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Cover Story by [JAMES PITKIN](#)

Spot The Differences!

Answers:

- A. House 1's owner has a rake with more teeth and a tricycle that works
- B. House 2's owner has bloodshot eyes and a dog mess to clean up.
- C. Oh yeah, one more difference: House 2's owner has a property-tax bill 3 1/2 times that of House 1's owner.



IMAGE: jackpollock.net

[October 17th, 2007]

The Meyers and Sallos families live on opposite sides of Portland—and on the unequal ends of Oregon's property-tax divide.

Their two households have much in common. Both are headed by young professionals. Erica Meyers is a business manager at Wilson High School; husband Dan is an architect-in-training. Sol Sallos is a merchandise manager at Nike. Christine, his wife, is a part-time masseuse.

Both families bought a home last year for roughly the same price. The Meyers' Craftsman bungalow at the heart of the Northeast Alberta Street arts district cost \$369,000. The Sallos' two-story home in the Southwest Hills cost just a bit more, \$380,000.

That's where the similarities end. When their property-tax bills show up in the mail this week, they'll be treated with Oregon's version of discriminatory tax tyranny.

The Meyers household will be taxed \$1,734. The Sallos family's bill: \$6,356.

Two houses, purchased for roughly the same price last year. Yet one's property-tax bill is more than 3 1/2 times larger than the other.

"It's absolutely ridiculous," says Sol Sallos. "I don't have a problem with paying taxes. But if my home is worth \$400,000, and someone else's is worth \$400,000, we should be paying something close to the same in taxes."

Not in Oregon.

For Oregonians, this is a week when opening the mailbox can give bigger scares than Halloween. It's property-tax time.

For 950,000 homeowners, it's the biggest check most of us write all year. For many apartment dwellers, next year's rent hike will be determined in part by the size of their landlord's tax bill.

You might think a state as progressive as Oregon would see to it that property tax is levied in a fair fashion. After all, it's a serious chunk of change. Property taxes generate \$4.1 billion a year in our state, and it's the keystone of public finance, paying for a portion of virtually every service we expect from local government, from cops to parks to public health.

Yet we have a perverted property-tax system that hits some neighborhoods far harder than others. Depending where you live, you might be paying four times more than another home across town that's worth the same amount.

"It's outrageous, it really is. It's just blatant unequal taxation," says state Sen. Ginny Burdick (D-Portland), chair of the Senate Finance and Revenue Committee.

Even conservative Republicans can agree.

"There's no question in my mind that the system is broken," says state Rep. Tom Butler (R-Ontario), vice chairman of the House Revenue Committee. "That creates huge inequities."

It's enough to make you want to dump your cappuccino in the Willamette in protest. Yet up to now, there's been no public outcry from Portlanders.

“People don’t see the tax bills of their neighbors,” says Chuck Sheketoff, head of the Oregon Center for Public Policy. “Not to say it won’t happen, but in general, that’s why it’s not.”

But as the gap between the lucky and the suckered continues to grow, more homeowners like the Salloses are waking up to a sobering fact—like rented mules, they’ve been saddled with more than their share of the tax burden. And for the most part, our politicians are doing nothing to stop it.

The exception? Political newcomer Ted Wheeler—the chairman of Multnomah County, who says he’ll change the state’s property-tax system or go down trying.

“I’m ready to put my reputation on the line to pursue this,” Wheeler says.



THE SALLOS FAMILY moved to the Southwest Hills from Northeast Portland so 3-year-old Leo could attend better schools. Image: cameronbrowne.com

Whoa, big fella.

First, get in the wayback machine and rewind to 1990. A savvy anti-tax activist and gym owner from east Multnomah County named Don McIntire got voters to agree with him to limit the amount of tax homeowners pay to \$15 for every \$1,000 their property is worth.

Not unlike capping a sales tax at a certain percentage, the initiative—called Measure 5—sought to restrain government but allow taxes to grow with the economy, measured by the value of property. It was a sensible proposal (to *WW* at least, which endorsed it), and it had the added benefit of equalizing school funding for rich and poor districts. It passed with 53 percent of the vote.

Six years later, enter Bill Sizemore, a conservative carpet salesman from Clackamas County with a grin like a lighthouse and a handshake as big as a honey-baked ham. He wasn’t satisfied with Measure 5, because a property’s value could still skyrocket. He argued you had to strap down the value of the home for tax purposes—in other words, limit the growth in what’s called the assessed value.

So he got enough signatures to put Measure 47 on the ballot. It didn’t change the tax rate. It just rolled back the assessed value of all property to their 1995 levels, minus 10

percent. And it reached into the future, saying assessed values of property can grow no more than 3 percent a year. *WW* opposed 47, yet somehow it still passed.

One year later, the Legislature tinkered with Measure 47 just enough to make the law workable, and its new version, Measure 50, passed in 1997.

Now, 10 years later, Oregon enjoys a booming real-estate market—and a property-tax system that's about as fair as the Patriot Act is patriotic. That's because, like a Pleistocene insect suspended in amber, Oregon's base property values are forever frozen in 1995—the year Jerry Garcia died, the Oklahoma City federal building was bombed, and *Braveheart* won the Oscar for Best Picture.

You don't need to be a progressive to think our property tax system stinks. You can think government ought to have less dough, or the same amount. It's still appalling.

Why? Because real estate doesn't all increase in value at the same rate. Yet our system limits the increase, for tax purposes, to 3 percent a year no matter what.

Consider neighborhoods along Mississippi and Alberta, in Boise-Eliot and elsewhere. Due to rapid gentrification, they've seen property values shoot up like the price of a Hannah Montana ticket. Yet our tax system makes no room for changes in real-world values, and taxes in those neighborhoods are a steal because they still reflect 1995 prices.

Meanwhile, folks in Northwest, on Sauvie Island, in outer East Portland and in the West Hills pay the highest property taxes in the city compared with what their homes are really worth.

Depending where you live, your home could be assessed at 25 percent of its real market value, or 70 percent. And that disparity will continue to grow wider as the years pass and real prices drift ever further from their 1995 levels.

Outside experts call it a perfect example of how not to design a tax code, because it's fundamentally inequitable.

“It undermines taxpayers' faith in the tax system itself,” says Nick Johnson, an analyst at the Center on Budget and Policy Priorities in Washington, D.C. “One of the core principles of tax policy is what economists call ‘horizontal equity,’ which is that similarly situated taxpayers should pay similar taxes. Obviously, this violates that.”

Take the Meyers and Sallos families, two households paying wildly different taxes for homes they bought the same year for about the same price.

