

# Enrolled House Bill 2088

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

CHAPTER .....

AN ACT

Relating to assessment for purposes of ad valorem property taxation; creating new provisions; amending ORS 308.149 and 308.156; and prescribing an effective date.

**Be It Enacted by the People of the State of Oregon:**

**SECTION 1. Section 2 of this 2017 Act is added to and made a part of ORS 308.149 to 308.166.**

**SECTION 2. (1) This section applies to a city if the majority of the population of the city resides in a county with a population greater than 700,000.**

**(2)(a) For purposes of ORS 308.149, the governing body of a city may adopt an ordinance or resolution defining “area” to mean the city.**

**(b) An ordinance or resolution may be adopted under this section only after a public hearing and must be approved by a three-fifths majority of the members of the governing body of the city.**

**(3) A governing body that adopts an ordinance or resolution under this section must notify the county assessor on or before January 1 of the assessment year for which the city first intends the definition to apply.**

**(4) The governing body of a city may not adopt an ordinance or resolution under this section, or repeal such an ordinance or resolution, more often than once in five years.**

**(5)(a) The county assessor may withhold from property tax distributions made under ORS 311.395 to cities located in the county amounts for the actual costs incurred by the county for software upgrades required because of the adoption by the cities of ordinances and resolutions under this section.**

**(b) Amounts withheld under this subsection:**

**(A) Shall be in proportion to the total property taxes imposed in the current tax year by cities adopting ordinances or resolutions under this section; and**

**(B) May not exceed \$60,000 in total.**

**SECTION 3. ORS 308.149 is amended to read:**

**308.149. As used in ORS 308.149 to 308.166:**

**(1) “Area” means:**

**(a) The county in which property, the maximum assessed value of which is being adjusted, is located [except that “area” means], including the area of any city located within the county that has adopted an ordinance or resolution pursuant to section 2 of this 2017 Act;**

**(b) The city in which property, the maximum assessed value of which is being adjusted, is located, if the city has adopted an ordinance or resolution pursuant to section 2 of this 2017 Act; or**

(c) This state, if the property for which the maximum assessed value is being adjusted is property that is centrally assessed under ORS 308.505 to 308.681.

(2)(a) "Average maximum assessed value" means the value determined by dividing the total maximum assessed value of all property in the same area in the same property class by the total number of properties in the same area in the same property class.

(b) In making the calculation described under this subsection, the following property is not taken into account:

- (A) New property or new improvements to property;
- (B) Property that is partitioned or subdivided;
- (C) Property that is rezoned and used consistently with the rezoning;
- (D) Property that is added to the assessment and tax roll as omitted property; or
- (E) Property that is disqualified from exemption, partial exemption or special assessment.

(c) Paragraph (b)(B), (C), (D) and (E) of this subsection does not apply to the calculation of average maximum assessed value in the case of property centrally assessed under ORS 308.505 to 308.681.

(3)(a) "Average real market value" means the value determined by dividing the total real market value of all property in the same area in the same property class by the total number of properties in the same area in the same property class.

(b) In making the calculation described under this subsection, the following property is not taken into account:

- (A) New property or new improvements to property;
- (B) Property that is partitioned or subdivided;
- (C) Property that is rezoned and used consistently with the rezoning;
- (D) Property that is added to the assessment and tax roll as omitted property; or
- (E) Property that is disqualified from exemption, partial exemption or special assessment.

(c) Paragraph (b)(B), (C), (D) and (E) of this subsection does not apply to the calculation of average real market value in the case of property centrally assessed under ORS 308.505 to 308.681.

(4) "Lot line adjustment" means any addition to the square footage of the land for a real property tax account and a corresponding subtraction of square footage of the land from a contiguous real property tax account.

(5) "Minor construction" means additions of real property improvements, the real market value of which does not exceed \$10,000 in any assessment year or \$25,000 for cumulative additions made over five assessment years.

(6)(a) "New property or new improvements" means changes in the value of property as the result of:

- (A) New construction, reconstruction, major additions, remodeling, renovation or rehabilitation of property;
- (B) The siting, installation or rehabilitation of manufactured structures or floating homes; or
- (C) The addition of machinery, fixtures, furnishings, equipment or other taxable real or personal property to the property tax account.

(b) "New property or new improvements" does not include changes in the value of the property as the result of:

- (A) General ongoing maintenance and repair; or
- (B) Minor construction.

(c) "New property or new improvements" includes taxable property that on January 1 of the assessment year is located in a different tax code area than on January 1 of the preceding assessment year.

(7) "Property class" means the classification of property adopted by the Department of Revenue by rule pursuant to ORS 308.215, except that in the case of property assessed under ORS 308.505

to 308.681, "property class" means the total of all property set forth in the assessment roll prepared under ORS 308.540.

**SECTION 4.** ORS 308.156 is amended to read:

308.156. (1) If property is subdivided or partitioned after January 1 of the preceding assessment year and on or before January 1 of the current assessment year, then the property's maximum assessed value shall be established as provided under this section.

(2) If property is rezoned and, after January 1 of the preceding assessment year and on or before January 1 of the current assessment year, the property is used consistently with the rezoning, the property's maximum assessed value shall be established under this section.

(3)(a) For the first tax year for which property is added to the property tax account as omitted property, the property's maximum assessed value shall be established under this section.

(b) For tax years subsequent to the first tax year for which property is added to the property tax account as omitted property, the property's maximum assessed value shall be determined as otherwise provided by law, taking into account the maximum assessed value of the property as determined under this section.

(4)(a) If property was subject to exemption, partial exemption or special assessment as of the January 1 assessment date of the preceding assessment year and is disqualified from exemption, partial exemption or special assessment as of the January 1 of the current assessment year, the property's maximum assessed value shall be established under this section.

(b) If property described in this subsection is eligible for a different type of exemption, partial exemption or special assessment as of January 1 of the current assessment year, the property's maximum assessed value shall be established under the provision granting the partial exemption or special assessment.

(5) The property's maximum assessed value shall be the sum of:

(a) The maximum assessed value determined under ORS 308.146 that is allocable to that portion of the property not affected by an event described in subsection (1), (2), (3) or (4)(a) of this section; and

(b) The product of the real market value of that portion of the property that is affected by an event described in subsection (1), (2), (3) or (4)(a) of this section multiplied by the ratio, not greater than 1.00, of the average maximum assessed value over the average real market value for the assessment year [*in the same area and property class*].

(6) The property's assessed value for the year shall equal the lesser of:

(a) The property's maximum assessed value; or

(b) The property's real market value.

(7) The Department of Revenue shall provide by rule the method by which the allocations described in subsection (5) of this section are to be made.

**SECTION 5. (1) A definition of "area" adopted under section 2 of this 2017 Act may not be applied to any assessment year beginning before January 1, 2019.**

**(2) Notwithstanding subsection (1) of this section, a definition of "area" adopted under section 2 of this 2017 Act may be applied to assessment years beginning on or after January 1, 2018, with the written consent of the assessor of the county in which the city adopting the definition is located.**

**SECTION 6. This 2017 Act takes effect on the 91st day after the date on which the 2017 regular session of the Seventy-ninth Legislative Assembly adjourns sine die.**

**Passed by House May 22, 2017**

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Timothy G. Sekerak, Chief Clerk of House

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Tina Kotek, Speaker of House

**Passed by Senate June 13, 2017**

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Peter Courtney, President of Senate

**Received by Governor:**

.....M,....., 2017

**Approved:**

.....M,....., 2017

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Kate Brown, Governor

**Filed in Office of Secretary of State:**

.....M,....., 2017

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Dennis Richardson, Secretary of State