Introduction

Fiscal year 1998–99 is the second year for Oregon's property tax system under Measure 50 and provides the first opportunity to review the impact of the limitation on assessed value growth. This publication provides detailed information on assessed values and taxes by county and type of taxing district; it also includes a detailed description of the property tax system. Some new tables have been added this year as well as a number of minor changes to existing tables. This year's publication also contains a special study that examines how residential property values and taxes have changed since 1990–91 for typical homes in 23 Oregon communities.

One notable change from 1997–98 pertains to the permanent rates. The law that enacted Measure 50 included a provision that the permanent rates should be recalculated if errors were found within the data or rate calculations. Any recalculation had to be completed by June 30, 1998. In fact, only a handful of data problems were discovered, and they directly affected only a few districts. But because the calculation of the permanent rates involved statewide average cuts, nearly every district had a slight change in their permanent rate. As a result, the permanent rates used for the 1998–99 tax year are slightly different from those used in 1997–98. The recalculated rates are provided in Appendix A.

Due to changes occurring within some county assessment and taxation offices during the past year, some of the information requested for inclusion in this publication was not available. This problem is less significant than it was last year, but does prevent some totals from being calculated. For example, two counties were able to provide total assessed value for the county but were unable to provide a breakdown by property class (residential, commercial, industrial, etc.). In an effort to provide as much useful information as possible, we have included tables with missing data but have made every effort to clearly identify the gaps. Totals are only provided where we have complete data. There are also cases where data discrepancies could not be resolved. The "Guide to Using the Data" section provides further discussion of the major data problems.

This document is organized into five sections: Introduction, 1998–99 Summary, Changes in Residential Property Values and Taxes, Guide to Using the Data, and Detailed Tables. To round out the Introduction, highlights of changes that occurred this year are provided below. The next section contains a summary of assessed values and taxes imposed in the second year of Measure 50. The third section is a special study that analyzes how the property taxes for typical urban and rural homes have changed in the 1990s. The Guide to Using the Data provides information that is helpful in understanding the detailed tables provided in the last section.

This publication also contains three appendices. Appendix A provides tax rates for each taxing district in the state, while Appendix B provides a history of property taxes in Oregon. Appendix C contains of a glossary of terms. Further detailed information for each taxing district can be found within the 1998–99 edition of *Oregon Property Tax Statistics Supplement*. Additional information regarding property tax exemptions can be found in the 1999–01 edition of *Tax Expenditure Report*.

Highlights

- Property taxes imposed increased 5.7 percent from $2,476.5 million in 1997–98 to $2,617.9 million in 1998–99.
- Assessed value grew 5.8 percent from $166.4 billion (1997–98) to $176.1 billion (1998–99). This growth includes both the change in value of existing property and the addition of new property such as new construction.
- Real market value climbed 6.2 percent from $209.3 billion in 1997–98 to $222.3 billion in 1998–99. This growth rate breaks a streak of seven consecutive years in which growth exceeded 10 percent.
- Among taxing districts, county districts had the largest increase in taxes imposed between 1997–98 and 1998–99, rising 9.6 percent from $469.6 million to $514.7 million. Taxes imposed by cities grew 5.6 per-

cent (from $549.1 million to $579.9 million) and taxes imposed by special disricts grew 5.4 percent (from $262.4 million to $276.4 million).[1] School districts imposed taxes of $1,142.2 million, up 4.4 percent from $1,094.1 million.

- Districts impose taxes to fund both general operations and capital projects (e.g. new buildings). In 1998–99, operating taxes grew to $2,154.8 million, 6.9 percent above their 1997–98 level of $2,016.3 million. Bonds, which are the primary vehicle for funding capital projects, experienced a mild decline of 0.1 percent from $358.9 million to $358.4 million.
- General operations are funded primarily with revenue raised from the permanent rates, but other sources of operating revenue include local option levies and gap bonds. Taxes imposed via the permanent rates grew 5.6 percent from $1,925.4 million in 1997–98 to $2,032.8 million in 1998–99. Local option taxes more than doubled between 1997–98 and 1998–99, increasing from $22.6 million to $48.6 million (114.6 percent). Gap bonds increased 7.4 percent from $68.3 million in 1997–98 to $73.4 million in 1998–99.
- The growth in urban renewal taxes was substantially lower than in recent years. In 1998–99, they reached $104.8 million, up 3.5 percent from their 1997–98 level of $101.3 million.

1998–99 Summary

One primary goal of Measure 50 was to limit the growth in taxes by using fixed tax rates and restricting the growth in assessed value. Exhibit 1 summarizes property values and taxes imposed for 1997–98 and 1998–99. Statewide, the real market value of property grew by 6.2 percent from last year, marking the first time in eight years that value growth has been less than 10 percent. Total assessed value—the value of property subject to tax—grew by 5.8 percent. Total taxes imposed grew by 5.7 percent with operating taxes growing 6.9 percent and urban renewal taxes growing 3.5 percent. Conversely, bond taxes declined 0.1 percent.

Exhibit 1

SUMMARY OF PROPERTY VALUES AND TAXES IMPOSED
(Dollars in Millions)

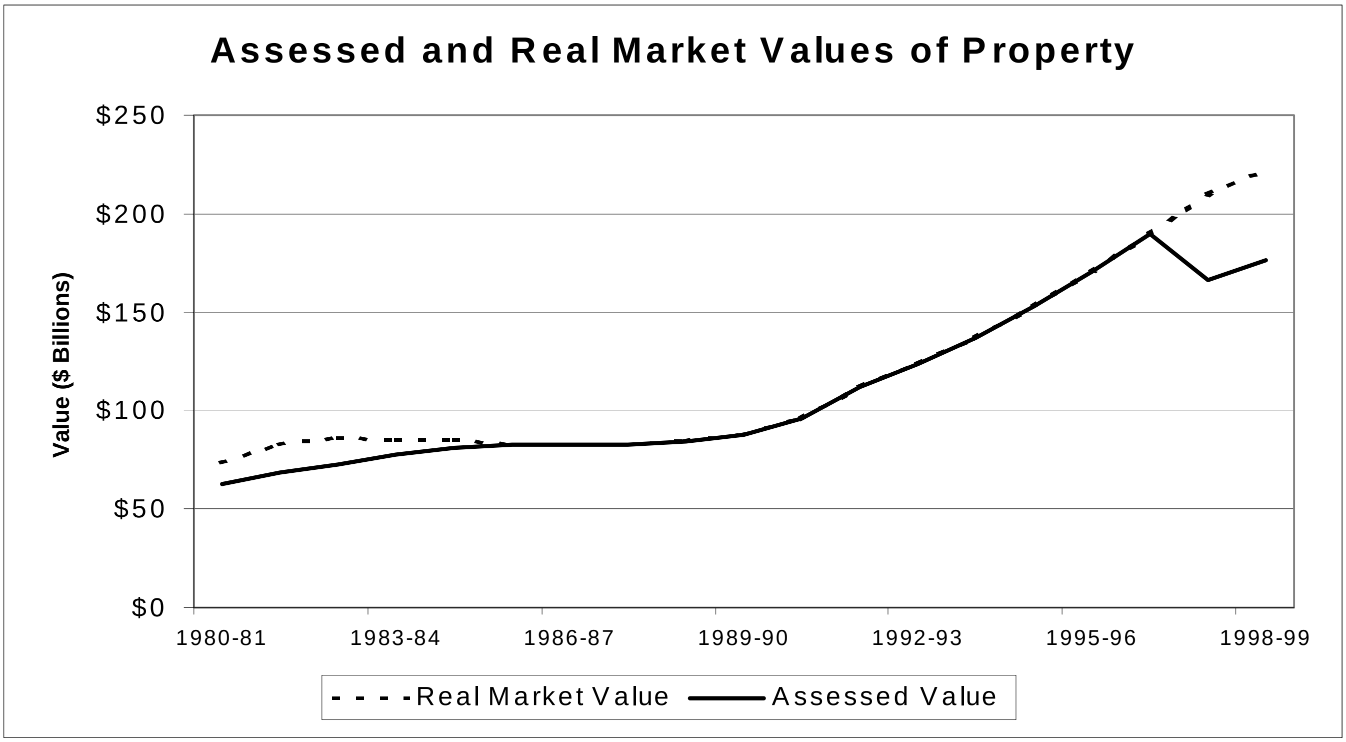
	1997-98	1998-99	Percent Change
Real Market Value*	$209,293.6	$222,332.0	6.2%
Assessed Value**	$166,447.2	$176,089.3	5.8%
Operating Taxes	$2,016.3	$2,154.8	6.9%
Bond Taxes	$358.9	$358.4	-0.1%
Total, District Taxes	$2,375.2	$2,513.1	5.8%
Urban Renewal Taxes	$101.3	$104.8	3.5%
Total, all Taxes	$2,476.5	$2,617.9	5.7%

*1998-99 Real Market Value excludes approximately $9.4 million in unallocated utilities taxed by the state.
**1998-99 Assessed Value excludes approximately $8.9 million in unallocated utilities taxed by the state.

1 Special districts are all districts other than counties, cities, and school districts.

Prior to 1997–98, the assessed, or taxable, value of a property in Oregon was equal to its real market value; there was no distinction between the two terms.[2] Measure 50 redefined each property's 1997–98 assessed value as 90 percent of the property's 1995–96 assessed value, thus separating the assessed and real market values for every property. The assessed value for a property is now allowed to grow a maximum of 3 percent per year. Exhibit 2 shows how total assessed value grew over time through 1998–99. It was flat through most of the 1980s, then grew rapidly from 1989–90 through 1996–97. With the passage of Measure 50, 1997–98 total assessed value fell to a level 12.5 percent below the prior year and 21 percent below the 1997–98 real market value. In 1998–99, assessed value remained roughly 79 percent of real market value as both values grew at similar rates.

Exhibit 2



To fully understand the growth in total assessed value, it is important to understand the two possible sources of that growth: existing property and new property. The growth in assessed value for existing property is the value subject to the limit; for every property that existed in 1997–98 and remained unchanged in 1998–99, the assessed value could increase by no more than 3 percent. On the other hand, some property can experience a decline in assessed value, such as business personal property that depreciates. New property, such as a newly constructed home, represents a new source of assessed value. Other sources of new value include improvements, where an addition to a house significantly increases the home's value, or rezoned property, where a change in zoning laws increases the value of a piece of land. The growth of 5.8 percent in total assessed value is the result of all of these factors combined.

In addition to taxes from the permanent tax rates, the property tax system under Measure 50 provides for voter-approved local option and bond levies as well as taxes to finance the activities of urban renewal agencies. Exhibit 3 shows the changes in these different types of property taxes for different types of taxing districts. In aggregate, property taxes imposed by taxing districts (excluding urban renewal agencies) increased $112.5 million, an increase of 5.6% over last year. The single largest component of that growth came from

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

taxes raised via the permanent rates; they grew $107 million, or 5.6%. It is important to remember that because total assessed value within the boundaries of a taxing district can grow by more than 3 percent, so can taxes imposed, even though rates are fixed. The next largest source of growth in taxes imposed was local option levies. For 1998–99, Oregon voters approved an additional $26 million in local option levies, an increase of 114.6 percent over 1997–98. Some of the growth in these taxes was offset by a decline of $0.5 million in bond levies. Urban renewal taxes grew $3.5 million, or 3.5 percent, between 1997–98 ($101.3 million) and 1998–99 ($104.8 milllion). This change marks the lowest growth rate in urban renewal taxes since they declined between 1990–91 and 1991–92.

Exhibit 3

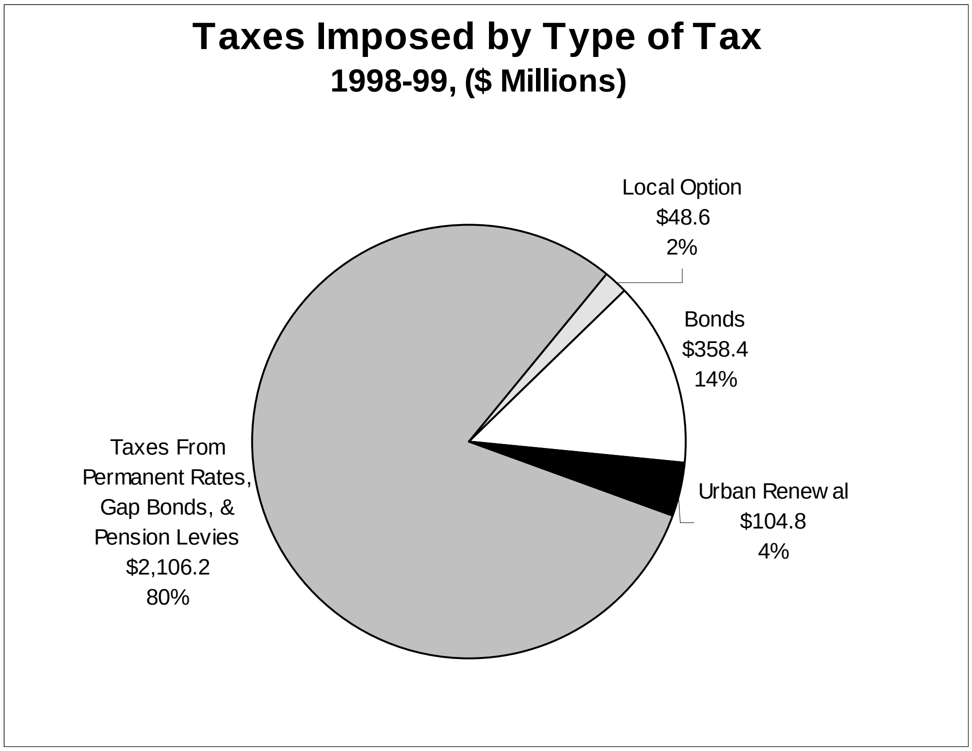
TYPE OF PROPERTY TAXES, 1997-98 AND 1998-99
BY TYPE OF DISTRICT (Millions of Dollars)

	Perm/Gap/UR			Local Option			Bond			Total		
TYPE OF DISTRICT	1997-98	1998-99	% Chg	1997-98	1998-99	% Chg	1997-98	1998-99	% Chg	1997-98	1998-99	% Chg
Counties	408.4	434.2	6.3%	16.3	37.8	131.6%	44.9	42.6	-5.1%	469.6	514.7	9.6%
Cities	495.6	528.8	6.7%	5.8	6.3	7.9%	47.7	44.8	-6.1%	549.1	579.9	5.6%
Schools	882.3	925.0	4.8%	0.0	0.0	NA	211.8	217.1	2.5%	1,094.1	1,142.2	4.4%
Special Districts	207.4	218.1	5.2%	0.5	4.5	827.5%	54.5	53.8	-1.1%	262.4	276.4	5.4%
Total District Taxes	1,993.7	2,106.2	5.6%	22.6	48.6	114.6%	358.9	358.4	-0.1%	2,375.2	2,513.1	5.8%
Urban Renewal Agencies	101.3	104.8	3.5%	0.0	0.0	0.0%	0.0	0.0	0.0%	101.3	104.8	3.5%
TOTAL	2,095.0	2,211.0	5.5%	22.6	48.6	114.6%	358.9	358.4	-0.1%	2,476.5	2,617.9	5.7%

Despite growth of 5.8 percent in taxes imposed for 1998–99 over 1997–98, there was roughly $27.5 million in taxing authority that was not used by taxing districts. Unused permanent rate authority accounted for $21 million while unused local option authority accounted for the remaining $6.5 million. In 1997–98, there were 1,339 districts with a permanent rate. Of these, 40 districts (3.0%) used a rate below their permanent authority, and eleven of these 1,339 districts (0.8%) did not impose any taxes. In 1998–99, 182 of the 1,334 districts (13.6%) with a permanent rate did not use their full authority; 15 of these (1.1%) imposed no taxes. Also in 1998–99, seven of the 35 taxing districts (20%) with the authority to impose local option levies did not fully utilize it.

Exhibit 4 shows the relative size of each type of property tax for 1998–99. Taxes from permanent tax rates, along with gap bonds and pension levies (which eventually become part of the permanent rate) represent 80 percent of the total. Bond taxes represent the next largest share at 14 percent, urban renewal taxes account for 4 percent, and local option taxes make up the remaining 2 percent. This distribution is nearly identical to the one that existed for 1997–98. The biggest difference is that the share of taxes raised through local option taxes doubled from 1 percent last year to 2 percent this year.

Exhibit 4



To describe the burden property taxes impose, they are often compared to personal income, which is a broad measure of economic activity. Exhibit 5 compares the growth in property taxes since 1959–60 with that of personal income. Prior to 1980–81, property taxes and personal income grew at roughly the same rate. The following two years, property taxes grew more rapidly than income, but then again settled into a pattern of growth similar to the growth in personal income until 1990–91. But over the period 1991–92 to 1995–96, Measure 5 cut property taxes while personal income continued to grow relatively rapidly. With the end of the Measure 5 phase-in in 1995–96, property taxes rose again in 1996–97, but Measure 50 provided an additional tax cut in 1997–98. As a result, property taxes as a share of personal income have declined from a high of 5.6 percent in 1970–71 to 3.0 percent in 1997–98. The percentage remained at 3.0 in 1998–99.

Exhibit 5

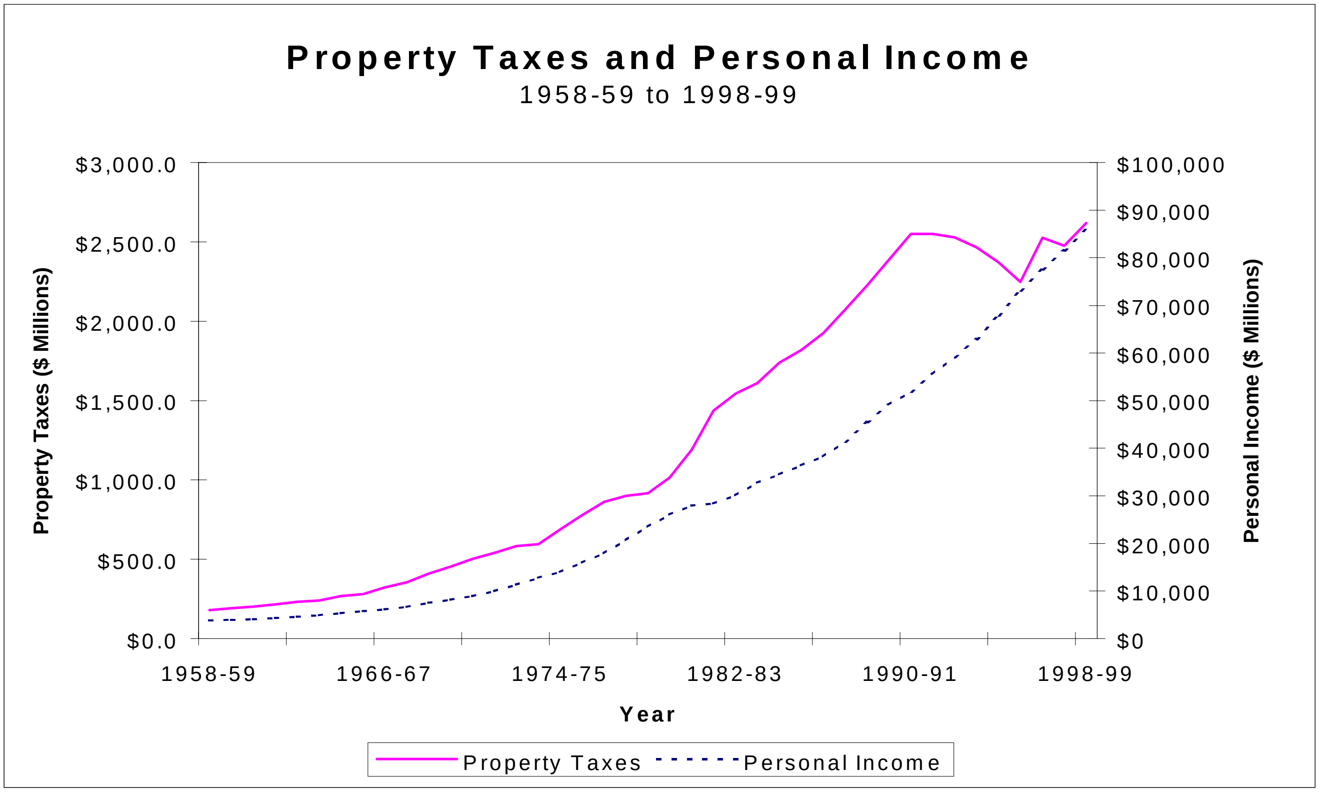
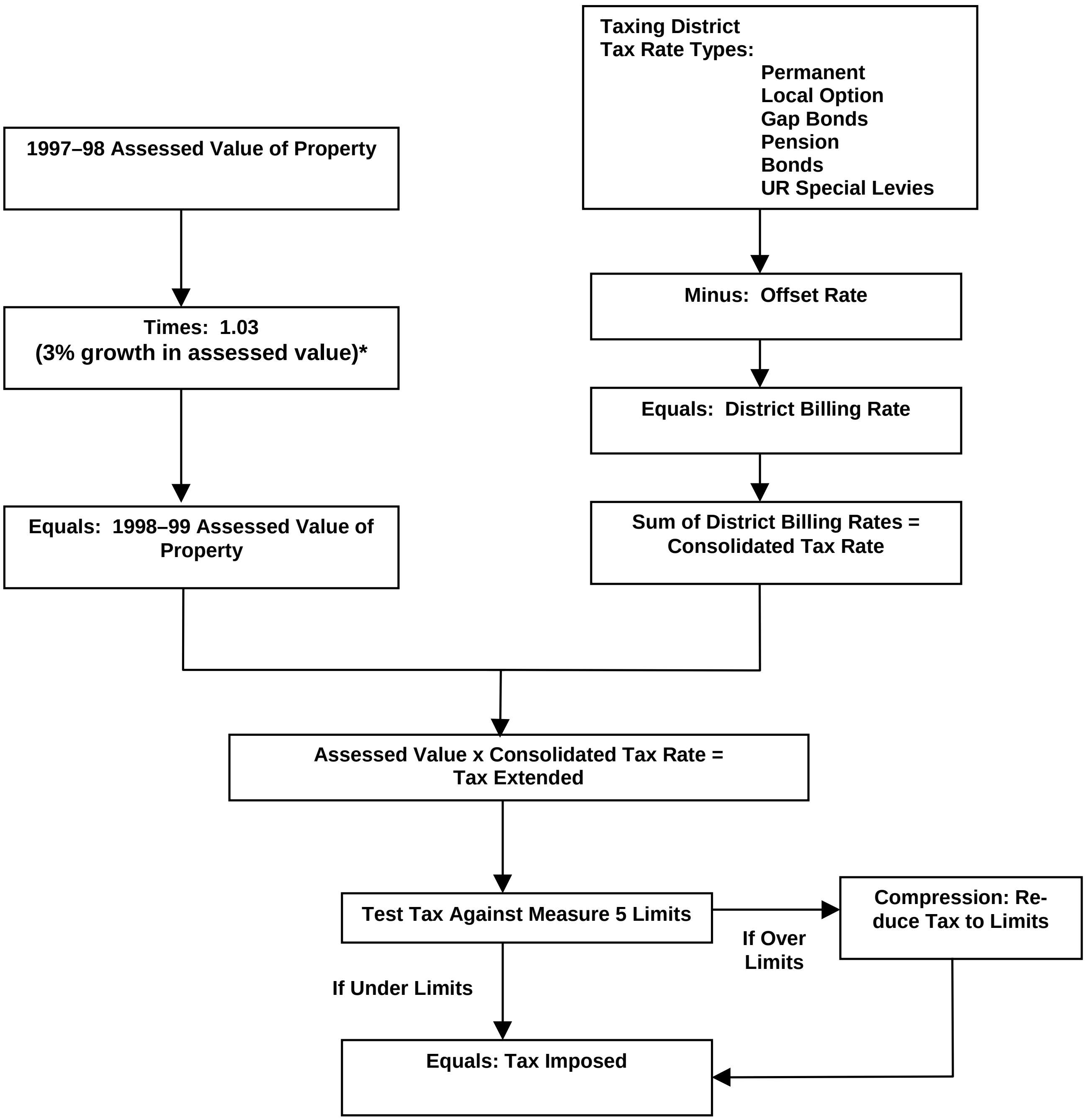


Exhibit 6 shows the process for determining the property tax bill for an individual property. Note that the steps for calculating the billing rate are done for each taxing district in which a property is located. For example, a home may be located within the borders of six taxing districts: a county, a city, a K–12 school district, an education service district, a community college district, and a cemetery district. Each of these districts will have a billing rate, and their sum will equal the consolidated tax rate for the home. The assessed value of the home times the consolidated tax rate equals the tax extended. The non-bond taxes paid to the K–12, education service, and community college districts are subject to the Measure 5 school limit while the non-bond taxes paid to the county, city, and cemetery are subject to the Measure 5 general government limit. If either the school or general government tax is above the respective Measure 5 limit, then the tax is reduced to the limit. In reducing the non-bond tax, the tax for each district is reduced proportionately. The final tax (non-bond tax plus bond tax) is referred to as tax imposed, and this is the amount the property owner will pay.

Exhibit 6

Property Tax Calculation for an Individual Property



* If improvements were made to the property during 1997, then the assessed value could grow more than 3%.