

# House Bill 2832

Sponsored by Representative DALLUM; Representatives BOQUIST, WHISNANT

## SUMMARY

The following summary is not prepared by the sponsors of the measure and is not a part of the body thereof subject to consideration by the Legislative Assembly. It is an editor's brief statement of the essential features of the measure **as introduced**.

Provides special assessment for property tax purposes for certain renovations of residential property. Applies to tax years beginning on or after July 1, 2006.

## A BILL FOR AN ACT

1 Relating to tax incentives for renovation of real property.

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

3 **SECTION 1. As used in sections 1 to 7 of this 2005 Act:**

4 (1) "Renovation" means an action taken to restore or alter an existing property in order  
5 to return the property to a state of utility in which an efficient contemporary use is possible.  
6 Renovation does not include routine maintenance or other action taken to protect the con-  
7 dition of the property or repair the property that does not alter the character of the prop-  
8 erty. The Department of Revenue may by rule further define what constitutes "renovation"  
9 for purposes of sections 1 to 7 of this 2005 Act.

10 (2) "Renovation plan" means a written proposal submitted by an owner of residential  
11 property in connection with an application for classification and special assessment pursuant  
12 to sections 1 to 7 of this 2005 Act.

13 **SECTION 2. (1) An owner of real property desiring classification and special assessment**  
14 **under sections 1 to 7 of this 2005 Act for the property may make application for the classi-**  
15 **fication and special assessment to the county assessor on forms approved by the Department**  
16 **of Revenue. The forms shall include or be accompanied by the written consent of the owner**  
17 **to the viewing of the property at reasonable times by the county assessor. Any application**  
18 **made under this section shall be accompanied by a renovation plan. Application shall be made**  
19 **during the calendar year preceding the first property tax year for which classification and**  
20 **special assessment is desired.**

21 (2) Classification and special assessment pursuant to an application made under this  
22 section shall be granted only for five consecutive property tax years, commencing in the tax  
23 year beginning on July 1 following the calendar year in which the application was made.

24 **SECTION 3. (1) After an application for classification and special assessment is filed un-**  
25 **der section 2 of this 2005 Act, the county assessor shall review the application and renovation**  
26 **plan and may view the premises. After determining that the application is complete, the**  
27 **county assessor shall approve, approve with conditions or deny the application. The county**  
28 **assessor may not deny the application solely because of the potential loss of revenue that**  
29 **may result from granting the application.**

30 (2) A renovation plan that has been approved by the county assessor may be amended  
31

**NOTE:** Matter in **boldfaced** type in an amended section is new; matter [*italic and bracketed*] is existing law to be omitted. New sections are in **boldfaced** type.

1 from time to time at the request of the owner. The amendments may be approved, approved  
2 in part or denied by the county assessor. To the extent the amendments are approved,  
3 amendments shall become part of the renovation plan that must be carried out in order for  
4 the property to not be disqualified for the classification and special assessment.

5 **SECTION 4.** (1) Immediately following approval, approval with conditions or denial of an  
6 application made under section 3 of this 2005 Act, the county assessor shall notify the ap-  
7 plicant of the county assessor's determination. Notification shall be no later than September  
8 15 of the tax year for which the applicant first desires classification and special assessment.  
9 An application not denied on or before September 15 shall be deemed approved, and the  
10 property deemed qualified for classification and special assessment under sections 1 to 7 of  
11 this 2005 Act.

12 (2) If the county assessor determines that the property qualifies for classification and  
13 special assessment under sections 1 to 7 of this 2005 Act, the county assessor shall certify  
14 the approval in writing to the applicant. The certificate shall state the facts upon which the  
15 approval is based and list any condition attached to the approval. The county assessor shall  
16 assess the property on the basis provided in section 5 of this 2005 Act.

17 (3) If the county assessor determines that the property does not qualify for classification  
18 and special assessment under sections 1 to 7 of this 2005 Act, the county assessor shall give  
19 written notice of the denial to the applicant. The notice shall state the facts upon which the  
20 denial is based.

21 (4) Any applicant affected by a determination of the county assessor made under sections  
22 1 to 7 of this 2005 Act may appeal the determination as prescribed in ORS 305.275.

23 **SECTION 5.** (1)(a) The county assessor shall, for the five consecutive tax years elected  
24 under sections 1 to 7 of this 2005 Act, list on the assessment and tax roll a specially assessed  
25 value for the property that equals the assessed value of the property at the time application  
26 for classification and special assessment was made.

27 (b) Notwithstanding paragraph (a) of this subsection, if the property that is the subject  
28 of the application was exempt or specially assessed at the time the application for classi-  
29 fication and special assessment was made, the county assessor shall, for the five consecutive  
30 tax years elected under sections 1 to 7 of this 2005 Act, list on the assessment and tax roll  
31 a specially assessed value for the property that equals the product of the real market value  
32 of the property for the tax year in which the application was made multiplied by the ratio  
33 of the average maximum assessed value over the average real market value for that tax year  
34 of property in the same area and property class.

35 (2)(a) For the first tax year of a five-year period of special assessment, notwithstanding  
36 ORS 308.149 (2), the maximum assessed value of property subject to special assessment shall  
37 equal the specially assessed value of the property under subsection (1) of this section multi-  
38 plied by the ratio, not greater than 1.00, of the maximum assessed value the property would  
39 have had if the property were not specially assessed over the real market value of the  
40 property.

41 (b) For each tax year after the first tax year in which the property is subject to special  
42 assessment and before the conclusion of the five-year period of special assessment, the  
43 property's maximum assessed value subject to special assessment shall equal 103 percent of  
44 the property's assessed value from the prior year or 100 percent of the property's maximum  
45 assessed value subject to special assessment from the prior year, whichever is greater.

1       (3) The assessed value of property that is classified as renovated property for the tax  
2 year shall equal the lesser of:

3       (a) The property's specially assessed value as determined under subsection (1) of this  
4 section; or

5       (b) The property's maximum assessed value as determined under subsection (2) of this  
6 section.

7       (4) The entitlement of property to the special assessment provisions of this section shall  
8 be determined as of July 1. If the property becomes disqualified on or after July 1, its as-  
9 sessment for that year shall continue as provided in this section.

10       (5) Assessed value, as defined and determined under ORS 308.146, shall be determined for  
11 property classified as specially assessed by the county assessor each year. The assessed value  
12 so determined for any year shall be subject to appeal to the county board of property tax  
13 appeals within the time and in the manner provided in ORS chapter 309 and shall be subject  
14 to appeal thereafter to the Oregon Tax Court and to the Oregon Supreme Court within the  
15 time and in the manner provided for appeals of value determination for purposes of ad  
16 valorem property taxation.

17       (6) The Department of Revenue may adopt rules to implement sections 1 to 7 of this 2005  
18 Act, including rules that further define the term "renovation" for purposes of sections 1 to  
19 7 of this 2005 Act.

20       **SECTION 6.** (1) When property has once been classified and specially assessed pursuant  
21 to an application filed under sections 1 to 7 of this 2005 Act, it shall remain so classified and  
22 be granted the special assessment provided by sections 1 to 7 of this 2005 Act until the  
23 property becomes disqualified for the classification and special assessment by:

24       (a) Written notice by the taxpayer to the county assessor to remove the special assess-  
25 ment;

26       (b) Sale or transfer to an ownership making it exempt from property taxation;

27       (c) Removal of the special assessment by the county assessor upon discovery that the  
28 property no longer qualifies; or

29       (d) Completion of the five-year term of special assessment under sections 1 to 7 of this  
30 2005 Act.

31       (2) The sale or transfer to a new owner or transfer by reason of death of a former owner  
32 to a new owner does not operate to disqualify the property from the special assessment  
33 provided by sections 1 to 7 of this 2005 Act as long as the property otherwise continues to  
34 qualify.

35       (3) When, for any reason, the property or any portion thereof ceases to qualify, the  
36 owner at the time of change shall notify the county assessor of the change prior to the next  
37 January 1 assessment date.

38       **SECTION 7.** (1) Except as provided in subsection (4) of this section, whenever property  
39 that has received special assessment under sections 1 to 7 of this 2005 Act thereafter be-  
40 comes disqualified for the special assessment as provided in section 6 of this 2005 Act, there  
41 shall be added to the tax extended against the property on the next general property tax roll,  
42 to be collected and distributed in the same manner as the remainder of real property tax,  
43 additional taxes equal to the difference between the taxes assessed against the property and  
44 the taxes that would otherwise have been assessed against the property for each of the last  
45 five years (or a lesser number of years, corresponding to the years of special assessment

1 applicable to the property) as of January 1 of the assessment year for which the property  
 2 was disqualified for special assessment plus an amount equal to the sum of the interest on  
 3 each year's additional taxes computed under ORS 311.505 from November 15 of the tax year  
 4 for which back taxes are being added to July 1 of the tax year of disqualification.

5 (2) Whenever property that has received special assessment under sections 1 to 7 of this  
 6 2005 Act becomes disqualified for the special assessment and notice required by section 6 (3)  
 7 of this 2005 Act is not given, the county assessor shall determine the date that the notice  
 8 should have been given, shall notify the owner thereof and, notwithstanding ORS 311.235,  
 9 there shall be added to the tax extended against the property on the next general property  
 10 tax roll, to be collected and distributed in the same manner as the remainder of the real  
 11 property tax, in full payment of all taxes and penalties accruing from the disqualification, the  
 12 sum of the following:

13 (a) Additional taxes equal to the difference between the total amount of taxes that would  
 14 have been due on the property for each year, not to exceed the last five years, in which  
 15 special assessment under sections 1 to 7 of this 2005 Act was in effect for the property (even  
 16 though erroneously) and the taxes that would have been due had special assessment not been  
 17 in effect plus an amount equal to the sum of the interest on each year's additional taxes  
 18 computed under ORS 311.505 from November 15 of the tax year for which additional taxes  
 19 are being added to July 1 of the tax year of disqualification; and

20 (b) An additional penalty of 15 percent of the amount in paragraph (a) of this subsection.

21 (3) Prior to adding to the tax extended against the property on the next general property  
 22 tax roll of any additional taxes or penalty imposed by subsection (1) or (2) of this section, in  
 23 the case of disqualification pursuant to section 6 of this 2005 Act, the county assessor shall  
 24 notify the owner of the property by mail, return receipt requested, of the disqualification.

25 (4) Additional tax or penalty may not be imposed under subsection (1) or (2) of this sec-  
 26 tion:

27 (a) Upon the sale or transfer to an ownership making it exempt from property taxation;

28 (b) If the property is destroyed by fire or by an act of God; or

29 (c) If the reason for the disqualification is completion of the five-year term of special  
 30 assessment.

31 (5) The amount determined to be due under subsection (1) or (2) of this section may be  
 32 paid to the tax collector prior to the completion of the next general property tax roll, pur-  
 33 suant to ORS 311.370.

34 (6) Additional taxes collected under this section shall be deemed to have been imposed in  
 35 the year to which the additional taxes relate.

36 **SECTION 8.** The special assessments for renovated property authorized by sections 1 to  
 37 7 of this 2005 Act apply to tax years beginning on or after July 1, 2006, and for which appli-  
 38 cations are initially made on or after the effective date of this 2005 Act.