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FALLING MARKET VALUES AND YOUR 2009 TAXES

Values for nearly all **residential** properties will be experiencing a reduction in their Real Market Value again this year on the 2009 tax bill with an average decrease of 15%. The majority of properties last year (2008) decreased from 1-10%. This year that trend advanced considerably. Nearly half the county, 46%, will see property values decreased between 16-30%, with 11% in excess of 20%. Only 1% of properties actually increased over last year's certified Real Market values.

| <u>CHANGE IN VALUE</u> | <u>PERCENT OF PROPERTIES</u> | | <u>2 YEAR AVERAGE</u> |
|------------------------|------------------------------|------|-----------------------|
| | 2008 | 2009 | |
| -20% or more | 0% | 11% | 5.5% |
| -16 TO -20% | 0% | 35% | 17.5% |
| -10 TO -15% | 19% | 29% | 24.0% |
| -6 TO -9% | 46% | 22% | 34.0% |
| -1 TO -5% | 28% | 2% | 15.0% |
| +0 TO +8% | 7% | 1% | 4.0% |

Assessments are required, by statute, to be established as of January 1 each year. As the above table indicates, most **residential** properties will be experiencing a substantial reduction in their Real Market Value on this year's October tax bill. 2% of residential properties will decrease 1-5% while 22% of residential properties will decrease 6-9%; 29% will decrease 10-15%; 35% will decrease 16-20% and 11% will increase by more than 20%.

One of the questions that we are frequently asked is how short sales and foreclosures have affected the market. The answer to that question is there is no doubt that those sales have had a substantial effect on the marketplace. In an independent study of sales, one that excluded bank related and short sales and the other that folded them into the group, the outcome was nearly identical with few exceptions. Foreclosures and short sales represent 44.6% of the residential property sales excluding specially assessed farm and forest properties. This tells us that sellers of properties not subject to foreclosure or bank pressures are pricing their property at levels comparable to such properties in order to be competitive.

Unfortunately, while the Real Market Value will decrease for most properties, Assessed Values will increase by the constitutional 3%. While that sounds like an oxymoron, it is actually a function of what the voters chose when Measure 50 was approved in 1996-97. When values were on the rise, (2005 values rose county wide over 23%) Measure 50 offered predictability instead of the volatility in taxes that came with a sometimes frantic real estate market. The steady 3% growth

in Assessed Value was a change taxpayers welcomed. But now with falling values there are a lot of questions. HOW IT CAN BE THAT MY MARKET VALUE GOES DOWN YET MY TAXES GO UP? In 1997, Oregon voters passed Measure 50, a constitutional amendment, which has accomplished exactly what the writers intended by providing predictability together with a slow steady growth in property taxes uninfluenced by sharp increases in real estate values.

Measure 50, a voter initiative, modified the Oregon Constitution and virtually every property tax statute. Starting in the 1997-98 tax year, in addition to the Real Market Value, Measure 50 required that a new value be established (Measure 50 Value or Maximum Assessed Value [MAV]). This new value was calculated for each property by subtracting 10% from the property's 1995-96 Real Market Value. Under Measure 50, property tax is based on the lower of the Real Market Value or the MAV and is labeled Assessed Value on the tax statement. In 1997 the average MAV was 13% lower than the Real Market Value. (The MAV increases by 3% each year as long as the Real Market Value of the property is greater than the MAV.) As always, the Real Market Value changes with the real estate market.

From 1997-2007 the real estate market (and Real Market Value) has seen periods of unprecedented growth while the MAV has continued to go up the constitutional 3% per year. This caused, at its peak in 2007, the MAV to range from 35% to 65% of Real Market Value depending on the type of property and the location in the county, with the average property's MAV in 2007 being 48.2% lower than the Real Market Value. Last year, 2008, a home with a Real Market Value of \$100,000 had an average Assessed Value (upon which the tax is based) of \$52,500. The Real Market Value for the average property would have to drop 48% (or below \$52,500) before the tax is affected.

Real Market Values are established as of January 1 each year based on comparable property sales from the prior year through March of the current year. For properties that sell, the Assessor's office compares the sales price to the prior year's Real Market Value, calculating the percentage difference. That percentage adjustment is applied to all properties in the market area. If last year's average Real Market Value is 15% higher than the average sales price for all properties sold in a market area, the value of all properties in that area gets reduced 15%.

PRELIMINARY VALUE CHANGES FOR NEXT YEAR

| <u>LOCATION</u> | <u>ADJUSTMENTS</u> | | | <u>AVERAGE</u> |
|----------------------------------|---------------------------|-----------|-------------|-----------------------|
| NORTH COUNTY | -8% | TO | -29% | 85% |
| ASHLAND | - 2% | TO | -18% | 92% |
| CENTRAL POINT/SAMS VALLEY | - 7% | TO | -22% | 82% |
| PHOENIX/TALENT | 100% | TO | -30% | 86% |
| WEST MEDFORD/APPLEGATE | -2% | TO | -25% | 86% |
| EAST MEDFORD | 102% | TO | -26% | 84% |
| ROGUE RIVER AREA | - 2% | TO | -29% | 87% |

THE FUTURE?

A preliminary study for next year indicates a continuing decline in Real Market Values. Unless there is a turnaround in the second half of 2009, I would expect to see further declines, however it appears that the decline is slowing and we may see a bottoming out. Any changes up or down in 2009 from sales gathered through March of 2010, will be reflected on next year's 2010 tax bill depending on the location in the Valley. These are preliminary numbers and can change up or down depending on what the market does. But even with a further decline, taxpayers will likely see a minimum 3% increase in their taxes for the 2010-11 tax year. A decrease of 15% this year plus a decrease of 20% next year equals a 35% decrease over a two year period. Since Real Market Value has to dip below Measure 50's MAV, it would take another decrease of 17% for the average Jackson County taxpayer to receive any tax relief due to value declines.

Measure 50 did do what the taxpayers in the state intended by providing predictability in property taxes. Since Measure 50 is a constitutional amendment, no one can change it except the voters. The legislature doesn't have the power to draft a new statute and fix any perceived flaws, nor does the Assessor. I hope that this explanation makes Measure 50 and your tax bill, to be mailed in late October, a little clearer.

How do I submit a guest opinion?

We publish guest opinions on local or statewide issues written by people with some knowledge of or expertise in the topic they are writing about. The word limit is 750. Before writing a guest opinion, please send a query to letters@mailtribune.com or by mail to Guest Opinions, P.O. Box 1108, Medford, 97501 describing the topic. Often several people will propose a guest opinion on the same topic, and usually we publish only one, unless there are opposing viewpoints, in which case we can publish guest opinions reflecting those viewpoints.