Property Tax 101

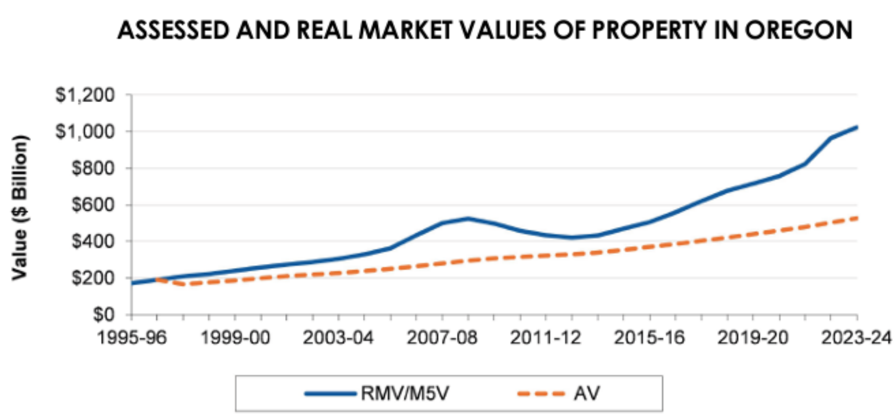
Property taxes are the largest revenue source for cities, with $1.9 billion collected in FY 2023-24. However, Oregon's property tax system operates within constitutional limitations voters approved through Measures 5 (passed in 1990) and 50 (passed in 1997), which created a framework that limits tax growth and introduces complexities like compression and tax disparities tied to assessed values for individual properties.

Measure 5

- Limits $10 per $1000 of real market value (RMV) for general government services
- Limits $5 per $1000 RMV for schools
- Applies only to levies, not bonds

Measure 50

- Created a permanent tax rate limit for each taxing district that cannot be changed by the district or its voters
- Created an assessed value (AV) for each property which is
    - Distinct from its RMV
    - Used to calculate property taxes for each property
    - Cannot grow more than 3% per year (with exceptions for new constructions and major improvements)
- AV was set at 90% of 1995-96 RMV for each property
- Assessed values were smaller than real market values in 1997, and for most properties the gap between the two values widened over time as property prices grew faster than three percent



Contact: Colette Tipper, League of Oregon Cities, ctipper@orcities.org

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Compression

When calculated property taxes exceed the limits established in Measure 5, a process called compression reduces the final tax bill.

- Compression proportionately reduces levy rates until taxes are within the limits.
- Local option levies and special district assessments are compressed first, and must be reduced to zero before any compression is applied to permanent rate levies.
    - General obligation bond levies are not subject to compression
- Compression forces taxing jurisdictions to compete for a limited pool of funds, compounding the challenges faced by local governments.

COMPRESSION BY TYPE OF GOVERNMENT IN FY 23-24				
District	Total #	# in	% in	Total
City	241	182	76%	$ 48,577,012
County	36	35	97%	$ 20,808,591
School	205	185	90%	$ 71,373,184
Other	765	387	51%	$ 14,229,935
Total	1247	789	63%	$ 154,988,722

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