

## Measure 5 Compression

Tax rates are applied to the tax assessed value when taxes are calculated. Each district's rate is categorized as education, general government or non-limited in order to calculate the Measure 5 tax rate limitations. While Measure 50 created permanent operating rates for taxing districts to be applied to the tax assessed value, Measure 5 tests for the category limits of \$5.00/\$1,000 value for education and \$10/\$1,000 value for general government. The urban renewal increment, which comes from all districts within an urban renewal plan area, is subject to the category limit for which the funds are used and is added into the appropriate category for tax calculation. These consolidated category limits are tested against the real market value or the specially assessed value (often referred to as the M5 Value) of the property to determine if compression is necessary.

Following is an example of how to test for Measure 5 Compression:

*Total Real Market (M5) Value = \$120,000      Total Assessed Value (AV) = \$100,000*

*For tax code area 02-01, the Measure 5 limitations for education and general government would be:*

*Education:      \$120,000 M5 Value      x      \$5.00/\$1,000      =      \$600.00 M5 Tax Limit*  
*Government:    \$120,000 M5 Value      x      \$10.00/\$1,000      =      \$1,200.00 M5 Tax Limit*

*The Measure 50 tax is calculated using the full tax rate and the Assessed Value:*

*Education:      \$100,000 AV      x      \$5.4563/\$1,000      =      \$545.63 M50 Tax*  
*Government:    \$100,000 AV      x      \$8.0368/\$1,000      =      \$803.68 M50 Tax*

*Now compare the two calculations to see if compression is necessary. For both the education and general government tax, the M50 tax is lower than the M5 tax limit, so there is no compression.*

Another example of compression using tax code area 02-01:

*Total Real Market (M5) Value = \$105,000      Total Assessed Value (AV) = \$100,000*

*For tax code area 02-01, the Measure 5 limitations for education and general government would be:*

*Education:      \$105,000 M5 Value      x      \$5.00/\$1,000      =      \$525.00 M5 Tax Limit*  
*Government:    \$105,000 M5 Value      x      \$10.00/\$1,000      =      \$1,050.00 M5 Tax Limit*

*The Measure 50 tax is calculated using the full tax rate and the Assessed Value:*

*Education:      \$100,000 AV      x      \$5.4563/\$1,000      =      \$545.63 M50 Tax*  
*Government:    \$100,000 AV      x      \$8.0368/\$1,000      =      \$803.68 M50 Tax*

*The general government category is still below the M5 government category limit, however, the education tax in this case is \$20.63 more than M5 allows, so education taxes are compressed. This means the M50 tax amount for each district within the education category on this tax statement will be reduced proportionately so that the total does not exceed \$525.00. This is done by dividing the M5 Limit by the M50 Tax and apply the resulting ratio to each district in that category. The compressed tax results in tax revenue loss to the district.*

*\$525.00/\$545.63 = 0.9621904954 M5 Limit Ratio*

<b><u>Education Category District</u></b>	<b><u>AV</u></b>	<b><u>District Rate</u></b>	<b><u>M50 Tax</u></b>	<b><u>M5 Limit Ratio</u></b>	<b><u>Adj M50 Tax</u></b>	<b><u>Loss</u></b>
NW Regional ESD	\$100,000	x 0.1438	= 14.38	x 0.9621904954	= 13.84	-0.54
St Helens 502 School	\$100,000	x 5.0297	= 502.97	x 0.9621904954	= 483.95	-19.02
Portland Comm College	\$100,000	x 0.2828	= 28.28	x 0.9621904954	= 27.21	-1.07
<b>Total Education Tax:</b>		<b>5.4563</b>	<b>\$545.63</b>		<b>\$525.00</b>	<b>-\$20.63</b>

The non-limited category details bond levies that are not subject to the rate limitations of Measure 5.