Property Taxes: Deferral Programs

Recent changes to the Property Tax Deferral Program

The poor economy and weak housing market forced the 2011 Oregon Legislature to make many changes to the property tax deferral program.

These changes affected deferred property taxes the state paid beginning in November 2011.

We are taking several steps to bring the program—as affected by HB 4039 in the 2012 legislature—up-to-date. These steps include:

- Running a query for an account-by-account analysis.
- Identifying participants affected by the passage of HB 4039.
- Sending letters to all individuals affected by HB 4039 by the end of April.
- Coordinating with county tax collectors for refunding any taxes that were paid by participants who are now eligible for the program.

Did your reverse mortgage cause you to be ineligible for the Senior & Disabled Citizens Deferral program?
If so, we'll be contacting you by phone or mail by the end of April to tell you how changes the 2012 Legislature made in February affect you. We appreciate your patience while we work out the details.

2012 Changes (HB 4039)

Reverse mortgage extension
This law allows participants that were inactivated from the program in 2011 for the sole reason of having a reverse mortgage two additional years of deferral (2011 and 2012).

The department will determine which applicants are affected by this provision, and pay the 2011 and 2012 taxes to the counties on their behalf.

County median RMV
Further defines "county median RMV" to include properties that are classified as 1-0-1 pursuant to the rule adopted by the department under ORS 308.215.

Recertification
Requires the department to recertify properties for deferral "not less than once every three years" rather than once every two years.

Requires participants to complete and return the recertification form within 65 days of notification from the department. Failure to comply with this renders property ineligible for deferral for the following year.

2011 Changes (HB 2543)

Net worth

Your net worth limit is $500,000.

- Net worth is the total of the current market value of all of your assets minus any debts. It doesn't include the value of the home for which you're claiming property tax deferral, the cash value of your life insurance policies, or tangible personal property (vehicles, furniture, appliances, clothing, etc.) that you own.
- Assets include:
  - Real property (other than the property for deferral)
  - Cash
  - Checking and savings accounts
  - Bonds
  - Other investments minus any debts.

Income criteria
Your annual household income cannot be more than $39,500. This is a change from "adjusted gross income" to "household income."

Home occupancy
You must own and live in your home for at least five years as of April 15 of the year in which you apply for the program, unless you had to live away from it for health reasons.

Homeowner's insurance
You must show proof of homeowner's insurance that covers fire and other casualties. We need:

- Policy coverage amount
- Name of insurance company (not insurance agent)
- Policy number

Real Market Value
The real market value (RMV) of your home (as shown on the prior year's property tax statement) is limited to a certain percentage of the county median RMV. The limit increases based on the number of years you have owned and lived in the home.

Interest formula
Beginning November 2011, the 6-percent annual interest rate will change from simple interest to compound interest.

- This change doesn't affect the interest rate on property taxes we have paid or will pay before November 2011.

Re-certification
To remain in the program, you must "re-certify" every two years. This means you must re-apply for the program every other year and meet all of the qualifications. If you don't re-certify or qualify, the state won't pay your property taxes

Reverse mortgages
Properties with reverse mortgages don't qualify for the deferral program.

We will continue to defer the past taxes we have paid (with applicable interest) until the applicant dies or the property is sold.

Liens on properties owned by people with disabilities
Eliminates 90-percent lien limit on property owed by a person with a disability. These liens will be treated like senior deferral liens.

Prorated payments
We won't prorate or make payments on your property taxes if your income exceeds the limit after you're enrolled in the program.

Eliminates 5-year extension for heirs to repay deferred taxes
There is no longer a five year extension for heirs to repay deferred taxes.

Special assessment program
Special assessments will be phased out as participants leave the program. We cannot accept new special assessment deferrals.