Oregon Local Public Issues

Measure 6 and Oregon's Tax System

What is Measure 6?

Measure 6 is a proposed constitutional amendment that would place limits on property taxes, prohibit any sales or transactions taxes on the sale of real property, and restrict the authority of state and local governments to increase non-property taxes. Measure 6 will appear on the ballot in the statewide general election on November 4, 1980.

What are the main provisions of Measure 6?

1. Measure 6 would limit the property tax that can be levied against any property by limiting both the assessed value and the tax rate. (Property taxes = assessed value of one's property x tax rate).

The assessed value (AV) of property for 1981 would be the 1977 assessed value. Assessed value thereafter could grow at the rate of 2 percent per year, or at the growth rate of the Consumer Price Index (CPI) if this were less. New construction would be assessed at its 1977 value increased by 2 percent per year (or the CPI) for 1982 and thereafter.

The consolidated tax rate would be limited to 1 percent of assessed value (or $10/$1,000 AV), regardless of how many districts tax a given property. Taxes to repay existing bonds would be exempt from this limit, but taxes to repay new bonds would have to be included within this $10 tax rate limit.

2. Measure 6 would allow the $10 tax rate limit to be exceeded through an "override provision" if this is necessary to guarantee local governments at least 85 percent of their 1977-78 total revenues. Districts providing only essential services (defined in Measure 6 as "emergency services including police, sheriff, fire, ambulance and paramedic") are guaranteed enough property taxes to fund 100 percent of 1977-78 total revenues. All other districts are guaranteed 85 percent of their 1977-78 total revenues. If districts provide both essential and non-essential services, 1981-82 budgets for essential services cannot be reduced below their 1977-78 levels until the budget for nonessential services is reduced to two-thirds of its 1977-78 level.

3. Measure 6 specifies that renters would receive individual relief equivalent to the property tax relief received by homeowners because of the $10 tax rate limit and reduced assessed value. It also provides that the benefits to homeowners and renters under the Homeowners and Renters Relief Program (HARRP) would not be reduced.

4. For passage of any state legislation that increases tax revenue, Measure 6 requires a 2/3-majority vote of the members of both the House and Senate (or a 2/3-majority of voters voting on such a referendum or initiative).

5. Under Measure 6, voter approval would be required for passage of any local non-property taxes or assessments. A 2/3-majority of voters voting would be required on *any* local tax measure (new tax bases, levies outside the 6 percent limitation, and new non-property taxes or assessments).

6. Measure 6 would prohibit the State from levying property taxes except for payment of existing bonds. It would restrict local governments from property taxes outside the $10 tax rate limit. Measure 6 would prohibit state and local governments from imposing taxes on the sale of real property or on real estate transactions.

Measure 6, if approved by voters, would take effect July 1, 1981, except for provisions relating to voting requirements on tax measures and to the imposition of new taxes. These latter provisions would take effect December 4, 1980.

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Measure 6 and Oregon's Present Tax System

Aspect of tax system affected	Present system	Measure 6
I. Tax payments		
1981 property tax payments	Tax payments = (locally determined tax rate) x (value of property assessed at 1981 levels).	Tax payments = ($10/$1,000 assessed value, plus amounts for existing bonds and any "override") x (value of property assessed at 1977 levels).
	The statewide average tax rate for 1979-80 was $17.46/$1,000 assessed value.	The statewide average tax rate for 1979-80 would have been $11.60/$1,000 assessed value.
Property tax relief	Homeowners' property tax payments are reduced up to 30 percent (with an $800 maximum) through partial payment by the State on A levies and levies within the tax base.	The State 30 percent partial payment to homeowners and 4.7 percent refund to renters could be legislatively altered or eliminated.
	Renters (who do not pay property taxes directly) receive a refund of 4.7 percent of rent paid (with a $400 maximum refund).	Renters (who do not pay property taxes directly) would be guaranteed individual relief equivalent to that provided homeowners by the $10 tax rate limit and reduced assessed value. Measure 6 does not specify how this would be accomplished.
	Through the Homeowner and Renter Relief Program (HARRP), homeowners with incomes of less than $17,500 receive an additional refund of up to $750. Renters with incomes of less than $17,500 qualify for an additional refund of up to $375. Higher HARRP payments are made to those with lower incomes.	Participants in the HARRP program would be guaranteed no reduction in benefits.
	Oregon has two other relief programs. The first permits senior citizens to defer property tax payments. The second exempts from taxation a share of the property of certain veterans and their widows.	
Federal and state income tax payments	Property taxes are deductible from federal and state income taxes.	Because property tax payments would be lower, federal and state income tax payments would be higher under Measure 6 than under the present system for those taxpayers itemizing deductions.
II. Assessments		
Basis for assessments	Real property is classified as either *homestead* (owner-occupied principal residence) or *all other property*. Statewide assessed value of existing property in each class is limited to an increase of 5 percent per year. The assessed value of each individual property is multiplied by a ratio set to keep assessments within this 5 percent limit. The 1980 ratio for homesteads is 84.2 percent of true cash value. The 1980 ratio for all other property is 87.6 percent.	Assessments for 1981 would bet set to reflect 1977 true cash values. In 1982 and subsequently, assessed values could increase above these levels at the lesser of 2 percent per year or the rate of growth of the Consumer Price Index (CPI). New construction would be assessed as though it were newly constructed in 1977.
Property subject to special assessment	Assessments for certain farm lands and timber lands are not based on market value but on their use value.	Property assessed for special purposes in 1977 would continue to be assessed at values shown on the 1977 tax statement plus 2 percent or CPI indexing, even if the special use changes. Property that qualifies for special assessment after 1977 would be valued at the lesser of: (a) its 1977 assessed value plus indexing; or (b) its special-use value in the particular tax year.

Aspect of tax system affected	Present system	Measure 6
III. Local government		
Revenues	For local governments with voter-approved tax bases, the tax levy within the tax base may increase 6 percent each year without voter approval. Tax levies outside the 6 percent limitation must be approved by the voters.	In addition to limits in the present system, new restrictions would bé placed on local taxing power:
	For local governments without tax bases, all property tax levies must be approved by voters.	New taxes based on the value or sale of property would be prohibited.
	Proposals for levies outside the 6 percent limitation are submitted to voters as A levies (if a levy is within a base year operating levy plus inflation and population growth) and as B levies (if a levy is outside this limit). The State will pay 30 percent of homeowner tax bills based on tax bases and A levies, but not on B levies.	Property tax revenues would be limited to that collectible under the $10 tax rate limit. Voters could not approve levies above that limit.* The $10 tax rate limit could be overriden if higher taxes were necessary to guarantee any district 85 percent (100 percent for a district providing "essential services") of its 1977-78 total revenues.
	Voters must be given opportunity to petition for a vote on any new tax proposed by local governments. In practice, governments often refer such measures to voters.	Approval of two-thirds of qualified voters would be necessary for passage of tax measures (new tax bases, levies outside the 6 percent limitation, new non-property taxes).
Bonds	Voters approve most local bond measures.	
	Local governments can guarantee repayment of certain bonds through their power to levy taxes on property.	Local governments could not make the same guarantee of repayment of bonds under the $10 tax rate limit. The capacity of local governments to sell new bonds would be impaired. The ability to pay off urban renewal and redevolpment bonds would also be restricted.
		Taxes to repay existing bonds would not be affected.
IV. State government		
Revenues	Generally, a simple majority vote of the Oregon legislature is needed to enact any law increasing existing state taxes or creating any new state tax.	A 2/3-majority vote of the Oregon legislature would be needed to enact any law increasing existing state taxes as sources of revenue. New taxes on transfer or value of property would be prohibited.
Bonds	The State's bonding capacity and (therefore, its ability to issue such loans as the Veterans Home and Farm loans) is generally limited to a percentage of the total assessed value in Oregon.	Because 1981 assessed value would be reduced to the 1977 level, less money would be available for state loans. This would slow the issuance of new loans. It could be 1984, for example, before new loans could be made under the Veterans Farm and Home Loan program.

* Meaure 6 does not specify how taxes would be apportioned among local taxing units. The Oregon legislature would likely be involved in determining the allocation, either in setting maximum tax rates for each class of taxing unit or in indicating which governments would get priority in receiving property taxes.

It has been estimated by the Legislative Revenue Office that total property tax revenues would have been reduced by 52 percent in 1979-80 if Measure 6 had been in effect. The estimated tax revenue reduction was 54 percent for counties, 47 percent for schools, and 68 percent for cities.

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