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City of Madras, 71 S.E. D Street, Madras, OR 97741

**DATE:** NOVEMBER 21, 2006

**TO:** REPRESENTATIVE TOM BUTLER AND THE HOUSE REVENUE COMMITTEE.

**FROM:** MIKE MORGAN, CITY ADMINISTRATOR

**SUBJECT:** TAX EQUITY AND CHANGE PROPERTY RATIO IMPACT ON PUBLIC SERVICES

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**Issue:** Tax inequity and sufficient revenue for public services linked to property tax.

**Issue Source:** "Assessed Value Limit", Article XI, Section (1)(c), Oregon Constitution.

*"c) Notwithstanding paragraph (a) or (b) of this subsection, property shall be valued at the ratio of average maximum assessed value to average real market value of property located in the area in which the property is located that is with the same property class, if on or after July 1, 1995:"*

**Issue Source:** Measure 50 which implemented the "similar" language from Measure 47.

**Tax Inequity:** The existing Constitutional language has led to the creation of administrative rules for application of this "ratio" concept. This administrative technique is referred to as "CPR" or Change Property Ratio. This has led to an increasing tax inequity (disadvantage) for those people who have homes built prior to 1996, when compared to those people who have homes built after this date. The attached examples (page 1 and 2), show two nearly identical homes in the City of Madras. These homes are in the same neighborhood and pay the same tax rate. Home #1 (page 1) was constructed in 1981, and pays taxes on an Assessed Value of \$100,440. Home #2 (page 2) was constructed in 2005, has an Assessed Value of just \$62,610 and pays 37.7% less property tax.

Attached is a news article quoting Patsy Mault, Jefferson County Assessor (see pages 3 and 4). Assessor Mault predicts that the CPR in Jefferson County will drop to just 20% by 2010. This exacerbates the tax inequity.

**CPR Impact on Public Services:** It has been my experience that people generally assume that the new \$134,780 house found on page 2, will be paying property taxes on that value. They are amazed when they hear about CPR and its related impact.

*"A goal without commitment and determination is a lost dream."*

The City of Madras can serve as a Poster Child of what is wrong with CPR by comparing the base service year of FY 1996 with the base service year of FY 2006. In Madras we dedicate virtually all of our General Fund to the Police Department including 95% of our property tax (the other 5% goes to Parks). These are vital and popular public services. **It now takes twice as many houses to "finance" an officer as it did in 1996.** Based on the audited numbers, here is what CPR has done for the Police Department City of Madras:

Police Department

1996 = 12 patrol officers      2006 = 8 patrol officer      -33%

Police Department Expenditures

1996 = \$521,700      2006 = \$1,114,523      +78.0 %

Total Housing Units

1996 = 1,727 (est.)      2006 = 2,361 (Census & permits)      +36.7%

Number of Housing Units Per Officer

1996 = 143.9      2006 = 295.1      105% Increase

Total Property Tax In City of Madras

1996 = \$471,252      2006 = \$749,580      +59%

Population

1996 = 4,770 (PSU)      2006 = 6,070 (PSU)      27.2% Increase

Ratio of Officer per Population

1996 = 397.5 to 1      2006 = 758.8 to 1      90.8% Increase

**The Paradox:** Total number of officers down 33%, while the budget is up 78%. Supposedly "growth" and new development will pay for itself. Yet, taxable property (i.e. housing units) is up by 105%, population up 27.2% but the ratio of officers to population has worsened by nearly a factor of TWO.

**JEFFERSON COUNTY ASSESSOR**  
**REAL PROPERTY ASSESSMENT REPORT**  
 FOR ASSESSMENT YEAR 2006

Nov 21, 2006

ACCOUNT # 9127  
 MAP 1 [REDACTED]  
 CODE - TAX # 0010 - [REDACTED]

TAX STATUS ASSESSABLE  
 ACCNT STATUS ACTIVE  
 SUBTYPE NORMAL

MAILING NAME [REDACTED]  
 AGENT [REDACTED]  
 IN CARE OF [REDACTED]  
 MAILING ADDRESS [REDACTED]  
 MADRAS, OR 97741

DEED REFERENCE # [REDACTED]  
 SALES DATE/PRICE 01-24-2006 / \$167,895.00

LEGAL DESCR PALMAIN

PROP CLASS 101 MA SA NH UNIT  
 RMV CLASS 101 01 05 000 9766-1

SITUS ADDRESS(S)		SITUS CITY
ID # 1	181 NE NINTH ST	MADRAS

VALUE SUMMARY					
CODE AREA		AV	RMV	RMV EXCEPTION	CPR %
0010	LAND	27,380	36,542	LAND	
	IMPR.	73,080	95,510	IMPR.	
	TOTAL	100,440	132,052	TOTAL	0
GRAND TOTAL		100,440	132,052	GRAND TOTAL	0

LAND BREAKDOWN										
CODE AREA	ID #	RFD	PLN ZN	VALUE SOURCE	TD%	LS	SIZE	LND CLS	IRR CLASS	IRR SIZE
0010	1	R	R1	Market	108	A		0.19		
TOTAL								0.19	TOTAL	0.00

IMPROVEMENT BREAKDOWN							
CODE AREA	ID #	YR BUILT	STAT CLASS	DESCRIPTION	TD%	Total Sq Ft	MS ACT #
0010	1	1981	132	One story with basement	104	1,290	

*AV is 76% of RMV*



**JEFFERSON COUNTY ASSESSOR**  
**REAL PROPERTY ASSESSMENT REPORT**  
**FOR ASSESSMENT YEAR 2006**

Nov 21, 2006

ACCOUNT # 9184  
 MAP 11  
 CODE - TAX # 0010

TAX STATUS  
 ACCNT STATUS  
 SUBTYPE

ASSESSABLE  
 ACTIVE  
 NORMAL

MAILING NAME  
 AGENT  
 IN CARE OF  
 MAILING ADDRESS  
 138  
 MADRAS, OR 97447

DEED REFERENCE #  
 SALES DATE/PRICE  
 APPRAISER

11-08-2005 / \$168,000.00  
 AHERN, MARTIN

LEGAL DESCR PALMAIN  
 Lot - 1 Block - 7

PROP CLASS 101 MA SA NH UNIT  
 RMV CLASS 101 01 05 000 6543-1

SITUS ADDRESS(S)	SITUS CITY
ID # 1 138 NINTH ST	MADRAS

VALUE SUMMARY						
CODE AREA		AV	RMV	RMV EXCEPTION		CPR %
0010	LAND	7,830	21,240	LAND	2,000	48.2
	IMPR.	54,780	113,540	IMPR.	113,540	
	TOTAL	62,610	134,780	TOTAL	115,540	
	GRAND TOTAL	62,610	134,780	GRAND TOTAL	115,540	

LAND BREAKDOWN									
CODE AREA	ID #	RFD	PLN ZN	VALUE SOURCE	TD% LS	SIZE	LND CLS	IRR CLASS	IRR SIZE
0010	1	R	R1	Market	108 A	0.11			
					TOTAL	0.11		TOTAL	0.00

IMPROVEMENT BREAKDOWN								
CODE AREA	ID #	YR BUILT	STAT CLASS	DESCRIPTION	TD%	Total Sq Ft	MS ACT #	
0010	1	2005	133	Two story	104	1,728	0	

*AV is 46% of RMV*

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# County tax <sup>P. 1</sup> increases vary by locality

By Holly M. Gill  
News Editor

10-18-06

When Jefferson County property owners receive their tax statements next week, they will see increases ranging from above average to insignificant.

Leading the way is Culver, with a typical tax bill increase of 4.23 percent. Residents will pay \$22.33 per \$1,000 of assessed value — the highest rate in Central Oregon. On a home with a taxable value of \$100,000, that translates into property taxes of \$2,233 for the year.

"Culver's increase in tax rate was influenced by the 5.65 percent increase in their school bond rate, as well as the county jail levy increase," explained Patsy Mault, county assessor.

In years past, bond rates usually decreased over time as property values increased. "However, in recent years, bonding companies have developed a sliding scale for payments that anticipates value growth," she said. "In the Culver School District, they anticipated higher growth than was actually realized."

Rural Madras and city of Madras residents will see the next largest increases. Residents outside the Madras city limits can expect an increase of about 3.74 percent (to \$16.74 per \$1,000), while Madras residents can expect to pay about 3.56 percent more (\$21.28 per \$1,000 — the second highest rate in the county).

"The increase in tax rate for both the city of Madras and the Madras rural area is primarily due to the 8 cent increase in the jail operating levy, a 3.67 percent increase in the jail bond rate, and a 1.62 percent increase in the aquatic center bond rate this year," Mault noted.

Crooked River Ranch residents will see a minor increase of 1.86 percent in a typical bill — the lowest in several years — although the tax rate declined from \$16.49 to \$16.30 per \$1,000 this year.

"Despite the rate increase for the jail operating levy, the tax rate in Crooked River Ranch decreased this year, primarily due to a sizable decrease in the Redmond School District bond rates," she said.

By paying off their sewer bond, Metolius residents will see a decrease in their tax rate, from \$20.98 per \$1,000 for 2005-06 to \$20.37 per \$1,000 for 2006-07.

Since 2004, the real market value of the county has more than doubled — from \$1.1 billion to the current \$2.36 billion.

This year, the county's real market value increased by about \$288 million — \$76 million of which was new construction — although assessed values only went up \$63 million. Of the \$63 million assessed value increase, \$36 million was new construction.

"Both the real market value increase of \$76 million for new construction and the \$36 million in assessed value due to new construction represents very healthy increases for the county," Mault said.

Unfortunately for the county, because of Ballot Measure 50, passed in 1997, which capped the annual increase in assessable value at 3 percent, taxes on new construction are assessed at a considerably lower rate than older homes.

See Taxes on Page 3

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# Taxes: Disparity in rates increases

(Continued from Page 1)

New homes pay less As a result of Measure 50, each county must determine a "changed property ratio," by figuring out what percentage of the real market value the assessed value is. Last year, the countywide rate was 57 percent. This year, it has dropped to 48 percent, which means that new homes built this year will be taxed on less than half of their real market value.

For example, if a homeowner has a new home built with a real market value of \$200,000, the homeowner will pay taxes

on only the \$96,000 taxable assessed value — 48 percent of the real market value. The owners of older homes — built in 1995 or earlier — pay taxes on a much higher taxable assessed value.

In Culver, Mault owns two homes — each with a real market value of about \$85,000 — which exemplify the difference in taxation. Her older home, built in 1970, has a taxable assessed value of 68 percent of the RMV, while her new house, built in 2004, has a taxable assessed value of 53 percent of the RMV.

The county's changed property ratio (CPR) — the taxable assessed value divided by the real market value — has dropped precipitously since the measure was passed, going from 67 percent in 2001 down to the current 48 percent.

Mault predicts a CPR of around 20 percent in 2010, which would mean a new \$500,000 home would have a taxable assessed value of \$100,000. This year, a new \$500,000 home pays taxes on just \$240,000 worth of value. An older, \$300,000 home might

pay the same amount in taxes. Who gets the tax?

By far, most tax money goes to support schools (47 percent), followed by county services (31 percent), fire protection and cities (6 percent each), Madras Aquatic Center (4 percent), and hospital and library (2 percent each).

The Madras Urban Renewal District will receive \$236,172 this year — up from \$189,879 last year. The URD receives a

small portion of the taxes collected by each local taxing district that includes the city in its boundaries. It does not increase taxes.

This year, property tax information is available online. To check on your own — or someone else's — go to [www.co.jeferson.or.us](http://www.co.jeferson.or.us). Click on "Elected Officials," and then "Assessor." Under useful links, click on "Assessment and Taxation" and follow instructions.

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