Appendix B

A Recent History of Oregon’s Property Tax System

To understand the current structure of Oregon’s property tax system, it is helpful to view the system in a historical context. Although governments in Oregon have been taxing property since before statehood, the structure of the tax changed very little until the 1990s, when two statewide ballot measures dramatically altered the system.

Measure 5, which introduced tax rate limits, was passed in 1990 and became effective starting in the 1991–92 tax year. When fully-implemented in 1995–96, Measure 5 cut tax rates an average of 51 percent from their 1990–91 levels. Measure 50, which cut taxes, introduced assessed value growth limits, and replaced most tax levies with permanent tax rates, was passed in 1997 and transformed the system from one primarily based on levies to one primarily based on rates. Measure 50, when implemented in 1997–98, cut effective tax rates an average of 11 percent from their 1996–97 levels.

This appendix consists of four sections that are designed to provide a history of Oregon’s property tax system within the context of the changes it has undergone in the 1990s. The first section, Overview, consists of a broad look at how the two ballot measures have affected the property tax system. The second section, Property Tax Administration, reviews how property assessment, tax calculation, and tax collection have been transformed. The next section, Urban Renewal, describes the changes urban renewal agencies have undergone. The appendix concludes with a discussion of tax relief programs that have existed during the past twenty years.

Overview

One useful way to understand the recent history of the property tax system is to divide the discussion into three distinct periods—Pre-Measure 5, Measure 5, and Measure 50.

Pre-Measure 5

Oregon had a pure levy-based property tax system until 1991–92. Each taxing district calculated its own tax levy based on its budget needs. County assessors estimated the real market values of all property in the state. Generally speaking, the full market value of property was taxable; there was no separate definition of assessed value. The levy for each taxing district was then divided by the total real market value in the district to arrive at a district tax rate. The taxes imposed by each district equaled its tax rate multiplied by its real market value. Consequently there was no difference between taxes imposed and tax levies under this system, so taxes imposed grew with levies. Most levies were constitutionally limited to an annual growth rate of 6 percent, and levies above that required voter-approval.

Under this system, the tax rate for an individual property depended on the combination of taxing districts from which it received services. Taxes for each property were calculated by first summing the tax rates for the relevant taxing districts to arrive at a consolidated tax rate. That tax rate was multiplied by the assessed value of the property to determine the taxes imposed on that property. The annual growth in taxes on an individual property depended on the interaction of a number of factors, including the growth in levies and the amount of new construction within the district. For example, if there were no new construction, then any growth in levies meant a growth in taxes for individual properties whose value did not decline. On the other hand, new construction within the district meant that the levies were distributed across more properties (i.e. more value), causing the tax rate to fall. This growth could translate into lower taxes for some individual properties.

Measure 5

Measure 5 introduced limits, starting in 1991–92, on the taxes paid by individual properties. The limits of $5 per $1,000 real market value for school taxes and $10 per $1,000 real market value for general government taxes applied only to operating taxes, not bonds.[4] If either the school or general government taxes exceeded its limit, then each corresponding taxing district had its tax rate reduced proportionately until the tax limit was reached. This reduction in taxes to the limits has been termed "compression."

Measure 5 resulted in a system that was a hybrid of levy-based and rate-based systems. For properties where the school and general government taxes were below the limits, the process resembled a levy-based system; taxes imposed depended on levies. For properties where the calculated taxes exceeded the limits, and hence the tax rates were fixed at the limits, the process more closely resembled a rate-based system; taxes imposed depended on assessed values.

Measure 50

The 1997 legislature drafted Measure 50 in response to the passage of Measure 47 in November of 1996, which a citizens' initiative put on the ballot. It would have rolled back property **taxes** (not assessed values) to 90 percent of the 1995–96 level for each property in the state. However, it was repealed by the legislatively-referred Measure 50, which was drafted to correct a number of technical problems with Measure 47 while replicating the tax cuts of Measure 47.

The objective of Measure 50 was to reduce property taxes in 1997–98 and control their future growth. It achieved these goals by cutting the 1997–98 district tax levies and making the following three changes: the switch to permanent rates, the reduction of assessed values, and the limitation placed on yearly assessed value growth.

While Measure 5 simply limited the tax rates used in calculating taxes imposed, Measure 50 changed the conceptual definitions of both assessed values and tax rates. Assessed value is no longer equal to real market value. For 1997–98, the assessed value of every property was reduced to 90 percent of its 1995–96 assessed value.[5] Because value growth has not been uniform throughout the state, this change had varying impacts. The greatest cuts in assessed value, and consequently in taxes, were realized by those properties that experienced the greatest growth between 1995–96 and 1997–98. For property that did not exist in 1995–96, the assessed value was calculated as a percentage of its market value.

For existing property, Measure 50 limited the annual growth in assessed values to 3 percent, so predicting future assessed values becomes much simpler than in the past. For new property (for example, newly constructed homes), assessed value is calculated as the market value of the property times the ratio of assessed value to market value of similar existing properties. This approach to assigning values to a new property assures that it is taxed consistently with similar existing properties. Measure 50 also stipulates that assessed value may not exceed real market value. As a result, if the real market value of a property falls below its assessed value, the taxable value will be set to the real market value.

Prior to Measure 50, levies were set by local governments and voters, and tax rates were the result of dividing levies by assessed value. Under Measure 50 most levies were replaced by permanent tax rates, making the permanent rates central to the property tax system. There are three types of property taxes that taxing districts may impose: taxes from the permanent rates, local option levies, and bond levies.[6] Only the permanent rates are fixed; they do not change from year to year. For the local option and bond levies, the tax

[4] The limit for schools was $15 per $1,000 assessed value in 1991–92. It was reduced by $2.50 each year until it reached a rate of $5 per $1,000 assessed value in 1995–96.

[5] Note that in 1995–96, assessed and real market value were equal.

[6] Currently, there are also gap bonds and a pension levy. Gap bonds represent debt obligations that have been funded with the operating taxes of districts. The pension levy represents an ongoing obligation the City of Portland has to its fire and police forces. Both of these will eventually become part of the permanent rate for their respective districts.

measures are typically voted on in terms of dollars, and the rates are calculated as the total levy divided by the assessed value in the district.

Taxes from the permanent rates, typically referred to as operating taxes, are used to fund the general operating budgets of the taxing districts and account for the single largest component of property taxes. Strictly speaking, the permanent rates are rate limits, so districts may use any rate up to their permanent rate.

Local option taxes represent the only way for taxing districts to raise operating revenue beyond the amount from their permanent rate. Because voters at the local level must approve these levies, they represent one aspect of local control over the level of property taxes. Currently, all districts except schools are authorized to levy local option taxes. Measure 50 required that local option levies be approved by a majority of voters in a general election or an election with at least a 50 percent voter turnout.

Bond levies have remained largely unchanged during this transformation and are used to pay principal and interest for bonded debt. Under the provisions of Measure 50, new bond levies, like local option taxes, are subject to a 50 percent voter turnout if the election is not a general election.

Some taxing districts receive revenue from the taxation of timber. This revenue, known as an "offset," is used to reduce the amount of revenue districts need to raise from their permanent rates, reducing the permanent rate actually used. Only general government districts, not schools, reduce their permanent tax rates when they receive offset payments. Schools do, however, receive timber tax payments that represent revenue in additional to what they raise with propery taxes.

School District Replacement Revenue

Under the provisions of Measure 5, the state was required, until 1995–96, to replace the revenue lost by school districts caused by the "compression" of school taxes under the property tax rate limits. But because the state was not required to continue the level of Basic School Support that it provided to school districts prior to Measure 5, as a practical matter the state's school replacement obligation had little or no effect on the amount of state support the legislature provided to schools.

Measure 50 also contained a constitutional requirement that the legislature replace the revenue lost by school districts caused by the Measure 5 rate limits. But because Measure 50 cut taxes dramatically, the revenue losses to school districts due to Measure 5 compression are very small compared to the Basic School Support that the legislature actually provides; so this provision has no effect.

Property Tax Administration

The changes to the property tax system brought about by Measures 5 and 50 required significant changes in the activities of county governments and the state of Oregon in administering the tax. This section describes how property tax administration was changed by Measures 5 and 50.

Property Assessment

The process of identifying and assigning a value to taxable property is termed assessment. Assessment of property is administered by the county assessor, except for public utility property, which is assessed by the Oregon Department of Revenue. Utility property is placed on a separate assessment roll maintained by the department, then transferred to the county roll prior to preparation of tax bills. The Department of Revenue also appraises certain large industrial plants, but those properties appear only on the county assessment roll.

Property subject to taxation includes all privately owned real property (e.g., land, buildings, and improvements) and business personal property (e.g., machinery, office furniture, and equipment). There is no property tax on household furnishings (exempted in 1913), personal belongings, or automobiles (exempted in 1920). There are a number of other exemptions to the property tax that are described in detail in the *Tax Expenditure Report*, a companion document to the Governor's Budget.

Prior to the passage of Measure 5 in 1990, each county assessor prepared the assessment roll, a listing of all taxable property, as of January 1 of each year. For example, the assessed value of a property for the 1989–90 fiscal year was determined as of January 1, 1989. Up to 1980, assessed value was set to market value for all classes of property. From 1980 to 1983, taxable property was divided into two classes: "homestead" and "all other." The homestead class consisted of owner-occupied single-family residences. Property was appraised at market value but was assessed in a manner that limited the statewide annual growth to 5 percent for each class. Beginning in 1984–85, the class distinction was eliminated, and in 1985 the legislature repealed the 5 percent limit on assessed value increases. Starting in 1985–86, all property was again assessed at 100 percent of full market value.

The legislation to implement Measure 5 made two primary changes in the assessment process. First, it changed the assessment date from January 1 to July 1. This means that for tax year 1991–92, assessed values reflected 18 months of change from those reported for 1990–91. Starting in 1992–93, changes in assessed value again reflected 12 months of change. Second, the new legislation set assessed value to "real market value," where real market value was defined as the **minimum** value the property would sell for during the year.

With the passage of Measure 50, the property assessment process changed dramatically. For 1997–98, the assessed value of a property was set to 90 percent of the property's 1995–96 assessed value. From 1998–99 onward, assessed value growth is limited to 3 percent per year. For new properties, assessed value is calculated by multiplying the ratio of assessed to real market value for similar property in the county by that property's real market value. For example, if the ratio of assessed to real market value for residential property in a given county is .8, then the assessed value for a new house would be 80 percent of its real market value. Measure 50 redefined market value as the value the property would sell for in the market on the assessement date (January 1), abandoning the minimum value during the year concept adopted under Measure 5.

Equalization

The process of maintaining uniformity of values among property owners and among various classes of property is termed equalization. Prior to the passage of Measure 5, county boards of equalization heard taxpayer appeals and could adjust assessed values up or down to maintain uniformity in assessments. Boards of equalization also could adjust values for entire classes of property at the request of the county assessor, again to maintain uniformity in assessments.

Measure 5 substantially reduced the authority of the county boards of equalization. The boards' power to equalize values was removed and their sole responsibility was to hear petitions for reduction of value from individual taxpayers. At the county level, it was up to assessors to maintain uniformity in values by assessing all properties at their real market value. At the state level, the Director of the Department of Revenue used information on sales prices and assessed values to adjust county assessment rolls, if needed, to maintain uniformity among property owners and property classes.

Under Measure 50, because assessed values are calculated based on a fixed growth rate from the value in a base year, equalization is unnecessary.

Assessment Appeals

Prior to the implementation of Measure 5, property was assessed as of January 1 of each year. Property owners received their assessment notices in the spring, and appeals were settled prior to computation of tax rates and mailing of tax bills in October.

Two features of Measure 5 required changing the appeals process. First, the assessment date was changed from January 1 to July 1. This meant that, as a practical matter, there was not enough time to complete the appeals process prior to the mailing of tax bills. The legislature remedied this problem by combining the assessment notice and the tax bill, and by providing for appeals **after** tax bills were mailed. Property owners could file appeals between October 25 to December 31 with the County Board of Equalization (BOE). Taxpayers received tax refunds if their appeals were successful.

The second feature of Measure 5 that required changing the appeals process was the definition of assessed value. The assessed value was set to "real market value," which was defined as the **minimum** value the property would sell for during the year. This meant that for some properties, the assessed value was not the value on the assessment date (July 1), but on some later date. To allow for adjustments to the assessed value of properties whose value declined after the assessment date, the legislature provided for a second appeals period. Between July 15 and July 31 following the end of the tax year, property owners who thought the market value of their property declined during the tax year could appeal to the County Board of Ratio Review (BORR). If successful, taxpayers received refunds.

Measure 50 eliminated Boards of Equalization and Boards of Ratio Review and replaced them with county Boards of Property Tax Appeals (BoPTA). These boards hear petitions for reduction of real market and assessed value and requests for waiver of late filing penalties. The limitation placed on increases in assessed value has resulted in a large decline in the number of appeals filed at this level.

Tax Calculation

Just as the assessment process changed under Measure 5 and Measure 50, so did the calculation of taxes. Measure 5 imposed tax rate limits, and Measure 50 established permanent tax rates to replace most tax levies that existed under the pre-Measure 5 and Measure 5 systems. This section describes how taxes and tax rates were calculated under the three different systems.

Tax Levies

Prior to the passage of Measure 50 in 1997, tax levies played a key role in determining the amount of property taxes raised by local governments. Under Measure 50, most tax levies that existed under the pre-Measure 5 and the Measure 5 systems were replaced with permanent tax rates. Below we discuss the old levy system, then describe how it changed under Measure 50.

Under both the pre-Measure 5 and the Measure 5 systems, tax levies played a key roll in determining the amount of property tax revenue received by local governments and the amount of tax imposed on each property. The process of ascertaining and declaring the amount of taxes to be raised from taxpayers was termed "making the levy." Authority to levy property taxes was vested with the governing body of each local government. Each governing body, also referred to as a taxing district, determined the levy annually before July 15 as part of the budget process. Annual budgets for taxing districts are based on a fiscal year which begins July 1 and ends the following June 30.

Constitutional and statutory limitations on the amount that a taxing district may levy were:

1. **Levy inside the 6 percent limitation (tax base levy).** A local government tax base, approved by a majority of its voters at a state general or primary election, represented a permanent authority to annually levy a dollar amount which could not exceed the highest amount levied in the three most recent years in which a levy was made, **plus** 6 percent thereof. Tax base levies could be increased in proportionate amounts for annexed territory. A local taxing district was permitted to have only one tax base levy and proceeds could be used for any purpose for which the district could lawfully expend funds, except general obligation bonds. Tax base levies were subject to the Measure 5 tax rate limits.
2. **Levy outside the 6 percent limitation (one-year, serial, safety net, or continuing levies).** One-year and serial levies, approved by a majority of voters at a special election, were **temporary** taxing authorities permitting the levy of a specific dollar amount for one year (one-year levies) or for two or more years (serial levies). Safety net levies were amounts school districts could levy if voters did not approve tax base, one-year, or serial levies sufficient to bring the districts up to the previous year's levy. The safety net levy was the amount needed to bring the district up to the amount levied the prior year. Continuing levies were those approved by voters prior to 1953. They were permanent and were limited in amount by the product of the voted tax rate and the assessed value of the taxing district. Starting in 1978, serial levies could also be established based on a specified tax rate, but the term could not exceed three years. (These were sometimes referred to as "rate levies.") The 1989 legislature (Oregon Laws Chapter 658) increased the limit on fixed-dollar serial levies from three to five years for operating pur-

poses and ten years for any other purposes. All one-year, serial, safety net, and continuing levies were subject to the Measure 5 tax rate limits.

3. **Levy for bonded indebtedness (bond and interest levy).** Taxing districts could levy annually an amount sufficient to pay principal and interest for bonded debt. Bond measures to be paid from future tax levies had to first be approved by a majority of those voting, unless otherwise provided by law. Proceeds from a bond levy could not be diverted to another purpose. Bond levies used for capital construction were not subject to the Measure 5 tax rate limits.

Measure 50 converted most of the levies imposed under the pre-Measure 5 and Measure 5 systems to a permanent tax rate. Tax base levies, one-year levies, serial levies, safety net levies, and continuing levies all became part of the permanent rate created by Measure 50. In addition, Measure 50 created a new type of levy known as a local option levy. Local option levies are operating levies that can be passed by local governments other than school districts to raise revenue beyond the amounts the local governments can raise with their permanent rates. Under Measure 50, levies for bonded indebtedness remain in essentially the same form as prior to Measure 50. Taxes from permanent rates and from local option levies are subject to the Measure 5 rate limits, but taxes from bond levies remain exempt from limits.

Tax Rates

Because Measure 50 replaced most tax levies with permanent tax rates, the exercise of setting tax rates remains only for local option levies and bond levies. Under the pre-Measure 5 and Measure 5 systems, the county assessor extended authorized levies and computed district tax rates for each taxing district. District tax rates were expressed as a dollar amount per $1,000 of assessed value and were computed by dividing total taxes levied by the total assessed value inside the taxing district boundaries. The total tax extended to a property was the sum of the district tax rates times the assessed value of the property. Under Measure 5, if the tax extended to the property exceeded the Measure 5 limits, the tax going to each local government was reduced proportionally until the limit was reached.

When Measure 50 first took effect in the 1997–98 tax year, permanent tax rates were calculated based on a complicated formula that took into account the amount of taxes that would have been raised in 1997–98 under Measure 47, the levies that existed under the old Measure 5 system, the tax cut required by Measure 50, and a variety of special provisions that exempted certain types of levies from the Measure 50 cuts and reduced the amount of the tax cuts for districts with rapid assessed value growth due to new construction.

Under Measure 50, the county assessor still computes tax rates for local option levies and bond levies, then adds those rates to the permanent rate to compute the total rate to be extended to a property. The tax extended to a property is the total tax rate times the assessed value of the property.

Property Tax Compression

Compression is the difference between what taxing districts wish to raise through property taxes and the amount they actually raise. Prior to Measure 5, compression did not exist. Districts evaluated their needs to determine their tax levy and then raised that amount. Measure 5 introduced limits, phased in between 1991–92 and 1995–96, on the taxes paid by individual properties. The limits are $5 per $1,000 real market value for school taxes and $10 per $1,000 real market value for general government taxes. They are applied only to operating taxes, not bonds. For each property, the assessor compares education taxes with the education limit, and other governmental taxes with the general government. If the taxes exceed the limits, then the taxes for each taxing district are reduced, or compressed, proportionally down to the limit.

The Measure 5 limits still apply, but because Measure 50 substantially reduced property taxes, the Measure 5 limits have no effect for most properties. It is important to note that while property tax rates under Measure 50 are applied to a property's <u>assessed value</u>, the Measure 5 rate limits apply to <u>real market value</u>. Prior to Measure 50, this distinction was unnecessary because assessed value equaled real market value. If property taxes exceed the Measure 5 limits, then taxes are compressed in a specific order. First, local option taxes

are reduced, possibly to zero. If there are no local option taxes or they have been reduced to zero, the tax rates from the permanent rate for each taxing district are reduced proportionately. [7]

Tax Collection

Once the tax rates and Measure 5 tax rate limits are applied to each property, the assessment roll is certified and turned over to the tax collector. The tax collector bills and collects all taxes and makes periodic remittances of collections to taxing districts. Tax statements mailed to property owners state the assessed value of property, the tax rate for each taxing district, and the taxes extended by each taxing district. They also indicate how much is inside and how much is outside the Measure 5 property tax limits, and the amount of taxes actually due after the limits have been applied.

Taxes are levied and become a lien on property on July 1. Tax payments are due November 15 of the same calendar year. Under the partial payment schedule, the first one-third of taxes are due November 15, the second one-third on February 15, and the remaining one-third on May 15. A discount of 3 percent is allowed if full payment is made by November 15; a 2 percent discount is allowed for a two-thirds payment. For late payments, interest accrues at a rate of 1.33 percent per month.[8] If after three years from the tax due date taxes are still unpaid, counties initiate property foreclosure proceedings.

Urban Renewal Agency Revenue

In Oregon, urban renewal agencies receive the bulk of their revenues through a tax increment financing mechanism. When an urban renewal plan is created, the value of the property within its boundaries is locked in time, or frozen. The agency then raises revenue in subsequent years from any value growth above the frozen amount; this value growth is referred to as the increment. The tax rate used to calculate taxes imposed for the urban renewal plan is the consolidated tax rate for the taxing districts within the geographic boundaries of the plan. These urban renewal taxes, referred to as “tax off the increment,” are calculated as the consolidated tax rate times the value of the increment.

Pre-Measure 5

Prior to the passage of Measure 5, urban renewal agencies received taxes that would have been imposed by each taxing district on the excess value of property within each urban renewal plan area (an agency can have more than one plan area). Technically only the properties within the urban renewal plan area paid taxes to the urban renewal agency. However, in effect all taxpayers in taxing districts overlapping the plan area paid urban renewal taxes because removal of urban renewal excess value from the tax rate calculation caused tax rates to be slightly higher for everyone in the taxing district.

Measure 5

The legislation passed to implement Measure 5 made a number of changes to tax increment financing in urban renewal areas to avoid potential inequities among taxpayers. If the Measure 5 tax limits had been imposed under the old urban renewal system where only properties inside the plan areas paid urban renewal taxes, properties within the plan areas could pay taxes that were dramatically different from those of surrounding properties. If an agency used its revenue to finance bonds outside the limits, properties inside the urban renewal plan area could pay far higher taxes than similar properties outside the plan area. If the agency used the revenue for non-bond purposes, then properties inside the plan area would have relatively

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[7] Gap bonds and pension levies are reduced also, if present.

[8] The 1989 legislature increased the monthly interest rate from one percent to 1.33 percent for property taxes delinquent on or after July 1, 1989. The legislature also imposed a $20 fee to record changes in ownership of real property. The revenue from the increased interest rate and the recording fee is shared by counties and the Department of Revenue to enhance the statewide property tax appraisal and assessment program

more of their taxes subject to the Measure 5 rate limits and could pay far lower taxes than similar properties outside the plan area.

The legislature attempted to remedy this problem by spreading urban renewal taxes over all properties inside the urban renewal agency's boundary for taxing districts overlapping urban renewal plan areas. Urban renewal taxes appeared separately on tax statements, just like those of each taxing district.

In 1992, tax increment financing in urban renewal areas was again changed. The Oregon Supreme Court ruled that all revenue collected by an urban renewal agency to pay for bonds is inside Measure 5 rate limits and hence subject to the general government limit. This has had a substantial effect on urban renewal agencies, since a large percentage of their revenues are used to pay for bonds.

Measure 50

Measure 50 returned the structure of urban renewal financing to much the same form it had prior to Measure 5, with one exception. Urban renewal agencies do not have permanent rates and continue to raise revenue primarily through tax increment financing. But under certain circumstances, urban renewal agencies are allowed to raise additional revenue, beyond what they raise off their increment, via special levies. Starting in 1997–98, if an existing urban renewal plan received less revenue off its increment under Measure 50 than what it would have received under pre-Measure 50 tax system, the agency can impose a special levy to make up for the difference. The special levy is imposed on all properties within the boundaries of the urban renewal **agency** (either a city or a county), not just on properties in the **plan area**.

Tax Relief

Over the past 20 years the state legislature has created six property tax relief programs. Currently, only two of these programs are still in existence: the Elderly Rental Assistance (ERA) and Senior Deferral programs.

In 1973 the legislature enacted the Homeowner and Renter Refund Program (HARRP) to provide tax relief to low- and middle-income Oregonians. The program provided property tax refunds to households based on income levels and property taxes paid (for renters, 17 percent of rent was considered to be property tax), up to specified maximum refund amounts. The refunds were available to households with incomes under $17,500. Starting in 1989, the legislature restricted HARRP refunds to households with non-housing assets under $25,000. The maximum refund amounts increased as income declined. For homeowners, the maximum refund for the lowest income category was $750, declining to $0 as income exceeded $17,500. The maximum refund amounts for renters were one half of those for homeowners. The 1991 legislature phased out the HARRP program, making the 1990 tax year the last year for refunds. For 1990, the household income limit was reduced to $10,000; the maximum refund was reduced to $500 for homeowners, $250 for renters.

The Elderly Rental Assistance program (ERA) was a companion to the HARRP program that was retained when the HARRP program was eliminated. It provides tax relief to elderly renters whose rent, fuel, and utility expenses represent a large share of their income. Starting in 1975, ERA refunds were available to persons at least 58 years of age with incomes below $5,000. If rent, fuel, and utilities expenses exceeded 40 percent of household income, renters would receive an ERA refund instead of a HARRP refund if the ERA amount was higher. In 1990, with the phase-out of HARRP, the income threshold for ERA was raised to $10,000, and the rent, fuel, and utilities expense threshold was reduced to 20 percent of income.

Homeowners 62 years of age or older who meet certain income requirements are able to defer all property taxes. Under the Senior Deferral Program the state pays the property taxes of participants and charges the homeowner 6 percent interest on the deferred amount. Homeowners are not required to pay the taxes or interest to the state until they die or sell their homes. The program is restricted to seniors with incomes of less than $24,500. Once approved for the program, seniors are eligible for the program in years when their income for the prior year does not exceed $29,000.

In 1980, direct tax relief was granted to homestead property owners in maximum amounts of $800 in 1980–81, $425 in 1981–82, $192 in 1982–83, $170 in 1983–84 and 1984–85, and $100 in 1985–86. (The maximum

amount granted to renters was 50 percent of the homeowner maximum.) This property tax relief program (PTR) was repealed by the 1985 legislature (1985 Oregon Laws Chapter 784, Section 10).

The 1983 legislature enacted a tax rate freeze effective 1984 through 1986. The law specified the maximum tax rate that could be imposed by a taxing district. The maximum rate was the highest of (1) the net rate in 1981, 1982, or 1983; (2) the rate necessary to raise the tax base for the first levy made by the taxing district; (3) a temporary rate limit approved by the voters for not more than three years; or (4) a levy adjusted for an assessed value growth below 5 percent or a major decrease in non-ad valorem tax revenue.

The 1989 legislature passed legislation to reduce the property taxes of high-rate, low-spending school districts. The program, commonly referred to as targeted tax relief, provided relief in two ways. First, it set a target tax rate, then provided offsets sufficient to bring each qualifying school district's tax rate down to the target rate. Second, it gave outright grants to school districts with high rates and low spending. These grants did not offset property taxes, so they represented added revenue for school districts. The 1991 legislature eliminated the targeted tax relief program.