



February 16, 2023
House Committee on Revenue

RE: Opposition to HB 3194

The League of Oregon Cities (LOC) is an intergovernmental association which represents all of Oregon's 241 cities across the state.

The LOC opposes HB 3194, which changes the "minor construction" threshold from \$10,000 in a year to 10% in a year, and from \$25,000 over 5 years to 20% over 3 years.

Currently, the value of a home is increased on the property tax roll when an improvement project causes the real market value of the home to go up by more than \$10,000 in one year, or \$25,000 over the course of 5 years.

Under the current system, if a homeowner with a \$400,000 home remodels a bathroom that adds \$25,000 in value, the home gets a step up in assessed value to reflect the added value of the home improvement.

This bill would change the threshold to 10% of the value of the home or 20% for a project over 5 years.

If this change goes into effect, the assessed value of the home would not change unless it reaches the 10% threshold, which would be \$40,000 added value.

As with all things property tax, this is extremely significant because of the constitutionally embedded rates in Measure 50. Since the passage of Measure 50, increases in assessed value are limited to 3% a year with the exception of a few scenarios, one of them being new construction.

If I owned a \$1.3 M home, the average price of a home sold in Hood River County last month, I would have to add construction to add \$130,000 worth of value to the home for that change to be reflected on the property tax roll. Otherwise, my assessed value only goes up by 3% a year, or \$39,000.

We understand that the price of construction has gone up due to inflation and workforce shortages and this has likely caused more homes to have a step up in assessed value. Due to the fixed property tax rates caused by Measure 50, capturing the added value from new construction is one of the few ways for the assessed value of the home to be closer to the real market value.

Property Tax Reform is a longstanding priority for LOC and we welcome discussions on how to make the system more equitable and to build stable local revenue streams for cities, counties, schools and other recipients of property tax revenue, however we believe that this change would introduce a form of regressive taxation where the most expensive homes can build new construction without that change being reflected on the property tax roll.

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