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THE ATIYEH TAX PLAN

What is it? A plan to control tax increases by setting a limit on property tax rates and the growth of assessed values, tying personal income taxes to inflation and refunding part of the 1977-79 state General Fund surplus to 1978 income taxpayers.

GENERAL FUND SURPLUS

The 1977-79 General Fund surplus of $170 million would be returned to 1978 income taxpayers. This constitutes a refund equal to 22 percent of the taxpayer's 1978 tax liability.

INCOME TAXES

The plan includes two modifications to the present income tax system.

1. State income taxes would be reduced permanently by 12.5 percent to help control the effect of inflation on tax liabilities. Cost of the 12.5 percent cut for the 1979-81 biennium would be $255.8 million.

2. If the property tax plan is rejected by the voters an additional 5-1/2 percent permanent tax cut would be made, making the total cut 18 percent. This would reduce state revenues by an additional $120 million.

PROPERTY TAXES

The plan includes a modified version of ballot measure 6. Highlights of the plan: a property tax rate limitation; a limit on the growth of assessed values; relief for renters and mobile homeowners.

Impact on taxpayers

Homeowners The maximum tax rate paid by homeowners on owner-occupied residential property would be $15 per $1000 assessed value. The state would pay the difference between the $15 limit and the actual tax rate, if the rate is over $15. Voters could approve bond or special operating levies in excess of the $15 limit, the cost of which would be added to the taxpayer's bill. Increases in assessed values could not exceed the rate of growth of personal income in Oregon, or could not be more than 7 percent for 1980-81 and 81-82.

All other property owners The maximum tax rate on all other property would be limited to the actual rate in 1978-79. Annual reductions in the rate limit would be assured until the rate is $15 per $1000 assessed value or less (excluding bond and/or special operating levies approved by voters). Growth of assessed values would be controlled by the same percentage as applied to residential property.

Renters Renters would receive equivalent tax relief, in the form of a refund from the state General Fund. Formula for the refund probably would be 2.1 percent of annual rent paid.

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Impact on local governments

Every local taxing district would have funding equal to its 1978-79 property tax levy PLUS a share of the controlled levy growth.

$$\text{Controlled levy growth} = \frac{\text{district tax rate}}{\text{combined tax rate in dominant code area}} \times \$15 \times \text{increased value in dist.}$$

Example:

School district tax rate, $12.50 per $1000; combined tax rate in dominant code area, $25.00;

Controlled levy growth = $\frac{\$12.50}{\$25\ 00}$, or 50%, multiplied by $15, or $7.50, multiplied by the increased value in the district.

A district with special funding problems (such as unusual growth or sharp decreases in assessed values) could ask its voters for a special one- or two-year operating levy in excess of the rate limit.

Impact on state government

The state General Fund will provide transitional funds to move from the present property tax system to one of controlled value increases and a uniform maximum tax rate of $15 per $1000. By doing this, homeowners will get immediate property tax relief without jeopardizing the fiscal stability of local taxing districts.

Cost to state General Fund for 1979-81 biennium: $120 million

Under the plan, use of state funds will diminish over time. As the actual tax rate approaches $15 and assessed values increase (controlled by the growth limit), fewer state dollars will be needed to make up the difference between the amount of tax homeowners pay and the total amount of the levy on residential property.

The state will continue to provide property tax relief directly through the Homeowner and Renter Refund Program (HARRP) and indirectly through Basic School Support.

NEXT STEP

The entire Atiyeh tax plan is subject to approval, or revision, by the Legislature. Assuming legislative approval, some portions of the property tax plan (such as the 1-1/2% limit) will require voter approval to amend the Oregon Constitution. Atiyeh has indicated that if the voters reject the property tax plan, he proposes that the funds for that plan be automatically channeled into further permanent reductions of the income tax by 5-1/2 percent, making the total cut 18 percent.

STATE FISCAL IMPACT

Property Tax Plan (1979-81)

Funds to local governments to replace lost revenue from the change to a $15 tax rate	$109.4 million	
Funds to renters for equivalent relief	32.8 million	
Funds to county assessors for the additional cost of splitting the tax roll between residential and all other property	1.8 million	
		$144 million
Income Tax Plan* (1979-81)		255.8 million
* If property tax plan is adopted.		
Rebate of Surplus (1977-79)		170.0 million
	Gross Total	$569.8 million
	Less HARRP savings if property tax plan adopted	-22.4 million
	Net Total	$547.4 million