## SB 1541: An Unnecessary Fix for Seniors

Written testimony for Senate Finance and Revenue – Jody Wiser – 2.7.2020

**SB 1541 seems to be designed to fix a problem that has already been fixed.** It proposes that seniors over 68 and disabled homeowners who are eligible for Property Tax Deferral, "but for a reverse mortgage" can have their taxes frozen.

**Just last year the legislature passed HB 2587, a bill designed as the fix for seniors and disabled with reverse mortgages allowing participation in the Property Tax Deferral Program. We believe the problem was well addressed then and that the legislature should wait to see the results of that action before returning to the issue.**

Under last year's legislation, any eligible homeowner with a reverse mortgage entered into prior to 2017 can participate in Oregon's property tax deferral program. That program protects the budgets of local jurisdictions as they are made whole because the property tax deferral program fund replaces the deferred taxes. This bill provides no mechanism for making local jurisdictions whole.

Today property tax deferral is available for Oregon's disabled and seniors with fixed incomes below $46,000 (indexed), with assets of less than half a million dollars, who are owners of a semi-modest home. Actually the program is quite generous on home values. In the metro area, homeowners who have been in their homes for 25 years can defer taxes on homes valued at nearly a million dollars. The deferral program is generally used by seniors in far more fragile circumstances than the program allows. It is a well-designed program for keeping our neighbors housed and in their communities while protecting the General Fund from another entitlement program it can't afford.

**The revenue impact for this bill will appear moderate.** Because of the fix last year, anyone eligible who wants to can already participate in the deferral program. That program means the property taxes will eventually be paid by the homeowner or their estate, and keep the funding mechanism whole. Many who have reverse mortgages may not be participating. But as the freeze versus a deferral becomes known, many more would likely participate. This bill has no revenue source to cover that eventuality.

Our biggest concerns with the bill:

1. **This idea could easily be "gamed."** Seniors could sign up for a deferral program and never even use it, or use it once for a new car or a small remodel, and then get their taxes frozen for the next 10, 20 or 30 years.

2. **It provides no way for local jurisdictions to cover the lost revenue and still provide services?** Under deferral the fund pays the taxes and then recovers the money when the home leaves the deferral program. Under this plan, there is no source of funding for the local jurisdictions.

3. **The bill does not make the program optional.** Communities with high concentrations of seniors could be deeply impacted with the loss of revenue, and every jurisdiction will be hurt with revenue losses that will grow over time.

4. **It is reverse age discrimination:** this is a back door entitlement program for seniors with less than $46,000 in household income and a fairly modest home and other assets. A sunset is not a safeguard against the cost. Give this benefit now and it will be politically impossible to end it. Many Oregonians cannot afford a place to live, and it's not because they are seniors living on "fixed incomes", it's because they don't make enough even though they have two or three jobs. A circuit breaker program that addresses the cost of housing for all Oregonians, whether they are homeowners or renters, age 28 or 78 would be an excellent idea were there a funding source, this idea is not.

5. **Property taxes wouldn't actually be 100% frozen** because bonds that are approved would increase their property taxes or their home could come out of compression because its RMV has improved. Seniors who thought their taxes were frozen would be frustrated by it happening, and would demand explanations. A new reason to complain to legislators would have been created. Further, if a household comes out of the program because of ineligibility under the deferral guidelines (for example, an inheritance increases their net worth by a million or their niece comes to live with them while she begins her new job in Oregon and that increases household income), the reset in assessed value that has been increasing by 3% a year will come as a shocker.

**The team that worked on this issue last year believes that legislation and new reverse mortgage laws have resolved the issues legislators may have heard about over the years. Please let current law prove the problem.**