

Area property taxes go up as home values go down

By Andrew Moore / *The Bulletin*

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Deschutes County property tax statements are slated to begin arriving in local mailboxes sometime after Oct. 15, and Deschutes County Assessor Scot Langton is already preparing for what he expects will shock many homeowners: Despite declining home values, property taxes are going up.

Due to Measure 50, the constitutional amendment passed by Oregon voters in 1997, the tax rate for residential property is based on whichever is less: the property's real market value or its maximum assessed value.

Langton said property values appreciated so much in the past decade that it would take a "drastic" decline in home prices for property taxes to drop.

"The first 10 years of the measure was an appreciating market, when real market values went up," Langton said. "The same rules apply today in a downward market, and until those two lines meet, (property owners) are not going to see their taxes go down."

A home's or property's real market value and maximum assessed value are not related.

"That's where lots of people misunderstand," Langton said. "They are completely independent."

In other words, a home or property's maximum assessed value will continue to climb over its initial value by 3 percent per year, regardless of the home's or property's real market value.

Homeowners can apply with the county to appeal their real market value, but it wouldn't affect the amount of tax owed unless the restated real market value dipped below the property's maximum assessed value, since the lesser of the two values is taxed. Given the appreciation in home prices during the past decade, Langton said it's highly

Assessed property value is still rising

Although residential sales prices are declining, property taxes in Oregon are calculated using a home's or property's maximum assessed value, which is still well below real market value. The maximum assessed value was created in 1997 by Measure 50.



Source: Central Oregon Association of Realtors Property Statistics

Andy Zeigert / The Bulletin

Real market vs. assessed value

The real market value is an estimate based on similar property sales in the area and reflects the estimated price the property would fetch at sale as of Jan. 1 of the tax year.

The maximum assessed value reflects the property's value as of July 1, 1995*, minus 10 percent. The assessed value then increases by no more than 3 percent each year. There are allowances for property changes, such as new construction or property partitions. Maximum assessed values are not reset when a home or property is sold.

County assessors take whichever is the lesser value — which is called the assessed value — and then apply tax rates.

*For homes built after that date, a different formula applies. The county's average percent difference between real market values and maximum assessed values — for residential properties in Deschutes County

unlikely such a scenario would occur.

“Even if we were to cut everyone’s real market value in half, well that’s still greater than the maximum assessed value on a typical residential property, so it would take a very significant change in the market,” he said.

Langton added that the 3 percent rate is mandated by the constitutional amendment created by Measure 50 and does not allow for lesser increases or deductions.

Langton’s office has yet to finalize what Deschutes County homeowners will have to pay for their 2008-09 tax bill but expects to have the exact figures in the next two weeks. Voter-approved levies and special taxing districts also will affect the amount of property tax, including Deschutes County’s 911 district approved by voters in May that will assess homeowners 23 cents for each \$1,000 of assessed value for the next five years. Those are applied on top of base rates calculated with the assessed value.

As the county’s assessor, Langton said he doesn’t often issue news releases, but he issued one Wednesday to gird homeowners for the news about rising property tax rates in the face of declining property values.

“I know overall, within the 10-year history of Measure 50, this is the first year I’ve experienced a large number of properties where market values decreased, so it’s a new era of Measure 50 ... but we wanted to get the message out to folks because it is different this year,” Langton said.

Tom Greene, the president of the Central Oregon Association of Realtors, said Langton spoke to Greene’s group this summer about Measure 50’s impact on property taxes in light of the declining housing market.

Greene said the real market value the county assigns a home or property is a “fictitious figure.” He said the county’s real market values lagged behind actual home and property sales prices during the big boom years of 2005 and 2006 and are now inflated as the market declines.

“People say that’s what their house is worth, and (in the current market) I have to say, ‘It’s 25 percent high,’” Greene said. “On the other side, when property values were rising in 2004, you could routinely get 20 percent over the real market value.”

Greene said a good way to determine a home’s approximate value it to ask a real estate agent to do a comparative sales analysis, which examines recent sales of similar homes. Greene said most real estate agents will provide the analysis for free.

However, a comparative sales analysis would not affect the county’s real market value figure.

James McManmon, a longtime Bend resident born and raised in the city and who has since retired, said he’s not surprised property taxes are rising this year. He said he understands Measure 50, but, regardless, he expects property taxes to increase every year.

“It’s been that way every year since 1945,” McManmon said. “It hurts a bit, but it’s not devastating.”

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for the 2008 tax year, the maximum assessed value is 46 percent of real market value — is applied to the new property.

For example, a new home in a new subdivision is assigned a real market value by the county of \$200,000. The home is then assigned a maximum assessed value of \$92,000 (\$200,000 x 46 percent).

For more information, visit www.oregon.gov/DOR/PTD/property.shtml.

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