

IN THE MAGISTRATE DIVISION
OF THE OREGON TAX COURT
Property Tax

MARVIN AND EMILOU NELSON,)
)
 Plaintiffs,) No. 010134C
)
 v.)
)
LANE COUNTY ASSESSOR,)
)
 Defendant.) **DECISION**

Plaintiffs seek a reduction in value for the 2000-01 tax year. The subject property is identified in the assessor's records as Account Number 1550571.

The case management hearing scheduled for April 18, 2001, was converted to a trial with the consent of the parties. Mr. Marvin Nelson appeared for the plaintiffs. Mr. Steven Nasset appeared for the defendant. For ease of reference the parties will be referred to as taxpayers and the county.

STATEMENT OF FACTS

The appeal involves a home on a lot that was constructed in 1996 and completed in 1997. Taxpayers bought the property in July 1999 for \$156,000. They then sold it at a loss in December 2000 for \$150,000. Taxpayers petitioned the County Board of Property Tax Appeals (board) for a reduction in the real market value (RMV) based on the December 2000, sale price. The board reduced the RMV from \$177,360 to \$150,000. The board did not reduce the assessed value (AV), which is set at \$147,452.

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ISSUE

When RMV is reduced by the board or the courts should AV automatically be reduced proportionately to retain the relationship that previously existed between the RMV and AV? As explained below, the court concludes it should not.

COURT'S ANALYSIS

Article XI, section 11, of the Oregon Constitution, which was adopted in 1997, established a maximum assessed value (MAV) for property taxation. AV is the lesser of RMV or MAV. ORS 308.146(2).

The 1997-98 tax year was the benchmark year for the new system of taxation. The MAV that year was 90 percent of the property's RMV for the 1995-96 tax year. The relevant portion of section 11 provides:

“(1)(a) For the tax year beginning July 1, 1997, each unit of property in this state shall have a maximum assessed value for ad valorem property tax purposes that does not exceed the property's real market value for the tax year beginning July 1, 1995, reduced by 10 percent.” Or Const, Art XI, § 11.

MAV is constitutionally limited to an increase of no more than three percent in any one tax year. See ORS 308.146(1) and Or Const, Art XI, § 11(1)(b).¹ The statute provides:

“(1) The maximum assessed value of property shall equal 103 percent of the property's assessed value from the prior year or 100 percent of the property's maximum assessed value from the prior year, whichever is greater.” ORS 308.146(1).

¹Section 11 of the Constitution provides in relevant part:

“(b) For tax years beginning after July 1, 1997, the property's maximum assessed value shall not increase by more than three percent from the previous tax year.” Or Const, Art XI, § 11(1).

In this case the home did not exist in 1995 so the county set the values in accordance with ORS 308.153, which provides in relevant part:

“(1) If new property is added to the assessment roll or improvements are made to property as of January 1 of the assessment year, the maximum assessed value of the property shall be the sum of:

“(a) [the prior year’s MAV]; and

“(b) The product of the value of the new property or new improvements determined under subsection (2)(a) of this section multiplied by the ratio of the average maximum assessed value over the average real market value for the assessment year.”

The ratio set forth in the above statute is commonly referred to as the Change Property Ratio, or CPR. In accordance with ORS 308.153, the county multiplied the 1997-98 RMV of \$170,340 by a CPR of .792182 to arrive at a MAV of \$134,939. The AV was then set at \$134,939 because it was less than the RMV of \$170,340.

ORS 308.146(2). The MAV (and AV) then increased three percent each year, from \$134,939 in tax year 1997-98 to \$138,987 in 1998-99, \$143,157 in 1999-00, and \$147,452 in 2000-01. Because the MAV in 2000-01 of \$147,452 is less than the RMV set by the board of \$150,000, the reduction in the RMV had no impact on the AV.²

The fundamental question raised by the appeal is whether a reduction in RMV requires a corresponding reduction in AV. Taxpayers erroneously assume there is an ongoing numerical relationship between RMV and AV. There is no direct relationship between the two because AV is the lesser of RMV and MAV and often is based on MAV, which, practically speaking, makes RMV of little significance for tax purposes.

ORS 308.146(2). RMV rises or falls with the market whereas MAV generally moves along at an annual increase of three percent.

²Apparently compression was not triggered.

CONCLUSION

Plaintiffs' request for an automatic reduction in AV based on a board-ordered reduction to RMV is denied because the two numbers (AV and RMV) have no direct numerical relationship and ORS 308.146(2) provides that AV is the lesser of RMV or MAV. In this case the MAV continued to be less than the RMV and AV was therefore unaffected.

IT IS THE DECISION OF THE COURT that plaintiffs' appeal is denied because there is no legal basis to support the relief requested and the Complaint.

Dated this _____ day of May, 2001.

DAN ROBINSON
MAGISTRATE

IF YOU WANT TO APPEAL THIS DECISION, FILE A COMPLAINT IN THE REGULAR DIVISION OF THE OREGON TAX COURT, FOURTH FLOOR, 1241 STATE ST., SALEM, OR 97301-2563. YOUR COMPLAINT MUST BE SUBMITTED WITHIN 60 DAYS AFTER THE DATE OF THE DECISION OR THIS DECISION BECOMES FINAL AND CANNOT BE CHANGED.

THIS DOCUMENT WAS SIGNED BY MAGISTRATE DAN ROBINSON ON MAY 18, 2001. THE COURT FILED THIS DOCUMENT ON MAY 18, 2001.