Oregon Local Public Issues

How Your Property Tax Bill Is Computed

Have you ever wondered how the property tax bill you receive each November is computed? This circular takes you through the process step by step.

Local Government Budgets Are the Basis of Your Tax Bill

Each local government in Oregon prepares a budget each fiscal year. The fiscal year (FY) for local governments runs from July 1 to June 30. FY 1975 covered the period between July 1, 1974, and June 30, 1975. The term "local government" is used here to mean "taxing jurisdiction" and includes cities, counties, ports, school districts, and most other special districts.

A budget constitutes a financial plan for each local government and provides a limit on that government's spending during that fiscal year. The budget document contains a history of past expenditures on various programs, spending authorization for the current fiscal year, and program requirements for the coming fiscal year. Budgets also show an estimate of expected revenues other than property tax (such as fees, fines, federal grants and payments, state aids, and available cash balances carried over from the present fiscal year).

Each spring the budget committee of each tax jurisdiction in which you live reviews the jurisdiction's proposed budget. The budget committee (composed of the governing body plus an equal number of citizens) approves the budget after making any changes it feels is necessary and submits it to the governing body. A public hearing must be held on the approved budget before it is adopted by the governing body.

The expected non-property-tax revenues in each budget are subtracted from the budget requirements and an adjustment is made for "taxes not expected to be collected." The remaining sum becomes the tax levy. After allowance for certain offsets, the levy of each local government unit is divided by the assessed value of the property within the jurisdiction of that government to determine the tax *rate* of that jurisdiction. Your property tax *bill* is the sum of the tax rates of all the local governments which have taxing jurisdiction over your property, multiplied by the value of your property. Computing your property tax bill can be viewed as a five-step process. Let's look at each step in detail.

1

The Property Tax Levy = Planned Expenditures *minus* Expected Non-tax Revenues *plus* "Taxes not Expected to be Collected"

From the adopted budget, each government unit computes a tax levy in the following way.

Budget requirements (i.e. adopted expenditure authorization for the new fiscal year.)

minus

Budget Resources
including: Beginning Cash Balance
Previously levied taxes expected to be received during the new fiscal year
Non-property tax revenues (fees, federal, and state payments, grants, etc.)

equals

Taxes required to balance the budget

plus

Taxes levied in the new fiscal year but not expected to be collected during the year.

equals

PROPERTY TAX LEVY

"Taxes levied but not expected to be collected" needs some explanation. For Oregon counties, this item ranges between 8 and 25 percent of "taxes required to balance." In order to collect the amount of "taxes required to balance the budget," it is necessary that a government submit a tax levy which can be as much as 25 percent higher than "taxes required to balance." This is because:

• Taxpayers who pay taxes in full by November 15 receive a 3 percent discount on the amount due. If all taxpayers paid in full on November 15, and the government levied only the amount of "taxes needed to balance," revenues would fall short of tax revenue needed by 3 percent.

• A small percentage of taxpayers do not pay taxes in the year in which they are due. "Taxes not expected to be collected" includes an estimate for this delinquency.

• Oregon law permits taxpayers to pay their property tax in four quarterly installments. If taxpayers pay quarterly, payments are due on November 15, February 15, May 15, and August 15. Those payments due on August 15 are not received during the current fiscal year and hence cannot be counted as revenues for the year. If everybody paid quarterly, "taxes not expected to be collected" would be about 25 percent of "taxes required to balance" because one quarter of the taxes would not be collected until the following fiscal year.

What happens to that part of the Fiscal Year (FY) 1975's tax levy that is not expected to be collected in FY 1975 (that is, fourth-quarter payments expected to be received on August 15, 1976, and prior years' delinquent taxes expected to be received in FY 1976)? They are included in the *resources* of the FY 1976 budget under the heading "previously levied taxes expected to be received." They are subtracted from the FY 1976 Budget requirements along with the other resources and have the effect of reducing FY 1976's "taxes needed to balance."

For Lincoln County in the Fiscal Year 1975 budget, the tax levy for the county government was computed as follows (rounded to the nearest $1,000):

Budget requirements for county operation for FY 1975		5,887,000
Personal services	2,030,000	
Materials and services	2,253,000	
Capital outlay	1,455,000	
Special payments	149,000	
Sub-total	5,887,000	

minus
Non-property-tax revenues

expected during FY 1975		5,117,000
Federal and state apportionments	2,935,000	
Local fees and fines	776,000	
Available cash balance	1,137,000	
Previously levied taxes and land sales	269,000	
Sub-total	5,117,000	

equals
Property tax required to balance	770,000

plus
Taxes levied during FY 1975 but not expected to be collected during FY 1975	135,000

equals
PROPERTY TAX LEVY FOR FY 1975	$905,000

If the tax levy is within Oregon's 6 percent limitation, the tax levy is reported to the county assessor and county clerk by July 15 to be used as a basis for computing the tax rate.

If the tax levy is outside the 6 percent limitation, the governing body must submit to the voters for approval or rejection a measure authorizing the district to levy such a tax. If the measure is approved, the approved levy is used as a basis for computing the tax rate. If the measure is not approved, the district must either revise the budget so as to not require a levy which exceeds the 6 percent limitation, or it must keep resubmitting tax levy measures to the voters until the voters authorize a levy which is higher than the 6 percent limitation.

2

Levy Used to Compute the Tax Rate = Property tax levy *minus* Offsets

In order to get the "levy used to compute the tax rate," certain offsets specified by state law are subtracted from the levy submitted to the county assessor and clerk. An offset is a payment from one unit of government (such as an I.E.D. or the State) to a taxing district to be used to reduce the property tax levy in the receiving district.

For a county government, offsets include a mobile-home offset and an assortment of timber tax offsets. The "levy used to compute the tax rate" for Lincoln County in FY 1975 was computed as follows:

Property tax levy submitted to county assessor and clerk	$905,000

minus
Offsets (Mobile home offsets, yield tax offset, additional timber tax offset)	25,000

equals
LEVY USED TO COMPUTE THE TAX RATE	$880,000

3

The Property Tax Rate = Tax Levy Used to Compute the Tax Rate *divided by* Assessed Value of All Taxable Property

The assessor has determined the assessed value of all taxable property in each district in the county. For each taxing jurisdiction, the assessor computes the tax rate by dividing the "levy used to compute the tax rate" by the assessed valuation in the jurisdiction.

The county tax rate is determined by dividing the county tax levy by the assessed value of all taxable property in the county.

$$\text{County Tax Rate} = \frac{\text{Levy Used to Compute the Tax Rate}}{\text{Assessed Value of Taxable Property in County (in thousands of dollars)}}$$

For Fiscal Year 1975, the Lincoln County tax rate (for the county unit of government) was $1.64/$1,000 assessed value.

$$\text{PROPERTY TAX RATE} \quad \$1.64 = \frac{880,000}{536,352}$$

4

The Consolidated Tax Rate = Sum of all Tax Rates in Tax Code Area

If the county were the only taxing unit of government with taxing jurisdiction over your property, the county tax rate would be your total tax rate. But this is almost never the case. Almost everyone lives in a number of taxing jurisdictions. All properties which pay taxes to the same group of taxing jurisdictions are in a single "tax code area" and pay the same "consolidated tax rate." The "consolidated tax rate" is the sum of the individual tax rates of all the taxing jurisdictions in the tax code area.

The number of tax code areas per county varies from around 10 in one rural county to almost 400 in one urbanizing "bedroom" county. If you lived in Siletz (Lincoln County), for example, in 1975, you lived in Lincoln County Tax Code Area 201, one of the eighty in the county. You paid taxes to support not only county government, but also the county school system, the City of Siletz, Lincoln County Hospital, the Port of Toledo, and the County Historical District. Your consolidated tax rate was 24.36/$1,000, the sum of the tax rates of these taxing jurisdictions (Tax Code Area 201).

Lincoln County	$ 1.64
County Historical	.04
County School Unit	10.25
Port of Toledo	.08
City of Siletz	10.87
Lincoln County Hospital	1.48
CONSOLIDATED TAX RATE	$24.36

In Oregon, consolidated tax rates usually range between $15 per thousand and $35 per thousand, al-though there are some cases of rates under $10 and over $40. The consolidated tax rate in Oregon for Fiscal Year 1976 averaged $24.01 per thousand dollars of assessed value.

5

The Property Tax Bill = Consolidated Tax Rate *times* Assessed Value of Your Property

The property tax *bill* you receive each November is computed by multiplying the consolidated rate for your "code area" by the assessed value of your property as of January 1 of that year. If you lived in Siletz (Lincoln County Tax Code Area 201) and your property was assessed at $25,000 your property tax bill in Fiscal year 1975 should have been $609.

24.36	Tax rate/$1,000 assessed value
x25	Assessed value in thousands of dollars
$609.00	PROPERTY TAX BILL

Putting It All Together

How much you pay in taxes is determined primarily by (1) the adopted *budgets* of your local governments (school districts, county, city, and special districts) and (2) the assessed value of your taxable property relative to the assessed value of property in these jurisdictions. Figure 1 presents a hypothetical example of how a tax bill might be computed for someone living in four taxing districts: a city, a county, a school district, and a fire district.

Further Information

Your county assessor has prepared an Assessment and Tax Roll Summary (sometimes called an Abstract of Taxes) which should enable you to figure out how your own tax bill is determined. This summary contains information on assessed value, tax levies of different local units of government, tax rates, and offsets and is available in the County Assessor's office.

The Oregon Department of Revenue in Salem has a series of information circulars related to property taxation. Of particular interest is one on the assessment and taxation of property. It describes appraisal methods, appeal procedures, and the property tax cycle.

See page four of this circular for an example showing how a property tax bill is computed.

The hypothetical example explains how the tax bill would be computed for a tax code area with four taxing jurisdictions. Each jurisdiction in its budgeting completes the first step to obtain its property tax levy.

The assessor (or his counterpart) does steps two through five and prepares your tax bill.

1

2

3

4

5

Figure 1.   Example of Tax Bill Computation
(Fiscal year 1977—July 1, 1976 through June 30, 1977)

	County government	City government	School district	Fire district
Planned expenditures (FY 1977)	5,000,000	2,000,000	6,000,000	100,000
minus				
Expected non-property tax revenues (FY 1977)	4,150,000	1,580,000	1,700,000	23,000
equals				
Property taxes required to balance budget	850,000	420,000	4,300,000	77,000
plus				
Taxes not expected to be collected	152,000	80,000	800,000	13,000
equals				
Property tax levy	1,002,000	500,000	5,100,000	90,000
minus				
Offsets	2,000	....	100,000	....
equals				
Levy used to compute tax rate	1,000,000	500,000	5,000,000	90,000
divided by				
Assessed value of taxing jurisdiction as of Jan. 1, 1976 (in $000)	500,000	100,000	300,000	300,000
equals				
Property tax rate (per $1000 assessed value)	$2.00 +	$5.00 +	$16.70 +	.30
Consolidated tax rate		= $24.00/$1,000		
multiplied by				
Assessed value of your property as of January 1, 1976		30 (in $000)		
equals				
Your property tax bill		$720.000		

If paid by November 15, 1976, you receive a 3 percent discount and your tax payment would be $698.40. Otherwise you could pay in four quarterly installments of $180 apiece due November 15, 1976, February 15, 1977, May 15, 1977 and August 15, 1977.