

ORIENTATION

TAPES 004 - 005 A/B

HOUSE REVENUE COMMITTEE

JANUARY 15, 1999 ñ 8:00 A.M. - HEARING ROOM A - STATE CAPITOL BUILDING

Members Present: Rep. Ken Strobeck, Chair

Rep. Anitra Rasmussen, Vice Chair

Rep. Deborah Kafoury

Rep. Jeff Merkley

Rep. Diane Rosenbaum

Rep. Lane Shetterly

Rep. Jim Welsh

Rep. Max Williams

Rep. Bill Witt

Staff: Lizbeth Martin-Mahar Economist, Legislative Revenue Office

Ed Waters, Economist, Legislative Revenue Office

Richard Yates, Economist, Legislative Revenue Office

Barbara Guardino, Committee Assistant

TAPE 004, SIDE A

005	Chair Strobeck	Called meeting to order at 8 a.m.
010	Lizbeth Martin-Mahar	Introduced herself to committee.
050	Martin-Mahar	Began slide presentation on Oregon Property Taxes (EXHIBIT A).

058	Martin-Mahar	Property and Income Taxes as a Percent of the Total State & Local Taxes (slide 2): Illustrated growth of taxes since 1991-92.
072	Martin-Mahar	1992-98 Property Taxes Imposed by District Type (slide 3): Shows effects of Measure 5, percent of total taxes imposed is declining.
098	Martin-Mahar	1991-97 Market Values by Property Class as of % of Total Value (slide 4): Burden of value increasing for residential, this led to M50.
116	Martin-Mahar	1990-97 Average Assessed Value Growth for Various Property Classes (slide 5): Recreation and mobile homes is highest percentage of assessed value growth. Questions and discussion interspersed.
164	Rep. Strobeck	Summarized, all categories are increasing in value, but residential is increasing at a faster rate. Questions and discussion.
198	Martin-Mahar	What Property is Taxed? (slide 6): Real tangible property includes land, buildings and structures erected upon it. Tangible personal property means all movable possessions, merchandise, furniture, livestock, vehicles, tools and equipment. Key word is moveable. Intangible personal property is an economic resource that brings value but has no physical presence.
218	Martin-Mahar	Who Levies Taxes on Property? (slide 7): Keep in mind, new taxes must be approved in by double majority.
229	Martin-Mahar	Property Tax Bill (slide 8): Example of a property tax owner's bill inside and outside city limits. "Code area" - method of coding, unique combination of taxing districts that a property is in. Each code area has a different set of taxing districts.
270	Martin-Mahar	Reviewed Measure 5 Limit (slide 10): First implemented in 1991-92. Based on real market value (RMV). When M5 was passed, RMV was the same as assessed value (AV).
290	Martin-Mahar	Reviewed M5 Limit - Key Elements (slide 11): M5 led the way to M50. Total Property Taxes (slide 12)

324	Martin-Mahar	M50 Principles (slide13): M50 was a constitutional amendment passed in 1997. It was designed to give homeowners a 17% tax cut. Measure 50 (slide 14)
350	Martin-Mahar	Value and Rate Limit (slide 16): Permanent rates are frozen; rates will grow 3% per year.
374	Martin-Mahar	Value and Rate Limit (slide 17): Mandated in state Constitution.
394	Martin-Mahar	Value Limit, Value Limit Exceptions (slides 18, 19): Explained types of exceptions. (less than \$10,000 more than \$25,000)
431	Martin-Mahar	(Slide 20): Examples of values of homes at assessed value and real market value.

TAPE 005, SIDE A

026	Martin-Mahar	M50 Establishes Different Types of Property Values (slide 21): Before M50, assessed value = real market value. Now there is a clear distinction between AV and RMV.
035	Martin-Mahar	M50 Establishes Maximum Assessed Value (MAV) (slide 22): Important in talking about utility industry since they are close. MAV will not exceed RMV.
050	Chair Strobeck	Summarized: MAV is the figure upon which the tax is based for a property. That cannot grow more than 3%. If MAV exceeds RMV, there is a ceiling.
079	Martin-Mahar	Levy Cut (slide 23): Statewide tax cut of 17%. In Permanent Rate (slide 24): Listed levies included in the permanent rate. Questions and discussion.
127	Martin-Mahar	Not in Permanent Rate (slide 25): Local option levies, Portland police and fire pensions, gap bonds, exempt bonds, urban renewal
139	Martin-Mahar	Characteristics of Permanent Rates (slide 26)
154	Martin-Mahar	Measure 50 Voter Approved Levies: Local Option Election (slide 28) Questions and discussion interspersed.

164	Martin-Mahar	School Local Option (slide 29) Questions and discussion interspersed.
231	Martin-Mahar	Exempt Bonded Debt (slide 30): M50 set limits on type of debt that could be exempt from M5 limits. Now, advantages and disadvantages to local options vs exempt bonds.
251	Martin-Mahar	Exempt Bonded Debt to M5 Limit (slide 31): All these levies are still below M5 limit. Only thing above M5 limit is exempt bonded debt.
265	Martin-Mahar	(Slide 32): Examples of tax calculations under M5 and M50. Discussed property in "compression," reducing levy to hit the M5 tax limit. Questions and discussion interspersed.
337	Martin-Mahar	Other Changes from M50 (slide 34)
350	Martin-Mahar	Property Taxes (slide 35): Overview of 1997-98 taxes imposed. Permanent rate, gap and pension bonds comprise 81% of taxes imposed.
373	Martin-Mahar	Urban Renewal Basics (slide 37): Urban renewal was established in 1960 to improve blighted areas. Few restrictions on what urban renewal projects can encompass. Voter approval not needed, but supervising board of urban renewal agency must approve it. They will have a public hearing. All urban renewal taxes must be used to pay off indebtedness.

-

TAPE 004, SIDE B

020	Martin-Mahar	Continued discussion on Urban Renewal (slide 38): Incremental value = AV of the UR area minus frozen value of the UR area
040	Martin-Mahar	UR Revenue (slide 39): Explained taxes generated off the incremental value; taxes from a special levy. Questions and discussion concerning "frozen" property value, difference between frozen value and current value.
112	Martin-Mahar	Once an urban renewal agency is formed, it has the authority to impose taxes outside the jurisdiction of the municipality. This has created problems since it can tax outside a municipality. The agency cannot tax outside the district, but district might be beyond borders of a city.

Questions and discussion interspersed concerning urban renewal taxing districts.

- | | | |
|-----|----------------|--|
| 171 | Chair Strobeck | Asked, where does M5 intersect with urban renewal? |
| 174 | Martin-Mahar | With urban renewal, districts are no longer tied to RMV. Assessed value will increase by about 3%. This takes away ability for other taxing districts to levy an additional option. |
| 197 | Rep. Witt | Concern that, as urban renewal districts are formed, they crowd out tax revenues that would have gone elsewhere. |
| 199 | Rep. Rasmussen | Assumption urban renewal district will generate a higher quality of life. |
| 219 | Martin-Mahar | Assumption is that these urban renewal districts were supposed to go away, but they don't.

Questions and discussion: Rasmussen would like revisit this subject later. |
| 232 | Yates | Explained, establishment of an urban renewal is supposed to correct blighted area, subsequent growth is supposed to pay off the bonds. |
| 253 | Rep. Rasmussen | Expressed concern that urban renewal districts are self-perpetuating. Wants to follow up on this. |
| 270 | Martin-Mahar | M50 ñ UR districts chose an option (slide 40): There are three options. Most districts chose option 1, to collect all the tax off the incremental value and if needed impose a special levy up to their maximum authority. |
| 289 | Martin-Mahar | UR Option 1 (slide 41)

UR Option 2 (slide 42): All increment taxes returned to local districts. |
| 323 | Martin-Mahar | UR Option 3 (slide 44): Frozen rate, fixed amount of urban renewal taxes given to urban renewal agency, remaining tax would be given back to other districts.

Urban Renewal: Measure 50 Option 3 (slide 45):

Questions and discussion. |
| 360 | Martin-Mahar | Total Urban Renewal Taxes and Growth Rates from 1990-98 (slide 46): Explained chart of growth since 1990-91. Increase in urban renewal taxes is due to grandfathering in |

maximum authority.

391 Rep. Witt Concerning 50-56% increase in last two years, is that coming off increase in incremental value or off imposition of new taxes? Is this increase primarily from assessed value or is it special levies?

437 Martin-Mahar Both. Can't compare because 1997-98 is first year for special levies.

-

TAPE 005, SIDE B

022 Martin-Mahar 1997-98 UR Revenues from Taxes off the Incremental Value and Special Levy as a Percent of the Total Revenue (slide 47)

Questions and discussion.

032 Martin-Mahar UR Existing Plans as of July 1, 1998 (slide 48): Maximum authority is no longer tied to real market value. It is growing at same rate as assessed value.

054 Martin-Mahar Trends & Issues in UR Program (slide 49): Out of the 56 UR plans in the state, 38 plans certified their maximum authority and only 12 did not impose a special levy.

070 Martin-Mahar Trends & Issues in UR Program (slide 50): Discussed court case, Shiloh Inn vs Multnomah County.

089 Martin-Mahar Three main Questions for Future Legislation (slide 51):

ï How high should UR taxes be?

ï Who should pay for them?

ï How simply can they be calculated?

106 Martin-Mahar Legislative Options (slide 52): Possible constitutional changes.

134 Rep. Merkley Question concerning Shiloh Inn vs Multnomah County. Asked for explanation of slide 41. What was assessed that shouldn't have been?

136 Martin-Mahar They are underneath \$5 limit for schools, should be under \$10 limit for non-schools. The urban renewal agencies are using \$15 limit as a compression test. It should be classified under non-school taxes.

Questions and discussion.

193 Chair Strobeck Adjourned meeting at 9:35 a.m.

Submitted by, Reviewed by,

Barbara J. Guardino Kim T. James

Committee Assistant Revenue Office Manager

Exhibit Summary:

A. Orientation, Martin-Mahar, Oregon Property Taxes, 38 pp.