



Auditing Tax Abatement Programs

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Agenda

- [Audit of Tax Abatement Programs](#), January 2008
- Issues involved in auditing tax abatement programs

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Audit Background

- Five tax abatement programs established by the state of Oregon – the first began in 1975
- The programs are administered by the City of Portland – the Bureau of Planning and the Portland Development Commission
- Multnomah County has both a functional and a policy role in the programs

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Audit Results

- Administrative problems leading to \$4.5 million in improperly abated taxes for two tax years reviewed
 - Lack of necessary stakeholder approval for full abatement
 - Inadequate verification that individual properties qualified for the initial abatement
 - Insufficient monitoring to ensure that properties continued to qualify after sales

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Tax Abatement Audit Issues

- Multiple jurisdictions and stakeholders
- Benefits and costs (direct and indirect) of tax abatements
- Dynamic environments in the background

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Multiple Jurisdictions/Stakeholders

Levy Area A			Levy Area B		
Jurisdiction	Rate	Percent	Jurisdiction	Rate	Percent
Portland Public School District	4.843	24.01%	David Douglas Public School District	6.350	29.22%
MultCo. Education Service District	0.424	2.10%	MultCo. Education Service District	0.424	1.95%
Portland Community College	0.450	2.23%	Mt. Hood Community College	0.472	2.17%
City of Portland	7.235	35.87%	City of Portland	7.235	33.30%
Multnomah County	4.903	24.31%	Multnomah County	4.903	22.57%
Urban Renewal	1.869	9.27%	Urban Renewal	1.899	8.74%
Metro Service District	0.259	1.29%	Metro Service District	0.259	1.19%
Port of Portland	0.065	0.32%	Port of Portland	0.065	0.30%
Tri-Met	0.091	0.45%	Tri-Met	0.091	0.42%
East-Multnomah Soil and Water Conservation District	0.031	0.15%	East-Multnomah Soil and Water Conservation District	0.031	0.14%
Total	20.169	100%	Total	21.728	100%

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Multiple Jurisdictions/Stakeholders

- How is the fact that multiple stakeholders exist built into program decision-making?
 - Requirements for multi-jurisdictional approval
 - One jurisdiction makes the decision
- The greater number of jurisdictions involved, the more complex the audit

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Benefits and Costs

- The simple answer is probably not the right one
- Economic benefits and costs
- Direct and indirect benefits and costs
- Intangible benefits and costs

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Dynamic Environments

- Is the program still needed/useful (back to economic benefits)?
- What has changed about the regional economy since the program was created?
- How has the tax structure changed?

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