian land by the State Department of Fish and Wildlife is exempt from local property taxation. Riparian land is defined as privately-owned stream beds and the land under adjacent vegetation that is influenced by water, but which does not extend more than 100 feet from the streambank. Riparian land zoned as forest or agricultural and range lands in compliance with statewide planning goals and located outside urban growth boundaries may qualify. In addition, lands that were outside an urban growth boundary (UGB) and zoned as forest or agricultural (including range land) as of July 1, 1997, but are no longer outside an UGB or so zoned may also qualify. However the landowner must apply for riparian designation within five years of the change. The Department of Fish and Wildlife can designate land if the owner has developed and implemented a plan for continued protection of the land using approved rehabilitation techniques. The Department cannot approve more than 200 miles (increased from 100 miles in 1997) of private streambank in any one county per year.

The exemption continues until withdrawn by the owner or use is incompatible with riparian use. Upon withdrawal or disqualification an additional tax equal to the sum of the tax benefit for each year exempt (up to five years) is due.

The exempt value is based on farm use assessed value as the alternative to riparian exemption. When land is specially assessed as farm, forest, or open space before riparian designation, any additional tax for a change in designation to riparian is abated.

No new land may be designated as riparian land after June 30, 2004.

PURPOSE: To maintain riparian habitat in a healthy condition to control erosion, improve water quality, and prolong streamflow. It is also to "prevent the forced conversion of riparian environments to intensive uses as a result of economic pressures caused by the assessment....at values incompatible with their protection as riparian lands...." (ORS 308A.353).

WHO BENEFITS: Owners of riparian land that has been designated by the Department of Fish and Wildlife. The general public also benefits if the program is effective in improving riparian habitat.

As of July of 2000 the Department of Fish and Wildlife had approved 1,430 acres along roughly 120 miles of streams. One hundred and twenty landowners participate.

EVALUATION: This expenditure, as amended in Oregon laws 1997, chapter 811, section 2, may be more effective than it was previously. However, the usage and data around this expenditure are not conclusive.

With the 1997 statute changes and increased efforts to save Oregon salmon runs, the Riparian Habitat Land exemption has become more widely used, but a number of features of the provision may limit its effectiveness. First, the land that qualifies for the exemption is already taxed at relatively low levels as farm land, so the exemption provides a relatively small reduction in taxes. Second, the program limits the amount of new riparian land that can be certified annually prior to July 1, 2004 to no more than 200 miles of streambank per county. Removing the latter restriction, and modifying the provisions to allow for larger tax reductions, could make the program more effective. [*Evaluated by the Department of Fish and Wildlife*.]

2.055 ENVIRONMENTALLY SENSITIVE LOGGING EQUIPMENT

Oregon Statute: 307.827 and 307.831
Sunset Date: 6-30-08
Year Enacted: 1999 (HB 2045)

1990–00 Assessed Value of Property Exempted: $0 (begins July 1, 2000)

	Loss	Shift	Total
1999–01 Revenue Impact:	$1,900,000	$400,000	$2,300,000
2001–03 Revenue Impact:	$3,900,000	$800,000	$4,700,000

DESCRIPTION: A property tax exemption is allowed for environmentally sensitive logging equipment, less than 8 years old, beginning July 1, 2000. Equipment used in the manufacturing or milling of forest products is not considered logging equipment and is not exempt from taxation. Exemption can be used for 5 years if the equipment meets the criteria for at least one year between July 1, 2000 and June 30, 2008. This provision exempts from taxation logging equipment already considered environmentally sensitive, such as a skyline yarder and carriage.

PURPOSE: To promote forestry industry needs to switch to more environmentally sensitive logging equipment to accommodate the environmental regulations pertaining to salmon preservation. This tax expenditure also provides incentives to loggers staying in the industry.

WHO BENEFITS: Loggers who switch to more environmentally friendly logging equipment. The general public also benefits if the expenditure results in improved salmon habitat and increased salmon populations.

EVALUATION: The effectiveness of this exemption has not been evaluated because it is new, and potential benefits to fish habitat have not yet been assessed. The level of habitat improvement is expected to increase gradually in proportion to the extent that the use of environmentally sensitive equipment replaces the use of less sensitive methods. [*Evaluated by the Department of Fish and Wildlife*.]

2.056 ETHANOL PRODUCTION FACILITY

Oregon Statute: 307.701
Sunset Date: 6-30-08
Year Enacted: 1993

1999–00 Assessed Value of Property Exempted: $0

	Loss	Shift	Total
1999–01 Revenue Impact:	$0	$0	$0
2001–03 Revenue Impact:	$0	$0	$0

DESCRIPTION: An ethanol production facility is 50 percent exempt from local property taxation for five years if:

- construction begins after July 1, 1993,
- production begins within four years of the first July 1 exemption, and
- the state Dept. of Agriculture certifies the facility produces ethanol capable of blending with gasoline.

An application must be filed with the county assessor. If production or certification does not occur within the time allowed, the property is not exempt for any tax year. Any prior exemption must be repaid by adding the property to the role as omitted property.

PURPOSE: To encourage ethanol production in Oregon in order to alleviate dependence on foreign oil, as well as to encourage an alternative method to dispose of agricultural waste. In 1993 the exemption was shifted from a fuel tax exemption to a property tax exemption in order to focus the incentive on ethanol produced in Oregon. The shift also allowed the state to maintain an incentive without cutting revenue to the highway fund with a fuel tax exemption.

WHO BENEFITS: Developers of ethanol production facilities.

EVALUATION: Two ethanol production facilities are being considered for development in Oregon. This exemption might affect whether they're built. [*Evaluated by the Office of Energy*.]

2.057 ALTERNATIVE ENERGY SYSTEMS

Oregon Statute: 307.175
Sunset Date: 6-30-02
Year Enacted: 1975

1999–00 Assessed Value of Property Exempted: $118.2 Million

	Loss	Shift	Total
1999–01 Revenue Impact:	$3,100,000	$600,000	$3,700,000
2001–03 Revenue Impact:	$1,700,000	$300,000	$2,000,000

DESCRIPTION: Solar, geothermal, wind, water, or methane gas energy systems used for heating, cooling, or generating electricity are partially exempt from local property tax. The amount of exemption is the difference between the value of property equipped with the alternative system and its value if it were not equipped with the system. The exemption applies to all property (residential, business, etc.) except property of businesses whose primary activity is supplying energy.

PURPOSE: The exemption is to encourage the use of alternative sources of energy by providing a tax incentive. Alternative energy systems often have greater up-front costs than energy systems such as natural gas or electric.

WHO BENEFITS: Roughly 20,000 residential properties and 500 businesses in Oregon have installed solar or other renewable energy systems.

EVALUATION: It is difficult to measure the impact the tax exemption has made on the number of households and businesses installing equipment that uses solar, wind, hydro, or geothermal energy. The predominant incentives that have encouraged such installations have been the Alternative Energy Devices Tax Credit (1.151) and the Business Energy Facilities Tax Credit (1.152) available under the income tax. The property tax exemption may work in tandem with those credits. Without the exemption, homeowners and businesses might hesitate to invest in a system that would increase their assessed valuation.

We have no evidence that residential and commercial appraisers account for the property tax exemption in their valuations of property and related equipment. Many of the qualifying business alternative energy systems are complex heat recovery or biomass boiler systems for which the assessment of component value is difficult. [*Evaluated by the Office of Energy*.]

2.058 STATE AND LOCAL STANDING TIMBER UNDER CONTRACT

Oregon Statute: 307.100
Sunset Date: None
Year Enacted: 1965

1999–00 Assessed Value of Property Exempted: $112 Million

	Loss	Shift	Total
1999–01 Revenue Impact:	$2,200,000	$500,000	$2,700,000
2001–03 Revenue Impact:	$2,100,000	$500,000	$2,600,000

DESCRIPTION: In general, when public property is held under contract of sale or is leased to a private individual or business, it is considered taxable. However, state or local government standing timber is exempt from property taxation even if held under a contract of sale. The volume of state timber under contract was about 339 million board feet in 1999. The volume of local timber under contract is unknown but is thought to be small.

PURPOSE: To maintain the status quo after a court decision allowing taxation. Taxing timber under contract would be contrary to the tax treatment of other standing timber in Oregon, which under current law is treated as a crop, not as real property.

WHO BENEFITS: The state of Oregon and the counties benefit. Receipts from Board of Forestry timber sales are distributed back to the counties and serve as an offset, reducing the need for more state General Funds to go to the counties for education. On Common School Lands, interest is distributed to counties from an account that grows as resources (mainly timber) are sold from these lands.

EVALUATION: This expenditure is effective in achieving its purpose. It makes the treatment of state and local timber under contract consistent with that of other standing timber. [*Evaluated by the Forestry Department*.]

2.059 WESTERN PRIVATE FOREST LAND

Oregon Statute: 321.352
Sunset Date: None
Year Enacted: 1977, Modified in 1999 (HB 3575)

1999–00 Assessed Value of Property Exempted: $2.1 Billion

	Loss	Shift	Total
1999–01 Revenue Impact:	$28,600,000	$6,100,000	$34,700,000
2001–03 Revenue Impact:	$16,000,000	$3,400,000	$19,400,000
1999–01 In Lieu (Privilege) Tax:			$50,900,000
2001–03 In Lieu (Privilege) Tax:			$25,300,000

DESCRIPTION: The 1999 Oregon Legislature made major changes in the assessment of forestland under this program. Prior to 1999, forest land in Western Oregon was subject to local property taxation using a specially assessed value. In 1995–96, land values were set statutorily by site class (from $1 to $720 per acre). For subsequent years the statutory values has been indexed by 50 percent of a 7-year moving average change in log purchase values. The proposed changes in 1999 are as follows:

Large Owners: In general large forestland owners (those with 5,000 acres or more) by 2003 will phase into paying land taxes based on 100 percent of statutory land values annually. These owners currently pay 20 percent of statutory land values and in lieu of the other 80 percent of the statutory land value deferred pay a 3.2 percent privilege tax on the value of timber harvested. Starting on July 1, 2000, property taxes on these land owners' forest land will increase from 20 percent of the statutory land value to 75 percent. Starting on July 1, 2003, property taxes on these land owners' forest land will increase from 75 percent of the statutory land value to 100 percent. Privilege tax rates are 1.9 percent for 2000 and 2001, and 1.4 percent for 2002. The privilege tax will phase out by 2003.

Small Owners: Smaller forestland owners (less than 5,000 acres) will have the option of either moving to the large owner (phase in) 100 percent land value, or remain under their current assessment system until 2003. Their current system is based on 20 percent of the statutory land values annually and a 3.2 percent privilege tax levied at harvest in lieu of the other 80 percent of the property tax exempted. The 2001 Legislature will review recommendations for creation of a new program for smaller owners that is easier to administer and provides that most of the land taxes are paid at harvest. In 2003 small woodland owners under the 20 percent statutory value program will automatically transfer to the 100 percent statutory value program unless they have opted into the program developed by the 2001 Legislature, or another program.

Privilege tax revenue is distributed by formula to local taxing districts. The formula allocates revenue based on the tax rate, value of timber harvested, and the forestland assessed value in the district.

PURPOSE: To promote the retention of forestland in forest use and to remove the incentive for earlier harvest that annual taxation creates for smaller forestland ownership's.

WHO BENEFITS: Private forest land owners. There are approximately 5.6 million acres of private forest land in western Oregon.

IN LIEU: Recent privilege tax collections are as follows:

1991–92	$48.9 million
1992–93	$45.3 million
1993–94	$56.3 million
1994–95	$61.1 million
1995–96	$49.9 million
1996–97	$40.5 million
1997–98	$34.4 million
1998–99	$32.5 million
1999–00	$29.2 million

EVALUATION: This expenditure appears to be achieving its purpose. The tax treatment of private timber land in concert with land-use planning promotes the retention of forest land in forest uses. It is debatable whether the tax treatment or the land-use planning provisions are more important in achieving the purpose. What seems evident is that the combination is working to retain the land in forest use. [*Evaluated by the Forestry Department*.]

2.060 WESTERN PRIVATE STANDING TIMBER

Oregon Statute: 321.272
Sunset Date: None
Year Enacted: 1977

1999–00 Assessed Value of Property Exempted: $22.9 Billion

	Loss	Shift	Total
1999–01 Revenue Impact:	$443,800,000	$94,700,000	$538,500,000
2001–03 Revenue Impact:	$426,300,000	$91,500,000	$517,800,000

DESCRIPTION: Privately owned standing timber in Western Oregon is exempt from local property taxes.

PURPOSE: To promote retention of forest land in forest uses.

WHO BENEFITS: Private timber owners benefit directly. The general public substantially benefits indirectly because, due to the current tax treatments, forest land owners delay timber harvests for an indeterminate period. During this period, non-commercial values, which accrue to the public, are maintained and increased, notably wildlife habitat, clean air and clean water, visual quality, etc.

EVALUATION: The purpose of holding off on pre-mature harvests of private timber appears to be being successful. There are indications that the bulk of the timber harvests are of 50+ year old timber, and that the total private timber harvest, while declining very slightly since the late 1950s, has been essentially at sustainable levels through the past 7–9 years.

Information is lacking on the effectiveness of other methods of discouraging premature timber harvests. Regulatory methods would likely be exceedingly expensive to administer, and variable tax rates would require nearly confiscatory levels for young timber in order to be effective. [*Evaluated by the Forestry Department.*]

2.061 WESTERN SMALL TRACT OPTION

Oregon Statute: 321.720
Sunset Date: None
Year Enacted: 1961

1999–00 Assessed Value of Property Exempted: $88 Million

	Loss	Shift	Total
1999–01 Revenue Impact:	$1,800,000	$400,000	$2,200,000
2001–03 Revenue Impact:	$1,900,000	$400,000	$2,300,000

DESCRIPTION: Owners of more than ten and less than 5,000 acres of timber in Western Oregon may be taxed for property tax purposes under the Western Oregon Small Tract Optional Tax (WOSTOT). Owners must elect this option before the average size of their timber becomes eight inches in diameter at breast height or the timber is less than 40 years of age.

The land is inspected by the Department of Forestry. The land is classified in one of five possible site classes based on the productivity of the land. Until 1997–98, the site class values were based on income from a model forest using a statutory 17 percent capitalization rate when considering costs, risk, and return on investment. The site class value applied to the land was based on the timber the land was capable of producing. This became the assessed value in the normal property tax process. Starting in 1997–98, site class values are set by statute rather than by an income capitalization approach using some of the land values under the Western Oregon Forest Land Assessment. Small woodland owners under WOSTOT pay property taxes on 100 percent of the statutory land values. Since owners pay on 100 percent of the statutory value, there is no privilege tax at harvest.

PURPOSE: The special assessment gives small land owners the option of a property tax assessed value based on productivity with program emphasis on management and technical assistance provided by the Department of Forestry. The intent is to encourage small owners to actively manage their forests and hold their timber to maturity before harvest.

WHO BENEFITS: Owners of small tracts of timberland who select this optional tax treatment. In 1999 small tract acreage was 175,000. About 44 percent of the acreage is in Clackamas, Lane and Washington counties. The pubic indirectly benefits from these well managed forests for the clean air, clean water, timber, wildlife habitat, open space and recreational opportunities produced on these lands.

EVALUATION: This expenditure appears to be effective in providing an option for small timber owners. The bulk of small forest landowners pay property taxes under a different program based on 20 percent of the statutory value of the land each year. The remainder of the deferred land tax is paid in the form of timber privilege tax payments at the time of harvest. WOSTOT participants pay the tax on 100 percent of the value of the land, but are exempt from the privilege tax (deferred land taxes) at time of harvest. The class of landowner for whom the WOSTOT program makes sense tend to harvest a small amount of timber each year, or at least at closely spaced intervals if not annually. This group of landowners tends to manage its forests quite intensively, and likely produces (per acre) more timber than the "model" forest.

The requirements that pertain to WOSTOT require some level of inspection, which requires an additional level of government expenditure over that required for the "standard" system (the standard system has inspection provisions for the State Forester, but these have not been funded). It is likely that the WOSTOT is thus not the "cheapest" system, but as the name suggests, an "Optional" or alternative one, and it appears to be a working, positive incentive to more efficiently grow crops of timber while producing other public values on non-industrial forest land. [*Evaluated by the Forestry Department*.]

2.062 EASTERN PRIVATE FOREST LAND

Oregon Statute: 321.810
Sunset Date: None
Year Enacted: 1971, Modified in 1999 (HB 3575)

1999–00 Assessed Value of Property Exempted: $234.1 Million

	Loss	Shift	Total
1999–01 Revenue Impact:	$4,300,000	$900,000	$5,200,000
2001–03 Revenue Impact:	$4,300,000	$900,000	$5,200,000
1999–01 In Lieu (Privilege) Tax:			$5,400,000
2001–03 In Lieu (Privilege) Tax:			$2,000,000

DESCRIPTION: The 1999 Oregon Legislature made major changes in the assessment of forestland under this program. Prior to 1999, privately owned forest land in Eastern Oregon was subject to local property taxation using a specially assessed value. In 1995–96, land values were set statutorily at $42 per acre. For subsequent years the statutory values has been indexed by 50 percent of a 5-year moving average change in log purchase values. The proposed changes in 1999 are as follows:

Large Owners: In general large forestland owners (those with 5,000 acres or more) by 2003 will phase into paying land taxes based on 100 percent of statutory land values annually. These owners currently pay 20 percent of statutory land values and in lieu of the other 80 percent of the statutory land value deferred pay a 1.8 percent privilege tax on the value of timber harvested. Starting on July 1, 2000, property taxes on these land owners' forest land will increase from 20 percent of the statutory land value to 75 percent. Starting on July 1, 2003, property taxes on these land owners' forest land will increase from 75 percent of the statutory land value to 100 percent. Privilege tax rates are 1.1 percent for 2000 and 2001, and 0.8 percent for 2002. The privilege tax will phase out by 2003.

Small Owners: Smaller forestland owners (less than 5,000 acres) will have the option of either moving to the large owner (phase in) 100 percent land value, or remain under their current assessment system until 2003. Their current system is based on 20 percent of the statutory land values annually and a 3.2 percent privilege tax levied at harvest in lieu of the other 80 percent of the property tax exempted. The 2001 Legislature will review recommendations for creation of a new program for smaller owners that is easier to administer and provides that most of the land taxes are paid at harvest. In 2003 small woodland owners under the 20 percent statutory value program will automatically transfer to the 100 percent statutory value program unless they have opted into the program developed by the 2001 Legislature, or another program.

Privilege tax revenue is distributed by formula to local tax districts with timber as an offset to district property tax levies. The formula allocates revenue based on the frozen 1964 timber values and district property tax rates.

PURPOSE: To promote the retention of forest land in forest use and to remove the incentive for earlier harvest that annual taxation creates for smaller forestland owners.

WHO BENEFITS: Private forest land owners. There are approximately 1.5 million acres of private forest land in eastern Oregon.

IN LIEU: Recent privilege tax collections are as follows:

1991–92	$4.5 million
1992–93	$6.5 million
1993–94	$7.9 million
1994–95	$6.8 million
1995–96	$5.3 million
1996–97	$2.8 million
1997–98	$2.8 million
1998–99	$2.8 million
1999–00	$2.8 million

EVALUATION: This expenditure appears to be achieving its purpose. The tax treatment of private timber land in concert with land-use planning promotes the retention of forest land in forest uses. It is debatable whether the tax treatment or the land-use planning provisions are more important in achieving the purpose. What seems evident is that the combination is working to retain the land in forest use. [*Evaluated by the Forestry Department.*]

2.063 EASTERN PRIVATE STANDING TIMBER

Oregon Statute: 321.420
Sunset Date: None
Year Enacted: 1961

1999–00 Assessed Value of Property Exempted: $2.6 Billion

	Loss	Shift	Total
1999–01 Revenue Impact:	$51,300,000	$10,900,000	$62,200,000
2001–03 Revenue Impact:	$50,300,000	$10,800,000	$61,100,000

DESCRIPTION: Privately owned standing timber in Eastern Oregon is exempt from local property taxation.

PURPOSE: To promote retention of forest land in forest uses. The severance tax approach was used for eastern Oregon earlier than western because by 1961 most large old growth eastern timber stands had been cut and the need for a taxing system that did not annually tax the value of both the land and timber became apparent there first.

WHO BENEFITS: Private timber owners benefit directly. The general public substantially benefits indirectly because, due to the current tax treatments, forest land owners delay timber harvests for an indeterminate period. During this period, non-commercial values, which accrue to the public, are maintained and increased, notably wildlife habitat, clean air and clean water, visual quality, etc.

EVALUATION: The purpose of holding off on pre-mature harvests of private timber appears to be being achieved. Information is lacking on the effectiveness of other methods of discouraging pre-mature timber harvests. Regulatory methods would likely be exceedingly expensive to administer, and variable tax rates would require nearly confiscatory levels for young timber in order to be effective. [*Evaluated by the Forestry Department.*]

2.064 FOREST HOMESITES

Oregon Statute: 308A.253
Sunset Date: None
Year Enacted: 1989

1999–00 Assessed Value of Property Exempted: $66.9 Million

	Loss	Shift	Total
1999–01 Revenue Impact:	$1,700,000	$400,000	$2,100,000
2001–03 Revenue Impact:	$1,900,000	$400,000	$2,300,000

DESCRIPTION: A forest homesite being used in conjunction with growing and harvesting trees on forest land has a special property tax value. The homesite special assessment is the value of one acre and must be on a parcel of more than 10 acres of highest and best use forestland, or land that has designated in Western Oregon under ORS 321.257 to 321.390 or in Eastern Oregon under ORS 321.805 to 321.825 or classified under ORS 321.705 to 321.765 (Western Small Tract Option). The homesite specially assessed value is the average per acre real market value for the contiguous bare forest land under the same ownership plus up to $4,000 for land improvements. Land improvements include a well and septic system necessary for a homesite.

PURPOSE: To improve the financial viability of growing and harvesting trees on forest land by reducing the cost of taxation. The special assessment grants forest homesites the same treatment as farm homesites.

WHO BENEFITS: The number of specially assessed forest homesites is estimated at 8,000 excluding homesites used for both farm and forestry (Farm Homesites (2.041)). The average value exempted is about $8,400 per homesite.

EVALUATION: Extending special forest assessments to forest homesites reinforces the effects of special assessments for forest land. [*Evaluated by the Forestry Department.*]

2.065 FEDERAL STANDING TIMBER UNDER CONTRACT

Oregon Statute: 307.050
Sunset Date: None
Year Enacted: 1965

1999–00 Assessed Value of Property Exempted: $356.1 Million

	Loss	Shift	Total
1999–01 Revenue Impact:	$6,900,000	$1,500,000	$8,400,000
2001–03 Revenue Impact:	$6,600,000	$1,400,000	$8,000,000

DESCRIPTION: In general, when public property is held under contract of sale or is leased to a private individual or business, it is considered taxable. However, federal standing timber is exempt from property tax even if held under a contract of sale.

PURPOSE: The exemption maintains the status quo after a court decision allowing taxation. Taxing timber under contract would be contrary to the tax treatment of other standing timber in Oregon, which under current law is treated as a crop, not as real property.

WHO BENEFITS: Companies buying federal standing timber for harvest. This includes both large and small companies that either do not own their own timber or who supplement their own supplies with federal timber.

EVALUATION: This expenditure is effective in achieving its purpose. It makes the treatment of federal timber under contract consistent with that of other standing timber. [*Evaluated by the Forestry Department*.]

2.066 PRIVATE FARM AND LOGGING ROADS

Oregon Statute: 308.236
Sunset Date: None
Year Enacted: 1963

1999–00 Assessed Value of Property Exempted: $1.3 Billion

	Loss	Shift	Total
1999–01 Revenue Impact:	$25,200,000	$5,400,000	$30,600,000
2001–03 Revenue Impact:	$28,100,000	$6,000,000	$34,100,000

DESCRIPTION: Farm, grazing and logging roads on private land are exempt from local property taxation. Exempted property also includes the culverts, drains, fill, surfacing, and bridges associated with these roads. The land under the roads is taxable. The exemption does not apply to principal exterior timber access roads, which are two lane improved roads that are continuously maintained and connect a timber conversion center or public highway to a principal forest area.

PURPOSE: The purpose was probably to avoid the difficulty of putting a value on these roads, most of which are logging roads. Many logging roads are built specifically to allow timber to be harvested. Once the harvest is finished, the roads have little or no value. Some logging roads, however, are used for forest management and fire suppression on an ongoing basis, so they maintain value long after they are built.

WHO BENEFITS: Owners of farm and timber land where roads have been built. Most of the value exempt under this provision is logging roads. Logging roads are expensive to build because they must accommodate heavy logging equipment and are usually built in hilly or mountainous terrain. Farm roads are generally on flat land and involve little cost to build.

EVALUATION: This expenditure is effective in avoiding the difficulty of putting a value on these roads. [*Evaluated by the Forestry Department.*]

2.067 FOREST FIRE PROTECTION ASSOCIATION

Oregon Statute: 307.125
Sunset Date: None
Year Enacted: 1957

1999–00 Assessed Value of Property Exempted: $7.2 Million

	Loss	Shift	Total
1999–01 Revenue Impact:	$200,000	$40,000	$240,000
2001–03 Revenue Impact:	$200,000	$40,000	$240,000

DESCRIPTION: All property of forest and vegetation protection groups is exempt from local property taxation if the property is used exclusively for fire suppression or forest protection. ORS Chapter 477 provides for the establishment of a variety of forest and vegetation protection groups. These groups include forest protection districts, cooperative agreements between the State Forester and Forest Protective Associations, and joint or separate agreements between state and federal agencies and local governments, corporations, landowner organizations, and similar groups.

PURPOSE: To treat these groups the same as publicly owned fire departments and to help keep the cost of protecting timber assets low.

WHO BENEFITS: The forest fire protection associations. Most of the property of fire protection associations has been deeded over to the Department of Forestry and the associations work under contract with the Department. Currently there are three fire protection associations operating in the state, one in Douglas County, one in Coos County, and one serving multiple counties in eastern Oregon.

EVALUATION: This provision is effective in achieving its purpose. The costs of providing forest fire prevention and suppression varies between districts due to the fuel and weather conditions that prevail on the lands protected, and the risks and hazards that exist. It appears that this tax treatment provides the equity desired, as the purely administrative costs do not appear to be different among the various districts, whether association or State-operated. Because the expenses of these associations are largely borne by the forest landowner, the associations would likely raise the assessments to landowners if this property were not exempt. [*Evaluated by the Forestry Department.*]

2.068 INACTIVE MINERAL INTERESTS

Oregon Statute: 308.115
Sunset Date: None
Year Enacted: 1997

1999–00 Assessed Value of Property Exempted: $5.6 Million

	Loss	Shift	Total
1999–01 Revenue Impact:	$100,000	Less than $50,000	$100,000
2001–03 Revenue Impact:	$100,000	Less than $50,000	$100,000

DESCRIPTION: Mineral interests owned separately from surface interests are exempt from local property tax if the property is not being mined. The exemption first applied in tax year 1998–99.

PURPOSE: To eliminate the administrative burden of assessing those accounts, when the administrative cost might be higher than the tax generated.

WHO BENEFITS: Owners of mineral interests who are not actively mining those interests.

EVALUATION: This expenditure has been effective in reducing the administrative costs of county assessment offices. Initially, additional work was required to remove these accounts from the tax rolls, but once that work is completed no significant administration is needed for these accounts. [*Evaluated by the Department of Revenue*.]

2.069 NATURAL HERITAGE CONSERVATION AREAS

Oregon Statute: 307.550
Sunset Date: 12-31-99
Year Enacted: 1983

1999–00 Assessed Value of Property Exempted: $0

	Loss	Shift	Total
1999–01 Revenue Impact:	$0	$0	$0
2001–03 Revenue Impact:	Not Applicable	Not Applicable	Not Applicable

DESCRIPTION: Property that has retained its natural character and is valuable as habitat for plant and animal species, for the study and appreciation of natural features as a living museum for educational purposes, scientific research, and nature interpretation is exempt from local property taxation.

To be eligible the property must (1) be identified in an instrument of dedication, and (2) be managed in compliance with a plan approved by the State Land Board. The owner must file an application with the county assessor to claim the exemption. Owners of land zoned for Exclusive Farm Use, which has been subject to deferred taxes, can designate and manage it as a Natural Heritage Conservation Area without having to pay the normal penalty for converting that land to another use.

If the property is not managed as agreed, the land is disqualified and additional taxes equal to the tax benefit during the last five years exempt are due. Additional taxes are not due if the Advisory Council determines the property is no longer needed or if fire or other natural disaster destroys the property.

PURPOSE: The exemption is to promote the protection of natural areas "through the voluntary cooperation of private landowners and public land managers" (ORS 273.566).

WHO BENEFITS: No privately owned land is currently exempt under this statute. Conservancy groups receive an exemption on property for Charitable, Literary, and Scientific Organizations (2.099) use, which is less restrictive.

EVALUATION: This exemption does not appear to be achieving its purpose, at least for private, for-profit lands. The provision has the same goal as a conservation easement, but is more easily revocable. For that reason, it appears that this provision does not provide a strong enough incentive to result in much participation. No privately owned land is currently exempt under this statute. In recent years the Natural Heritage Advisory Council has received a few inquiries regarding the exemption, but no applications have been made. [*Evaluated by the Division of State Lands*.]

2.070 LEASED STATE LAND BOARD LAND

Oregon Statute: 307.168
Sunset Date: None
Year Enacted: 1982

1999–00 Assessed Value of Property Exempted: $14.3 Million

	Loss	Shift	Total
1999–01 Revenue Impact:	$300,000	$100,000	$400,000
2001–03 Revenue Impact:	$300,000	$100,000	$400,000

DESCRIPTION: In general, when public property is held under contract of sale or is leased to a private individual or business, it is considered taxable. However, land leased from the State Land Board or Division of State Lands is exempt from local property taxation. Eligible land includes submerged, submersible, and grazing land but excludes mines, quarries or minerals, and buildings or improvements.

PURPOSE: The exemption is to maintain the status quo of leased State Land Board land, after a 1982 Supreme Court decision ruled that certain land leased from the Board to a private party was taxable.

WHO BENEFITS: The State Land Board has about $1.5 million in lease revenue per year from grazing land and waterways for the Common School Fund. The primary beneficiaries are Oregon's K–12 public schools, so the main effect of taxation would likely be to reduce potential lease income to the Common School Fund. Lessees may also benefit from the tax exemption, but it has been argued that lessees are unaffected because they would attempt to keep their out-of-pocket expenses the same by asking for reduced lease rates if lessees were required to pay taxes.

EVALUATION: This exemption is effective in achieving its purpose. As trustee of the Common School Fund, the state manages lands owned by the Fund in order to maximize revenue, consistent with long-term resource stewardship. Exempting leased Common School lands from taxation can help increase lease income, and therefore furthers the primary trust obligation. [*Evaluated by the Division of State Lands*.]

2.071 CRAB POTS

Oregon Statute: 508.270
Sunset Date: None
Year Enacted: 1969

1999–00 Assessed Value of Property Exempted: $8.4 Million

	Loss	Shift	Total
1999–01 Revenue Impact:	$200,000	$50,000	$250,000
2001–03 Revenue Impact:	$200,000	$50,000	$250,000

DESCRIPTION: Crab pots used by an owner with a commercial fishing license used with a commercially licensed boat are exempt from property tax. The value of the crab pots is entered on the tax roll but the assessment is canceled if proof of the required licensing is furnished to the assessor by August 1 of the assessment year.

PURPOSE: To provide tax relief to crab fishing operations after an Attorney General opinion determined that crab pots were not an integral part of a commercial fishing boat (taxed at four percent of value), but should be taxed as personal property (taxed at 100 percent of value). The exemptions makes the treatment of crab fishing operations more consistent with those of other types of fishing, where the fishing gear is considered an integral part of the fishing vessel and taxed at four percent of value.

WHO BENEFITS: About 135,000 commercial crab pots are used in the coastal counties. The number of pots may increase due to shifts in fishing effort by multi-purpose fishing boats in response to diminished opportunities in the groundfish fishery. Non-commercial crab pots are exempt as Personal Property for Personal Use (2.090).

EVALUATION: This expenditure has effectively achieved its purpose. It provides tax relief to crab fishing operations and it makes the property tax treatment of crabbing operations consistent with that of other types of fishing. [*Evaluated by the Department of Fish and Wildlife*.]

2.072 PLEASURE BOATS

Oregon Statute: 830.790
Sunset Date: None
Year Enacted: 1959

1999–00 Assessed Value of Property Exempted: $825 Million

	Loss	Shift	Total
1999–01 Revenue Impact:	$20,800,000	$4,200,000	$25,000,000
2001–03 Revenue Impact:	$20,800,000	$4,200,000	$25,000,000

DESCRIPTION: Pleasure boats requiring certificates from the State Marine Board are exempt from property taxation. Owners instead pay fees to the Marine Board. Floating homes and boat houses are taxable.

PURPOSE: The exemption is an extension of the personal property for personal use exemption to boats (similar to that for motor vehicles) and to avoid administrative problems dealing with a very mobile property.

WHO BENEFITS: In 1999 about 196,102 boats were registered in Oregon as pleasure boats.

IN LIEU: Fees for registration will be about $5.6 million in the 1999–01 biennium. Registration fees range from $15 to $25 for boats up to 20 feet in length. The fee for boats 20 or more feet is $30 plus an additional two dollars per foot for each foot over 20 feet.

EVALUATION: This exemption effectively achieves its purpose. This exemption is an extension of the personal property for personal use exemption, much the same as personal use motor vehicles are exempt. The exemption avoids the administrative problems that are inherent in assessing property taxes on mobile personal property that tends to decrease in value over time. [*Evaluated by the Marine Board.*]

2.073 WATERCRAFT LOCALLY ASSESSED

Oregon Statute: 308.256
Sunset Date: None
Year Enacted: 1925

1999–00 Assessed Value of Property Exempted: $72.3 Million

	Loss	Shift	Total
1999–01 Revenue Impact:	$1,900,000	$400,000	$2,300,000
2001–03 Revenue Impact:	$2,100,000	$400,000	$2,500,000

DESCRIPTION: Oregon private commercial watercraft not involved in transporting people or goods for hire are specially assessed for property tax by county assessors.

- Ships and vessels used on inland waters are assessed at 40 percent of assessed value.
- Ships and vessels used on the high seas or between the high seas and inland ports (coastal fishing boats for example) are assessed at four percent of assessed value. Off-shore self-propelled oil drilling rigs are also assessed at four percent.
- All watercraft under construction or undergoing major remodeling are exempt. Major remodeling exists if the cost exceeds 10 percent of the value of the watercraft before remodeling.

Watercraft that are not “ships” or “vessels”, such as dredges, museum ships, and restaurant ships, are assessed at 100 percent of assessed value. In addition, any vessel used for deep-sea fish reduction or processing (but not canning) is assessed at 100 percent of assessed value.

Non-Oregon private commercial boats of non-centrally assessed companies might be taxable (at 100 percent of value) if they are used significantly in Oregon. However, it is difficult to prove a tax situs in Oregon for non-Oregon boats.

Floating homes and houseboats are taxed at 100 percent of assessed value.

PURPOSE: The exemption provides tax relief to Oregon commercial fishermen who harvest a substantial share of landed fish outside state waters.

WHO BENEFITS: The Department of Fish and Wildlife issued commercial fishing boat licenses to 1,361 Oregon residents and 353 nonresidents in 1999. This is the major portion of exempt value. The Department of Revenue assists some counties in valuing centrally assessed companies that have ocean-going watercraft to be locally assessed. The exempt value is primarily in the coastal counties and along the Columbia River. Several watercraft construction (generally barges) and repair businesses are in operation but the value of watercraft under construction or being remodeled is unknown.

EVALUATION: This expenditure has achieved its purpose, although the exact proportion of fish landed outside Oregon waters is unknown. Many fishing vessels operate in distant water fisheries, but return to Oregon in the off-season. [*Evaluated by the Department of Fish and Wildlife*.]

2.074 WATERCRAFT CENTRALLY ASSESSED

Oregon Statute: 308.515
Sunset Date: None
Year Enacted: 1925

1999–00 Assessed Value of Property Exempted: $0.5 Million

	Loss	Shift	Total
1999–01 Revenue Impact:	Less than $50,000	Less than $50,000	Less than $50,000
2001–03 Revenue Impact:	Less than $50,000	Less than $50,000	Less than $50,000

DESCRIPTION: The watercraft of water transportation companies (barges, tugboats, excursion boats, etc.) involved in transportation of people or goods on inland waters (including border rivers and coastal bays) are centrally assessed for property taxation by the Department of Revenue. Also, the watercraft of other centrally assessed utilities are assessed by the Department. To the extent that watercraft of these businesses are used on the high seas or outside Oregon, they are exempt. Trips between inland ports and high seas are treated as high seas' use. These watercraft are taxable to the extent they are used on Oregon inland waters, even if a certificate fee is paid. A related exemption is Watercraft Locally Assessed (2.073).

Interstate ferries also are exempt.

PURPOSE: To relate the taxable value to value attributable to use in Oregon.

WHO BENEFITS: Two centrally assessed companies have exempt watercraft.

EVALUATION: Not Evaluated.

2.075 NONPROFIT PUBLIC PARK USE LAND

Oregon Statute: 307.115
Sunset Date: None
Year Enacted: 1971

1999–00 Assessed Value of Property Exempted: $4.8 Million

	Loss	Shift	Total
1999–01 Revenue Impact:	$130,000	$30,000	$160,000
2001–03 Revenue Impact:	$140,000	$30,000	$170,000

DESCRIPTION: Nonprofit corporation property used for public park or recreation purposes is exempt from property taxation if the following conditions are met:

- The purpose of the corporation is to acquire park or recreation property;
- The property is used for public park or public recreation purposes and cannot be used for the production of income;
- Any net earnings of the corporation must not benefit any private individual;
- Upon dissolution, any remaining assets must revert to the state or a local government; and
- The land use must accomplish one of the purposes listed in the statute. These purposes are the same as those in the open space law except that one additional purpose is provided—"promote the reservation of land for public parks, recreation, or wildlife refuge purposes."

The nonprofit corporation must file an application with the county assessor to claim the exemption. The city or county governing body having jurisdiction will act on the application. This exemption is for 10 years and is renewable by re-application.

PURPOSE: To encourage development of parks by private corporations as an alternative to publicly owned parks. Private development may be possible when public development is not.

WHO BENEFITS: There currently are 38 properties that were exempt under this provision, 11 in Coos, 10 in Josephine, 7 in Multnomah, and 5 in Union County. Most of the benefit went to the property owners in Coos, Josephine, and Multnomah County.

EVALUATION: This exemption appears to be effective in achieving its purpose. The exemption encourages the preservation of open space and park land. Little information exists which would allow an in-depth evaluation of these programs, but as a matter of public policy, this program contributes to the special quality of life in Oregon and helps meet the needs of our growing population for open spaces, greenways, natural settings, and recreational facilities. The program also supplements what the government can provide by encouraging land management decisions which contribute to the public good by non-government entities. [*Evaluated by the Parks and Recreation Department.*]

2.076 OPEN SPACE LAND

Oregon Statute: 308A.300
Sunset Date: None
Year Enacted: 1971

1999–00 Assessed Value of Property Exempted: $9.8 Million

	Loss	Shift	Total
1999–01 Revenue Impact:	$200,000	$50,000	$250,000
2001–03 Revenue Impact:	$200,000	$50,000	$250,000

DESCRIPTION: Open space land is specially assessed for property tax as though its current highest and best use is open space use rather than an alternative use. The difference between assessed value in an alternative use and specially assessed value is the exempt value. Improvements on open space land do not receive special assessment. (Chapter 493, 1971).

Open space land is any land designated as open space in an official comprehensive land use plan or any land which, if preserved in its present use, would accomplish one of the following:

- conserve and enhance natural or scenic resources;
- protect air, streams, or water supply;
- promote conservation of soils, wetlands, beaches, or tidal marshes;
- conserve landscaped areas, such as golf courses;
- enhance the value of neighboring parks, forests, wildlife preserves, or other open space;
- enhance recreation opportunities;
- preserve historic sites;
- promote orderly urban or suburban development; or
- retain land in its natural state under conditions required by the legislative body granting the open space classification.

Open space land may be changed from one open space use to another without paying back taxes. However, if land is withdrawn from open space classification, any tax benefits received from open space classification in previous years must be paid back plus eight percent annual interest. The amount of the payback is based on the difference between the assessed value in an alternative use and open space value in the year of withdrawal (ORS 308A.318).

PURPOSE: To preserve open space and its vegetation for public health and enjoyment. The exemption is also to prevent the forced conversion to more intensive use because of high property taxes based on an alternative use value.

WHO BENEFITS: Assessors report 360 open space properties, many of which are golf courses. When appraising open space land the assessor cannot consider what the property might be worth if used for some purpose other than its current use. For example, in appraising a golf course in an urban area the assessor cannot value the land by looking at the value of surrounding land used for home sites. The course must be appraised as a golf course (its current use), not as home sites (its highest and best use). One way to do that would be to look at sales of other golf courses. Another might be to examine the income earned from the course.

EVALUATION: This exemption appears to achieve its purpose. The exemption encourages the preservation of open space and park land. Little information exists which would allow an in-depth evaluation of these programs, but as a matter of public policy, this program contributes to the special quality of life in Oregon and helps meet the needs of our growing population for open spaces, greenways, natural settings, and recreational facilities. The program also supplements what the government can provide by encouraging land management decisions which contribute to the public good by non-government entities. [*Evaluated by the Parks and Recreation Department.*]

2.077 HISTORIC PROPERTY

Oregon Statute: 358.505
Sunset Date: 6-30-02
Year Enacted: 1975

1999–00 Assessed Value of Property Exempted: $439 Million

	Loss	Shift	Total
1999–01 Revenue Impact:	$11,400,000	$2,300,000	$13,700,000
2001–03 Revenue Impact:	$6,200,000	$1,300,000	$7,500,000

DESCRIPTION: Any growth in value of qualified historic property above its assessed value at the time of application for historic property classification is exempt from property tax for up to 15 years. In effect, the assessed value is frozen at the time of application and increased value from improvements or inflation is exempt for 15 years. Business property can qualify for a second 15-year exemption if a renovation plan is accepted for seismic upgrade, energy conservation, or disability access.

Prior to 1994, historic property qualified for exemption if (a) the real property was currently listed in the National Register of Historic Places, (b) the owner filed an application with the State Historic Preservation Officer and (c) the State Historic Preservation Officer approved the application. The property continues to qualify if it meets minimum standards of maintenance set by the State Historic Preservation Officer and is open to the public at least one day a year.

Since 1996, the program for new participants is limited to properties requiring rehabilitation as opposed to normal maintenance. New applicants must file a preservation plan with the State Historic Preservation Officer describing proposed rehabilitation, in addition to the requirements listed above.

The preservation plan must be carried out for the property to continue to qualify. Properties already in the program before 1995–96 are not required to have a preservation plan.

If the historic property is disqualified, the tax savings from having a frozen value must be repaid. The additional tax is equal to the sum of the tax benefit received for each year of special assessment as historic property. In addition, if the owner fails to notify the assessor when the property becomes disqualified, the additional tax is increased by a penalty of 15 percent. However, if the property is destroyed by fire or Act of God or transferred to a tax exempt owner, no additional tax or penalty is charged.

PURPOSE: As stated in statute, the exemption is to “maintain, preserve and rehabilitate properties of Oregon historical significance” (ORS 358.475).

WHO BENEFITS: About 1,600 historic properties qualify for the exemption. Frozen value is about 60 percent commercial (including multi-family residential) and 40 percent single family

residential property. Qualified properties are in almost every county but are concentrated in Multnomah County, where nearly three-quarters of the exempt value resides.

EVALUATION: This expenditure has been very successful in achieving its purpose, but the substantial reduction in property taxes caused by Measures 5 and 50 have reduced the incentive for taxpayers to participate in the program.

Oregon's program is the nation's oldest tax incentive for the preservation of historic property. The incentive attracts both commercial and residential clients, representing all economic groups. The benefit, originally enacted as an anti-demolition incentive, has been used to save hundreds of significant abandoned or economically underutilized historic properties, and to revitalize whole areas in communities. Direct investment in rehabilitation, stabilization or expansion of the work force in historic urban commercial areas, re-use of existing infrastructure, and stabilization or expansion of the existing tax base are all measurable benefits of the expenditure. Other benefits include the preservation of the tangible remnants of Oregon's history; the enhancement of Oregon's quality of life; and the economic development and tourism benefits.

The economic benefits of the program more than offset the costs to local government. Rehabilitation activity might have occurred without the incentive, but certainly not at the pace or extent that has been exhibited in the past. Despite this success, there are many potential recipients who will not utilize the benefit, particularly in areas of the state with flat economies. Mostly, this is due to the fact that the effectiveness of the incentive has been greatly reduced by Ballot Measures 5 and 50. Under Measure 5, consequent reductions in property tax rates meant an additional percentage reduction in the potential tax savings that would accrue to a property owner. In some areas, the negative impact of that measure was partially offset by the high inflation rate of robust 1990's valuation increases.

As a result of Measure 50, we anticipate that specially-assessed property owners will see potential further reductions in savings since taxable assessed values are no longer tied to real market values. Without the potential for double digit valuation increases on an individual property, the value of the benefit to the owner will likely be reduced. Potential savings are also likely to be reduced since improvements classified as minor construction will not change a property's assessed value. In addition, because of 1995 legislative changes requiring a commitment to a specific time-framed list of rehabilitation work items, it is now possible that rehabilitation expenditures will exceed more frequently the potential tax savings over the 15 year benefit period.

As a result of both ballot measures, applications for Special Assessment have declined for the past two years. The State Historic Preservation Office approved 29 applications in tax year 1999–00, representing the third lowest number of applicants since the program's inception. In the long run, the effect of both tax law changes could be a decrease in both residential and commercial rehabilitation efforts and also an increase in demolition requests for income-producing properties.

Given the administrative costs versus the anticipated tax savings, it could be said that the program in its current form no longer provides an adequate state incentive for assisting owners of National Register properties in preserving and rehabilitating them in the public interest, particularly on the residential side. Many states are now enacting investment tax credit programs for residential and commercial property that are based on successful federal models for income-producing property. Such a program in Oregon would impact the General Fund instead of local property tax revenues. [*Evaluated by the Parks and Recreation Department*.]

2.078 NONPROFIT WATER ASSOCIATIONS

Oregon Statute: 307.210
Sunset Date: None
Year Enacted: Pre-1953

1999–00 Assessed Value of Property Exempted: $12.6 Million

	Loss	Shift	Total
1999–01 Revenue Impact:	$300,000	$100,000	$400,000
2001–03 Revenue Impact:	$300,000	$100,000	$400,000

DESCRIPTION: All water system property of mutual or cooperative water associations is exempt from property taxation if:

- the association is nonprofit;
- the sole purpose of the association is to distribute water to its members for domestic use or irrigation;
- no more than 15 percent of the members use the water for private commercial purposes; and
- no more than 25 percent of the water is used for private commercial purposes.

Eligible associations must be certified by the county assessor.

PURPOSE: The exemption is probably to encourage central water supplies and to treat privately owned water supply systems the same as publicly owned water systems.

WHO BENEFITS: About 400 water associations are exempt.

EVALUATION: Not Evaluated.

2.079 NONPROFIT ELECTRICAL DISTRIBUTION ASSOCIATIONS

Oregon Statute: 308.805
Sunset Date: None
Year Enacted: Pre-1953

1999–00 Assessed Value of Property Exempted: $449 Million

	Loss	Shift	Total
1999–01 Revenue Impact:	$9,100,000	$1,900,000	$11,000,000
2001–03 Revenue Impact:	$10,100,000	$2,200,000	$12,300,000

DESCRIPTION: The "transmission and distribution lines" of a mutual or cooperative electrical association are exempt from local property taxation if:

- the association is nonprofit and
- the principle purpose of the association is to distribute electricity to its members (ORS 308.805 to 308.820).

The exemption for "transmission and distribution lines" includes all property that is energized or energizable and all property supporting or integrated with energized or energizable property. This includes but is not limited to substations, poles, conductors, transformers, services, meters, street lights, easements, generators, communication equipment, lines leased to government agencies, tools, supplies, and office furniture and equipment.

Exempt associations must pay the lesser of (1) a tax in lieu of the property tax, at four percent on gross revenue minus power costs or (2) property tax at the Measure 5 limits plus a bond rate. Gross revenue includes all revenue from the operation of electric distribution systems except line lease payments from government agencies.

PURPOSE: To avoid the difficulty of assessing electrical lines and to encourage the distribution of electricity in areas that were not supplied by for-profit companies because of the distribution cost.

WHO BENEFITS: Eighteen cooperatives scattered around the state are exempt. Theoretically, the benefits of this exemption would flow through to the members of the cooperative in the form of lower electric rates; in theory, it might permit otherwise unprofitable service area to receive electric service. As the school rate limit fully phases in some cooperatives may start paying property taxes as the lesser amount and not be exempt.

IN LIEU: The four percent in lieu tax on gross revenue was less than property taxes for all cooperatives in 1995, and the gross revenue tax raised revenue of $2.6 million. Proceeds are distributed to the counties in proportion to the system's wire miles in each county. Within each county, 67.7 percent goes to the county and 33.3 percent to the County School Fund.

EVALUATION: This provision appears to be effective in achieving its purpose, but an in-depth evaluation of the program is not possible because these cooperatives are not regulated, so the Public Utility Commission does not have any financial or other information about these companies.

Eighteen of nineteen electric cooperatives in the state qualify for the exemption. Because they are exempt, their distribution lines need not be assessed for property tax purposes, resulting in savings for the state. Imposing taxes on these cooperatives

would likely result in higher electricity rates for their customers. If that were to happen, it may be that for-profit private utilities could then offer electricity at rates lower than the cooperatives, but without more information it is not possible to evaluate that possibility. [*Evaluated by the Public Utility Commission.*]

2.080 NONPROFIT TELEPHONE ASSOCIATIONS

Oregon Statute: 307.220
Sunset Date: None
Year Enacted: Pre-1953

1999–00 Assessed Value of Property Exempted: Negligible

	Loss	Shift	Total
1999–01 Revenue Impact:	Less than $50,000	Less than $50,000	Less than $50,000
2001–03 Revenue Impact:	Less than $50,000	Less than $50,000	Less than $50,000

DESCRIPTION: All telephone system property except land and buildings of a mutual or cooperative telephone association are exempt from property taxation if:

- the association is nonprofit;
- the sole purpose of the association is the operation of a telephone system for the use of its members;
- the association does not own, lease, or have an interest in the switchboard exchange; and
- the system has a cash value of less than $2,500.

PURPOSE: The exemption is probably to encourage telephone service in rural areas.

WHO BENEFITS: Direct recipients of the tax expenditure are the members of the nonprofit association. Only four associations qualified in 1998–99.

EVALUATION: This expenditure does not appear to be achieving its purpose. Because of technological advances in telephone communications, the equipment that qualifies for this exemption appears to be obsolete. According to information from the Department of Revenue, the number of taxpayers qualifying for the exemption has been declining steadily. All telephone associations reported paying property taxes in 1998–99; each had switching equipment exceeding $300,000 and no system would have a cash value less than $2,500. [*Evaluated by the Public Utility Commission.*]

2.081 PRIVATE SERVICE TELEPHONE EQUIPMENT

Oregon Statute: 307.230
Sunset Date: None
Year Enacted: Pre-1953

1999–00 Assessed Value of Property Exempted: Negligible

	Loss	Shift	Total
1999–01 Revenue Impact:	Less than $50,000	Less than $50,000	Less than $50,000
2001–03 Revenue Impact:	Less than $50,000	Less than $50,000	Less than $50,000

DESCRIPTION: Any telephone property (not land) that serves only the system owner's property is exempt from property taxation if the individual is not engaged in public service operations and the system's value does not exceed $1500. Property includes improvements, fixtures, equipment and supplies used for the construction, maintenance and operation of the individual's telephone system.

PURPOSE: The exemption is probably to help individuals in remote areas connect to a telephone system.

WHO BENEFITS: Direct recipients of the tax expenditure are persons who install telephone communication systems which serve only property owned or operated by that person. It is unknown whether any taxpayers currently qualify for the exemption. Since it is more likely that a telephone system's value is over the $1,500 cap, there would likely be few beneficiaries.

EVALUATION: This provision does not appear to be achieving its purpose. No specific information exists that would allow a thorough evaluation of this exemption, but given the recent advances in telephone technology, it seems unlikely that much, if any, of the type of equipment that qualifies for this exemption is still in use. The Public Utility Commission recommends elimination of this tax exemption. [*Evaluated by the Public Utility Commission*.]

2.082 RAILROAD WAY USED FOR ALTERNATIVE TRANSPORT

Oregon Statute: 307.205
Sunset Date: None
Year Enacted: 1977

1999–00 Assessed Value of Property Exempted: $0 (no exempt value on roll on January 1, 1999).

	Loss	Shift	Total
1999–01 Revenue Impact:	$0	$0	$0
2001–03 Revenue Impact:	$0	$0	$0

DESCRIPTION: Real property owned by a railroad is exempt from local property taxation if the property is temporarily and exclusively used for public alternative transportation. A claim must be filed with the county assessor by April 1.

PURPOSE: To encourage railroads to allow their abandoned right-of-way to be used for such things as public light rail systems or bicycle paths.

WHO BENEFITS: No railroad right of way is known to qualify. Formerly exempt routes have been sold or transferred to public ownership.

EVALUATION: Not Evaluated.

2.083 RAILROAD RIGHT OF WAY IN WATER DISTRICT

Oregon Statute: 264.110
Sunset Date: None
Year Enacted: 1943

1999–00 Assessed Value of Property Exempted: $39.5 Million

	Loss	Shift	Total
1999–01 Revenue Impact:	Less than $50,000	Less than $50,000	Less than $50,000
2001–03 Revenue Impact:	Less than $50,000	Less than $50,000	Less than $50,000

DESCRIPTION: Railroad right of way, improvements, or rolling stock are exempt from property tax imposed by a water supply district. Water supply districts can levy up to one-fourth of one percent on taxable property for its operating purposes plus a levy for bonds. When calculating the rate, railroad property must be excluded unless the railroad expressly consents to its inclusion.

PURPOSE: The purpose is probably to avoid taxing a property owner that would not significantly benefit from a water district's services and might otherwise oppose a district's formation.

WHO BENEFITS: About 110 water supply districts exist in the state. Those railroad companies that have property in such water supply districts are the beneficiaries.

EVALUATION: Not Evaluated.

2.084 RAILROAD WAY IN HIGHWAY LIGHTING DISTRICT

Oregon Statute: 372.190
Sunset Date: None
Year Enacted: Pre-1953

1999–00 Assessed Value of Property Exempted: Not Available

	Loss	Shift	Total
1999–01 Revenue Impact:	Not Available	Not Available	Not Available
2001–03 Revenue Impact:	Not Available	Not Available	Not Available

DESCRIPTION: Railroad rights of way are exempt from property taxes imposed by a highway lighting district unless the right of way is at a grade crossing. Highway means any public road or street. A highway lighting district can levy on any reasonable basis but the assessment cannot exceed one dollar per front foot of property abutting a lighted highway. The one dollar limit can be exceeded for initial construction and installation costs.

PURPOSE: The purpose is probably to avoid assessing a property owner that would not significantly benefit from a lighting district's services and might otherwise oppose a district's formation.

WHO BENEFITS: Those railroad companies that have property in such highway lighting districts are the beneficiaries.

EVALUATION: Not Evaluated.

2.085 RAILROAD RIGHT OF WAY IN RURAL FIRE DISTRICT

Oregon Statute: 478.010 (2)(d)
Sunset Date: None
Year Enacted: 1969

1999–00 Assessed Value of Property Exempted: $141 Million

	Loss	Shift	Total
1999–01 Revenue Impact:	$470,000	$20,000	$490,000
2001–03 Revenue Impact:	$520,000	$20,000	$540,000

DESCRIPTION: Railroad right of way, improvements, or rolling stock are exempt from property tax by a rural fire protection district unless the railroad consents to be taxed. A rural fire protection district has a rate limit of 1.25 percent for bonds, but no limit for operating levies. (Chapter 667, 1969)

PURPOSE: The purpose is probably to avoid assessing a property owner that would not significantly benefit from a rural fire district and might otherwise oppose a district's formation.

WHO BENEFITS: About 300 rural fire districts exist in the state. Those railroad companies that have property in such fire districts are the beneficiaries.

EVALUATION: Not Evaluated.

2.086 MOTOR VEHICLES AND TRAILERS

Oregon Statute: 803.585
Sunset Date: None
Year Enacted: 1919

1999–00 Assessed Value of Property Exempted: $16.5 Billion

	Loss	Shift	Total
1999–01 Revenue Impact:	$430,000,000	$87,000,000	$517,000,000
2001–03 Revenue Impact:	$480,000,000	$97,000,000	$577,000,000

DESCRIPTION: Generally, vehicles pay registration fees and are exempt from property taxation. The exemption covers virtually all vehicles that transport people or goods over public roads including cars, trucks, buses, most travel trailers, campers, and motorcycles.

Although travel trailers are normally exempt from property taxation, an owner may have it assessed for property taxation if the trailer is used as a permanent home or for other than recreation (ORS 308.880). No registration is needed in this case.

There are exceptions to vehicles being exempt. Many fixed load vehicles are fully taxable. Generally, these vehicles are not designed or used primarily to transport people or property over public roads. The definition of fixed load vehicles as specified in ORS 801.285 is difficult to apply in some cases so the statute lists 64 specific types of fixed load vehicles (cement spreaders, scoopmobiles, backhoes, etc.). In addition, the statute lists five fixed load vehicles that are exempt, including self-propelled mobile cranes.

Mobile homes are also taxable. Like fixed load vehicles, they are not used primarily to transport people or property over public roads.

Article IX, Section 3a of the Constitution dedicates taxes on motor vehicles to roads. This restriction would remain, even if motor vehicles were subject to property taxes. Since some local taxing districts are not involved with road construction or maintenance, they could not use the property tax revenues from this source.

PURPOSE: To tax motor vehicles based on their share of the cost of maintaining a transportation system. This also avoids administrative problems dealing with very mobile property that could easily be moved out of state on assessment day in order to avoid taxation.

WHO BENEFITS: In 1999 there were about 2.96 million registered cars and pickups and about 0.6 million other registered vehicles and trailers in Oregon.

IN LIEU: The registration fee for cars and pickups is $30 per biennium; motorcycles is $9. The fee for large trucks and buses varies by registered weight. Other on and off road vehicles have different fees for various time periods. The in lieu registration fees will be about $111 million for cars and pickups and $48 million for all other vehicles in the 1999–01 biennium. Part of this revenue is distributed to local districts for road construction and maintenance.

EVALUATION: This expenditure achieves its purpose. The principle of assessing those who benefit from highway facilities and services for a fair share of the cost has a long history and is well supported by current methods of assessing user fees. Article IX, section 3a of the Constitution further emphasizes this principle by dedicating all such revenues to be used exclusively for the construction and maintenance of highways. The user fee principle suggests that people should be taxed based on their use of highway services. Value related taxation would upset that user fee principle by taxing vehicles based on value, which might be unrelated to their use of highway services. [*Evaluated by the Department of Transportation.*]

2.087 AIRCRAFT

Oregon Statutes: 308.558 and 308.565
Sunset Date: None
Year Enacted: 1987

1999–00 Assessed Value of Property Exempted: $227.9 Million

	Loss	Shift	Total
1999–01 Revenue Impact:	$5,900,000	$1,200,000	$7,100,000
2001–03 Revenue Impact:	$6,600,000	$1,300,000	$7,900,000

DESCRIPTION: Generally, aircraft are exempt from property taxation, but pay registration fees to the Department of Aviation. Aircraft owned by air transportation companies (commercial airlines) which weigh less than 75,000 pounds are 40 percent exempt. Transportation company aircraft weighing 75,000 pounds or more are fully taxable, and are centrally assessed by the Department of Revenue in proportion to their business in Oregon.

PURPOSE: To tax aircraft based on their share of the cost of maintaining aircraft facilities and services. It also avoids administrative problems dealing with a very mobile property, that could easily be moved out of state on assessment day in order to avoid taxation.

WHO BENEFITS: The Department of Aviation registers about 4,900 aircraft that are exempt from property tax. In addition, a few air transportation companies own aircraft under 75,000 pounds that are taxed at 60 percent of their assessed value.

IN LIEU: The annual registration fee varies from $37 for a sailplane to $187 for a turbojet. Registration fees as an in lieu payment will be about $524,000 in the 1999–01 biennium.

EVALUATION: This expenditure achieves its purpose. The user fee principle noted for Motor Vehicles and Trailers (2.086) is similar in concept to the current means of assessing those that benefit from the use of aircraft facilities and services. The user fee principle is believed to be the most equitable practice for assessing fair cost. There are currently various means of assessing those that use airport facilities, such as aircraft registration, fuels tax, tie down fees, and parking fees. Value related taxation would upset the user fee principle.

Another method for taxing aircraft that was considered in the past was an assessment for the use of Oregon air space. However, it was never implemented because it was believed to be too cumbersome a process and too costly to enforce. [*Evaluated by the Department of Aviation*.]

2.088 ODOT LAND UNDER USE PERMIT

Oregon Statute: 307.110(3)(c)
Sunset Date: None
Year Enacted: 1981

1999–00 Assessed Value of Property Exempted: Not Available

	Loss	Shift	Total
1999–01 Revenue Impact:	Less than $50,000	Less than $50,000	Less than $50,000
2001–03 Revenue Impact:	Less than $50,000	Less than $50,000	Less than $50,000

DESCRIPTION: In general, when public property is held under contract of sale or is leased to a private individual or business, it is considered taxable. However, Oregon Department of Transportation (ODOT) real property used by a person under a land use permit is exempt from property taxation. The exemption applies to real property with use restrictions such that only an administrative processing fee can be charged. These are generally small parcels abutting highways used for pasture or landscaping. Other real property leased for more than an administrative fee (for parking or commercial displays, for example) is taxable.

PURPOSE: The exemption allows ODOT to permit the use of small, uneconomic real property parcels where the benefit derived is equal to or greater than the expected revenue if it were to be leased or rented. By permitting this use, ODOT saves maintenance and weed control costs. Parcels with marginal value under a lease or rental agreement would otherwise require administrative costs on the part of the state and counties for the assessment and payment of property taxes that would exceed revenue generated.

WHO BENEFITS: ODOT has about 314 active permits that provide approximately $16,000 in annual administrative fees. This permit system relieves ODOT of the maintenance responsibility, and eliminates the need for county governments to assess property that would in many cases raise very little revenue.

EVALUATION: This provision is effective in achieving its purpose. It reduces costs to both ODOT and county governments. [*Evaluated by the Department of Transportation.*]

2.089 INTANGIBLE PERSONAL PROPERTY

Oregon Statute: 307.030
Sunset Date: None
Year Enacted: 1935

1999–00 Assessed Value of Property Exempted: $274.1 Billion

	Loss	Shift	Total
1999–01 Revenue Impact:	$7,091,000,000	$1,428,000,000	$8,519,000,000
2001–03 Revenue Impact:	$7,826,000,000	$1,576,000,000	$9,402,000,000

DESCRIPTION: Intangible personal property is exempt from local property taxation. ORS 307.020 defines intangible personal property to include (a) financial property such as interest-bearing accounts, stocks, and bonds; (b) business records in various media forms; and (c) business intangibles like goodwill, patents, trademarks, and copyrights.

On the other hand, business intangibles of centrally-assessed utilities such as communications, energy, railroads, and airlines are included in the taxable value of these companies because of the unitary method by which they are appraised.

PURPOSE: The exemption avoids administrative problems and avoids the inequities that would arise from low compliance.

Intangibles are very mobile and easily concealed. Assessors could not easily identify intangibles without information from financial institutions. A taxpayer could avoid the tax by moving intangibles out of state, converting to tax exempt bonds, or simply not reporting.

WHO BENEFITS: The exemption benefits virtually every household and business in Oregon.

EVALUATION: The experience of most states that impose taxes on intangible personal property is that the taxes are difficult to administer effectively and equitably. Taxes on intangibles are relatively easy to avoid for most intangible assets by simply locating them in a state that does not impose an intangibles tax. In addition, tax compliance tends to be low because many taxpayers are unaware of the tax and enforcement is difficult.

The exemption achieves its purpose of avoiding administrative costs, but it also is likely to create some economic inefficiencies by favoring the ownership of intangible property over tangible property.

The issue of taxation of the intangible property of centrally-assessed utilities received considerable attention during recent legislative sessions. With deregulation of the telecommunications and energy industries, these industries are concerned about paying taxes on intangible property that future competitors would not pay. A critical element of this discussion has centered on the definition of 'intangible property.' [*Evaluated by the Department of Revenue.*]

2.090 PERSONAL PROPERTY FOR PERSONAL USE

Oregon Statute: 307.190
Sunset Date: None
Year Enacted: 1854

1999–00 Assessed Value of Property Exempted: $16.0 Billion

	Loss	Shift	Total
1999–01 Revenue Impact:	$410,900,000	$82,900,000	$493,800,000
2001–03 Revenue Impact:	$444,500,000	$90,200,000	$534,700,000

DESCRIPTION: Tangible personal property held by the owner for personal use, benefit, or enjoyment is exempt from property tax. Examples of personal property for personal use are household goods, furniture and appliances, personal effects and clothing, and recreational and entertainment equipment.

The exemption does not apply to any property:

- wholly or partially used in the ordinary course of a trade or business;
- used for the production of income or solely for investment;
- required to be licensed or registered; or
- that is a floating home, boathouse, or manufactured structure.

PURPOSE: The exemption facilitates administration by eliminating the tax on numerous items troublesome to value. As the variety and amount of personal property increased over time, identifying and valuing the property became an increasingly difficult job.

WHO BENEFITS: The exemption benefits all households. Those households with more personal property receive a proportionately greater benefit.

EVALUATION: This exemption achieves its purpose of avoiding the administrative difficulties of valuing the personal property of individuals. However, the exemption also creates some inequities by treating personal property and real property differently and by treating the personal property of individuals and businesses differently (business personal property is taxed). In addition, it can slow economic growth by altering purchasing decisions. [*Evaluated by the Department of Revenue*.]

2.091 BEVERAGE CONTAINERS REQUIRING DEPOSIT

Oregon Statute: 307.402
Sunset Date: None
Year Enacted: 1983

1999–00 Assessed Value of Property Exempted: $4.4 Million

	Loss	Shift	Total
1999–01 Revenue Impact:	$110,000	$20,000	$130,000
2001–03 Revenue Impact:	$120,000	$20,000	$140,000

DESCRIPTION: All beverage containers that have a refund value (requiring a deposit) are exempt from property tax. These containers are not considered inventory if owned by the distributor. The containers are not “sold” with the contents but are intended to be returned for a refund. Deposit containers for carbonated soft drinks and beer may be glass, metal, or plastic. Value varies by type of container and size. The estimate assumes inventory at bottlers, distributors, and retail stores to be about one month of sales.

PURPOSE: The purpose of the exemption is to avoid the difficulty of assigning a value to this property, which is constantly changing as the containers are redeemed by purchases, collected by retailers, stored by distributors, then recycled.

WHO BENEFITS: Distributors of beverages sold in containers requiring a deposit are the direct beneficiaries.

EVALUATION: It would be virtually impossible to effectively tax the value of these containers, which are constantly moving through the chain of manufacturing, distribution, consumption, and recycling. [*Evaluated by the Department of Revenue*.]

2.092 STATE AND LOCAL PROPERTY

Oregon Statute: 307.090
Sunset Date: None
Year Enacted: 1854

1999–00 Assessed Value of Property Exempted: $25.9 Billion

	Loss	Shift	Total
1999–01 Revenue Impact:	$670,000,000	$135,000,000	$805,000,000
2001–03 Revenue Impact:	$745,000,000	$150,000,000	$895,000,000

DESCRIPTION: State and local government property is exempt from property taxation. State or local government property held under contract of sale or lease by a private party is taxable. For example, office buildings owned by the state of Oregon and used for public purposes are exempt, but space in those same buildings, if leased to a private company, is taxable.

Common School Fund land is exempt even if leased for private use. Article 8, Section 2 of the Oregon Constitution requires that all proceeds from certain lands granted to the state be dedicated to the Common School Fund. According to the Attorney General, this means such lands are not taxable. The land involved includes some state forest land, farm land leased in Eastern Oregon, and submerged or submersible lands on the coast.

The Oregon Legislature exempted some leasehold interests that otherwise would be taxable state and local property. Refer to the following exemptions in this report:

- Leased Student Housing Publicly Owned (2.004),
- Higher Education Parking Space (2.005),
- Docks and Airports Leased from Port District (2.018),
- Leased Publicly-Owned Shipyard Property (2.019),
- Fairground Leased Storage Space (2.026),
- Leased Public Farming and Grazing Land (2.049),
- Oyster Growing on State Land (2.051),
- State and Local Standing Timber Under Contract (2.058),
- Leased State Land Board Land (2.070), and
- ODOT Land Under Use Permit (2.088).

PURPOSE: To avoid state government paying property tax to local governments, and local governments paying property tax to each other.

WHO BENEFITS: This provision's primary effect is to transfer tax burdens from one group of taxpayers to another. In general, state income taxpayers will benefit from lower income taxes, but property taxpayers in local jurisdictions with significant value in state-owned property will pay higher local property taxes.

IN LIEU: The following types of property make in lieu payments to local taxing districts:

- City Property Used to Produce Energy (ORS 307.090(2)),
- Fish and Wildlife Commission Lands (ORS 496.340),
- State Timber Land (ORS 530.110–.115),
- Common School Fund Lands (ORS 327.410–.420).

EVALUATION: The exemption of state and local government property from property taxes has achieved its purpose of avoiding the taxation of one government by another, but many economists have argued that this purpose may not be a sensible one. In arguing for this exemption, most governments point out that taxing government property is simply a transfer of funds between different government entities. This is not strictly correct. To the extent that governments consume services provided by other governments (police and fire protection, streets and sidewalks, the demand for park space, etc.), this exemption represents a subsidy that must be paid for by other taxpayers. The exemption also disrupts the role that taxes play as prices in the economy, leading to both inequities and reduced economic growth. [*Evaluated by the Department of Revenue*.]

2.093 BEACH LANDS

Oregon Statute: 307.450
Sunset Date: None
Year Enacted: 1969

1990-00 Assessed Value of Property Exempted: Not Available

	Loss	Shift	Total
1999–01 Revenue Impact:	Not Available	Not Available	Not Available
2001–03 Revenue Impact:	Not Available	Not Available	Not Available

DESCRIPTION: Beach lands are exempt from property taxation. However, improvements are not exempt. Generally, beach lands are those along the Pacific Ocean between the extreme low tide and the vegetation line. While much of this land is publicly owned, some is privately owned, but in most cases it has severe restrictions on development.(ORS Chapter 601, 1969).

PURPOSE: The exemption is part of 1969 legislation to preserve public access to ocean beaches and is intended to clarify that ocean beaches, even if privately owned, are exempt from property taxation.

WHO BENEFITS: The state owns the beach land between ordinary high tide and extreme low tide. The "dry sand" land between ordinary high tide and the vegetation line (16 feet elevation) can be privately owned. Of the 362 mile coastline, 262 miles has dry sand beach. Dry sand beach of 116 miles is privately owned and 146 miles is publicly owned. The State Parks and Recreation Department administers the 76 miles the state owns.

EVALUATION: Privately owned beach lands are typically portions of privately owned lots that include both beach and non-beach land. The beach portion is not taxed, but it also has severe restrictions on development. It is likely, however, that undeveloped beach land contributes to the value of the non-beach portions of ocean-front lots, so the value of the beach portion is, in effect, taxed indirectly. [*Evaluated by the Department of Revenue*.]

2.094 PUBLIC WAYS

Oregon Statute: 307.200
Sunset Date: None
Year Enacted: 1895

1999–00 Assessed Value of Property Exempted: $12.5 Billion

	Loss	Shift	Total
1999–01 Revenue Impact:	$322,000,000	$65,000,000	$387,000,000
2001–03 Revenue Impact:	$354,000,000	$72,000,000	$426,000,000

DESCRIPTION: All dedicated streets, alleys, and county roads are exempt from local property taxation if used for transportation. About 84,000 miles of such public highways, roads, and streets exist in the state. The value of the land itself varies widely, generally being of much higher value in urban areas than in rural areas. Most of the exempt value is, however, the value of the road surface itself, not the land under it.

PURPOSE: The exemption is a clarification of the exemptions for State and Local Property (2.092) and Federal Property (2.104).

WHO BENEFITS: It is not clear who benefits. Because these roads are owned by federal, state, and local governments, taxation would result in both higher costs and higher revenues for the government entities. This would result in higher taxes for some taxpayers and lower taxes for others, but identifying the winners and losers would be very difficult.

EVALUATION: The exemption of public ways is an extension of the general exemption of government-owned property and, therefore, is based on the same rationale: that governments should not tax other levels of government. While many economists argue that the failure of governments to tax other governments in exchange for services provided can slow economic growth, it is unlikely that the failure to tax the value of public ways has much effect. [*Evaluated by the Department of Revenue*.]

2.095 TRIBAL LAND BEING PLACED IN U.S. TRUST

Oregon Statute: 307.180
Sunset Date: 6-30-02
Year Enacted: 1993

1999–00 Assessed Value of Property Exempted: $600,000

	Loss	Shift	Total
1999–01 Revenue Impact:	Less than $50,000	Less than $50,000	Less than $50,000
2001–03 Revenue Impact:	Less than $50,000	Less than $50,000	Less than $50,000

DESCRIPTION: Land acquired by an Indian tribe is exempt from local property taxation if the land is within ancient tribal boundaries and is in the process of being placed in a U.S. trust. The exemption continues until the land is placed in trust, up to a maximum of five years.

PURPOSE: The exemption allows land to be free of a property tax lien during the application time for placement in U.S. trust without cost to a tribe. The U.S. government requires the land be free of liens as a condition for the trust.

WHO BENEFITS: In 1994, a few properties were exempt in four counties. Some of these exempt properties will be placed in trust before the sunset. Other properties will likely become exempt before the sunset.

EVALUATION: Not Evaluated.

2.096 EXEMPT LEASE FROM TAXABLE OWNER

Oregon Statute: 307.112
Sunset Date: None
Year Enacted: 1977

1999–00 Assessed Value of Property Exempted: *

	Loss	Shift	Total
1999–01 Revenue Impact:	*	*	*
2001–03 Revenue Impact:	*	*	*

* Included in various other categories of exempt property.

DESCRIPTION: Property that is leased to a qualified exempt organization or local government, other than the state of Oregon or federal government, from an otherwise taxable owner is exempt from local property taxation. Eligible organizations are literary, benevolent, charitable, scientific and religious organizations, private schools, day cares and housing authorities.

To qualify, (1) the property must be used for a qualifying purpose, and (2) it must be expressly agreed in the lease or lease-purchase agreement that the rent has been established to reflect the exemption, and (3) the rent charged must be below market rent.

PURPOSE: The exemption gives leased property used for an exempt purpose the same status as property owned by the lessee.

WHO BENEFITS: Exempt organizations and local governments, but it is difficult to identify who and where they are. The Department of Revenue advises counties to include the value of exempt leased property in the same category as the lessees' owned property. How much leased value is included with that owned is unknown. For 1999–00, Multnomah County identifies 432 accounts with about $285 million in value leased by exempt organizations from taxable owners.

EVALUATION: The evaluations for the various exemptions that are included in this category are presented separately elsewhere.

2.097 EXEMPT LEASE FROM EXEMPT OWNER

Oregon Statute: 307.166
Sunset Date: None
Year Enacted: 1973

1999–00 Assessed Value of Property Exempted: *

	Loss	Shift	Total
1999–01 Revenue Impact:	*	*	*
2001–03 Revenue Impact:	*	*	*

* Included in various other categories of exempt property.

DESCRIPTION: Property that is leased or rented to a qualified exempt organization or public body from an owner who is also a qualified exempt organization or public body is exempt from property tax.

To qualify (1) the property must be used for a qualifying purpose, and (2) the rent charged must not exceed the cost of repairs, maintenance, amortization and upkeep.

The lessee must file an application with the county assessor to claim the exemption.

PURPOSE: The exemption gives leased property used for an exempt purpose the same status as property owned by the lessee.

WHO BENEFITS: Exempt organizations, but it is difficult to identify who and where they are. The Department of Revenue advises counties to include the value of exempt leased property in the same category as the lessees' owned property. How much leased value is included with that owned is unknown. For 1999–00, Multnomah County identifies 85 accounts with about $56 million in this category.

EVALUATION: The evaluations for the various exemptions that are included in this category are presented separately elsewhere.

2.098 DESTROYED PROPERTY

Oregon Statute: 308.425
Sunset Date: None
Year Enacted: 1971

1999–00 Assessed Value of Property Exempted: Negligible

	Loss	Shift	Total
1999–01 Revenue Impact:	Less Than $50,000	Less Than $50,000	Less Than $50,000
2001–03 Revenue Impact:	Less Than $50,000	Less Than $50,000	Less Than $50,000

DESCRIPTION: If property is destroyed or damaged during the tax year by fire or an act of God, then the property tax is prorated on a monthly basis. If property is totally destroyed, the tax is 1/12 of the total tax for each month in the tax year prior to destruction. If the property is damaged, the tax is 1/12 of the total tax for each month prior to damage plus a percent of the monthly tax for each month the property is damaged. The percentage is the ratio of the value after damage to the value before damage.

This is not an exemption but a reduction in tax equivalent to a reduced value after the assessment date. An application must be made to receive the proration. Relief cannot

be granted for a property when the person seeking relief is convicted of arson for the same property.

PURPOSE: The initial purpose was probably to grant tax relief to those with a total or partial loss of use of the property due to fire or other natural causes. The proration approach passed in 1991 is to comply with 1990 Ballot Measure 5 which requires the tax to not exceed a limit based on the minimum value during the tax year.

WHO BENEFITS: No data are available, but the value of reduced taxes is probably small.

EVALUATION: This provision is not an exemption, but a method for adjusting a property's assessed value to reflect loss in value from partial or complete destruction. [*Evaluated by the Department of Revenue*.]

2.099 CHARITABLE, LITERARY, AND SCIENTIFIC ORGANIZATIONS

Oregon Statute: 307.130
Sunset Date: None
Year Enacted: 1854

1999–00 Assessed Value of Property Exempted: $1.6 Billion

	Loss	Shift	Total
1999–01 Revenue Impact:	$41,300,000	$8,300,000	$49,600,000
2001–03 Revenue Impact:	$46,100,000	$9,400,000	$55,500,000

DESCRIPTION: Property owned or being purchased by literary, benevolent, charitable organization or scientific institutions is exempt from local property taxation. To qualify the organization or institution must (1) be a nonprofit corporation, (2) provide a charitable gift to the public without expectation of payment, and (3) occupy and use the property in a manner that furthers the organization's charitable purpose. Sheltered workshops and retail stores selling donated or consigned goods to support a welfare program are exempt. Parking lots are exempt as long as there is no charge for at least 355 days each year.

The organization or institution must file an application with the county assessor to claim the exemption (ORS 307.162).

PURPOSE: To subsidize organizations providing property and services that serve a socially valuable function.

WHO BENEFITS: This exemption applies to many nonprofit organizations. Examples are some hospitals, social services, museums, youth and athletic groups, summer camps, and conservation groups. About 2,700 properties are exempt but the number of organizations is unknown because the same organization may have property in more than one county.

EVALUATION: Not Evaluated.

2.100 VOLUNTEER FIRE DEPARTMENTS

Oregon Statute: 307.130
Sunset Date: None
Year Enacted: 1999 (HB 2732)

1999–00 Assessed Value of Property Exempted: Negligible

	Loss	Shift	Total
1999–01 Revenue Impact:	Less Than $50,000	Less Than $50,000	Less Than $50,000
2001–03 Revenue Impact:	Less Than $50,000	Less Than $50,000	Less Than $50,000

DESCRIPTION: Defines a volunteer fire department as a nonprofit corporation organized to provide fire protection service in an area. Allows a real and personal property tax exemption for volunteer fire departments.

PURPOSE: To ensure that volunteer fire departments are treated similar to those properties that qualify for the Charitable, Literary and Scientific Organizations (2.099) exemption.

WHO BENEFITS: One volunteer fire department in Wasco county.

EVALUATION: Not Evaluated.

2.101 FRATERNAL ORGANIZATIONS

Oregon Statute: 307.136
Sunset Date: None
Year Enacted: 1961

1999–00 Assessed Value of Property Exempted: $369 Million

	Loss	Shift	Total
1999–01 Revenue Impact:	$9,500,000	$1,900,000	$11,400,000
2001–03 Revenue Impact:	$10,500,000	$2,100,000	$12,600,000

DESCRIPTION: Property used for fraternal lodge work, entertainment, or recreational purposes is exempt from local property taxation. Fraternal organization property remains exempt even while being rented or leased to other persons so long as the rent does not exceed expenses for heat, lights, water and janitorial services and supplies. Parking lots are exempt as long as there is no charge for at least 355 days each year.

To qualify, a fraternal organization must: (1) be organized as a nonprofit; (2) be established under the lodge system with ritualistic form of work and representative form of government; (3) support some benevolent or charitable activity; (4) not distribute any income to its officers, members, or employees except for reasonable compensation for services; and (5) not be a college fraternity or sorority.

The fraternal organization must file an application with the county assessor to claim the exemption.

PURPOSE: To subsidize organizations providing property and services that serve a socially valuable function.

WHO BENEFITS: About 2,000 properties are exempt. Qualifying organizations include the State Grange, American Legion, Veterans of Foreign Wars, Eagles, Elks, Masons, Moose, Odd Fellows, Knights of Pythias, and Knights of Columbus.

EVALUATION: Not Evaluated.

2.102 RELIGIOUS ORGANIZATIONS

Oregon Statute: 307.140
Sunset Date: None
Year Enacted: 1854

1999–00 Assessed Value of Property Exempted: $2.0 Billion

	Loss	Shift	Total
1999–01 Revenue Impact:	$51,500,000	$10,400,000	$61,900,000
2001–03 Revenue Impact:	$56,800,000	$11,500,000	$68,300,000

DESCRIPTION: Houses of public worship and other buildings or property used for administration, education, literary, benevolent, charitable, entertainment and recreational purposes and cemeteries are exempt from property tax. Parking lots are exempt as long as there is no charge for at least 355 days each tax year.

The religious organization must file an application with the county assessor to claim the exemption (ORS 307.162).

PURPOSE: To recognize the social benefits of religious organizations and restrict the financial burdens imposed by taxation.

WHO BENEFITS: Approximately 6,900 religious properties are exempt. The number of properties with religious structures rather than schools, cemeteries, etc. is unknown.

EVALUATION: Not Evaluated.

2.103 CEMETERIES, BURIAL GROUNDS, AND MAUSOLEUMS

Oregon Statute: 307.150
Sunset Date: None
Year Enacted: 1854

1999–00 Assessed Value of Property Exempted: $148 Million

	Loss	Shift	Total
1999–01 Revenue Impact:	$3,800,000	$800,000	$4,600,000
2001–03 Revenue Impact:	$4,200,000	$900,000	$5,100,000

DESCRIPTION: Burial grounds, tombs, and rights of burial are exempt from property taxation. Also, land (not exceeding 30 acres) and buildings of crematory associations are exempt. Buildings to store maintenance equipment are included in the exemption. To qualify, a claim must be filed with the county assessor. Family burial grounds are exempt without application.

If use of the exempt property changes to a non-exempt use, then additional taxes equal to the tax benefit received for the years exempt (up to 10) is due.

This statute exempts both non-profit and for-profit cemetery and crematory associations, as well as family burial grounds. Cemeteries owned by cities, counties, or districts are exempt under ORS 307.090 (State and Local Property (2.092)), while cemeteries owned and maintained by religious organizations fall under ORS 307.140 (Religious Organizations (2.102)).

PURPOSE: The exemption was probably an implementation of traditional public policy to not tax cemeteries.

WHO BENEFITS: Assessors report about 1,000 exempt properties. Over half of the exempt value is located in Multnomah County.

EVALUATION: Not Evaluated.

2.104 FEDERAL PROPERTY

Oregon Statute: 307.040
Sunset Date: None
Year Enacted: 1848

1999–00 Assessed Value of Property Exempted: $121.9 Billion

	Loss	Shift	Total
1999–01 Revenue Impact:	$3,059,600,000	$617,000,000	$3,676,600,000
2001–03 Revenue Impact:	$2,999,500,000	$608,700,000	$3,608,200,000

DESCRIPTION: Property of the United States and its agencies is exempt from property tax when taxation is prohibited by federal law. Federal property held under contract of sale or lease by a private party is taxable.

The Oregon legislature exempted some leasehold interests that otherwise would be taxable federal land. Refer to the following exemptions in this report:

- Recreation Facility on Federal Land (2.023),
- Summer Homes on Federal Land (2.037),
- Leased Federal Grazing Land (2.050)
- Federal Standing Timber Under Contract (2.065), and
- Mining Claims on Federal Land (2.106).

PURPOSE: To clarify and comply with federal law.

WHO BENEFITS: The United States owns about 30 million acres in Oregon, or 48 percent of the land. The exempt value includes federal structures and equipment, land, and sawtimber. Over 90 percent of the value is standing timber.

IN LIEU: The federal government makes payments in lieu of property taxes to local governments for the following types of federal land:

Federal Oregon and California Railroad (O & C) Lands,
Federal Forest Land,
Payments In-Lieu-Of Taxes Act of 1976,
Coos Bay Wagon Road Lands,
Public Land Resource Sales,
BLM Grazing Lands,
U.S. Mineral Leases.

EVALUATION: Not Evaluated.

2.105 INDIAN PROPERTY ON RESERVATION

Oregon Statute: 307.180
Sunset Date: None
Year Enacted: 1854

1999–00 Assessed Value of Property Exempted: Not Available

	Loss	Shift	Total
1999–01 Revenue Impact:	Not Available	Not Available	Not Available
2001–03 Revenue Impact:	Not Available	Not Available	Not Available

DESCRIPTION: Property located on an Indian reservation is generally exempt from property tax. Exempt property must be real property of Indians residing upon reservations who have not severed their tribal relations or taken land in severalty (except lands held by them by purchase or inheritance). Lands owned or held by Indians in severalty on an Indian reservation, and their personal property on the reservation, are exempt only when provided by federal law.

PURPOSE: The exemption is probably to comply with the status of Indians under federal law before statehood.

WHO BENEFITS: Seven reservations are located in 12 counties. Reservation acreage is 842,555 acres. Three tribes do not currently have reservations.

EVALUATION: Not Evaluated.

2.106 MINING CLAIMS ON FEDERAL LAND

Oregon Statute: 307.080
Sunset Date: None
Year Enacted: 1889

1999–00 Assessed Value of Property Exempted: Not Available

	Loss	Shift	Total
1999–01 Revenue Impact:	Not Available	Not Available	Not Available
2001–03 Revenue Impact:	Not Available	Not Available	Not Available

DESCRIPTION: Unpatented mining claims on federal property are exempt from local property taxation. Any improvements or equipment on the claim are taxable. Unpatented mining claims are private claims to public land without the federal government having conveyed title.

PURPOSE: The exemption is probably to recognize that the federal government is still the owner of the land.

WHO BENEFITS: About 17,000 mining claims exist on Bureau of Land Management land. Claims can overlap so the total acreage is unknown. The value of mining claims is also unknown.

EVALUATION: The exemption of mining claims on federal land is inconsistent with the treatment of other taxable activity taking place on property owned by an exempt entity. In most other circumstances, such property would be taxed. The rationale for this exemption may be rooted in the fact that mining claims are intangible in nature, and intangible property is typically exempt from local property taxation. [*Evaluated by the Department of Revenue*.]

2.107 AMTRAK PASSENGER RAILROAD

Oregon Statute: 308.515
Sunset Date: None
Year Enacted: 1983

1999–00 Assessed Value of Property Exempted: $7.1 Million

	Loss	Shift	Total
1999–01 Revenue Impact:	$200,000	$50,000	$250,000
2001–03 Revenue Impact:	$200,000	$50,000	$250,000

DESCRIPTION: National Railroad Passenger Corporation (Amtrak) property is exempt from property tax as long as federal law prohibits the company from paying property taxes. Amtrak does not own land or structures in Oregon, but leases or pays fees for use. The value of personal property (engines and cars) is uncertain. Oregon's value would likely depend on an allocation formula using factors like share of passenger miles.

PURPOSE: To comply with federal law.

WHO BENEFITS: Most likely Amtrak passengers, who pay lower fares because Amtrak's costs are lower.

EVALUATION: Not Evaluated.