

ORIENTATION

TAPES 006 - 007 A/B

## HOUSE REVENUE COMMITTEE

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**JANUARY 18, 1999 ã 8:00 A.M. - HEARING ROOM A - STATE CAPITOL BUILDING**

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Members Present: Rep. Ken Strobeck, Chair

Rep. Anitra Rasmussen, Vice Chair

Rep. Jeff Merkley

Rep. Diane Rosenbaum

Rep. Lane Shetterly

Rep. Jim Welsh

Rep. Max Williams

Rep. Bill Witt

Excused: Rep. Deborah Kafoury

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 006, SIDE A**

005	Chair Strobeck	Called meeting to order at 8 a.m.
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007	Lizbeth Martin-Mahar	Intangible Personal Property Taxes (see January 15, 1999 Exhibit A), slide 56. (Comments for slides 57-59 were not recorded.)
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010	Martin-Mahar	Statutes Current List of Intangibles (slide 60): Definition of "intangible personal property" or "intangibles".
060	Martin-Mahar	<p>Current Oregon Law (slide 61):</p> <p>Locally assessed properties where intangibles are exempt. This is about 95% of properties in state. This is source of friction, centrally assessed utilities say they are being treated unfairly because they don't have their intangibles exempt. Industrial and commercial got intangibles exempt about 1991.</p>
082	Martin-Mahar	<p>Distinguish TWO Major Issues (slide 62):</p> <p>What are the intangibles inherent in different utility industries? Assessment method, Does it include intangibles or not?</p> <p>Do we need to take each assessment method and figure how to eliminate the intangibles if they are incorporated into the value. It's easy to mix the two. One method of assessment does not eliminate all intangibles.</p>
097	Martin-Mahar	<p>Valuation Methods (slide 63):</p> <p>Locally Assessed property is site based; Utilities ñ Unit valuation, so once a company is valued, result is apportioned to state according to amount of business activity, then to local areas by allocation formulas.</p>
116	Martin-Mahar	<p>Approaches to Value (slide 64):</p> <p>Cost; Income; Department of Revenue blending of income and cost approaches; Market</p>
185	Martin-Mahar	<p>Unit Valuation (slide 65):</p> <p>Unit (Company) Value</p> <p>Oregon Value (real market value)</p> <p>Local Value</p>
215	Martin-Mahar	<p>Why Unit Valuation? (slide 66):</p> <p>Utility property has value as part of a system</p> <p>Property crosses many local jurisdictions</p>
224	Martin-Mahar	<p>Current &amp; Possible Valuation ñ Methods for Centrally Assessed Properties (slide 67):</p> <p>Graph explains reconciliation between cost and income approaches. Includes airlines, railroad, energy, communications</p>

265	Chair Strobeck	Asked which communications companies are centrally assessed, which are not, and why?
273	Martin-Mahar	Wireless companies are not regulated, are assessed according to cost, income approach, market approach. There is no difference in approach to valuation between regulated and non-regulated.
287	Martin-Mahar	Utility Assessed Value (slide 68): Since 1988-89 been rising, fell slightly in 1997-98.
289	Martin-Mahar	Each Utility Value as % of Total AV (slide 69): Electric companies are largest share, at 39%; communications is 28%.
295	Martin-Mahar	Utility share of AV and Property Tax (slide 70):  Since 1990-91, decline in property taxes until 1995-96, then increased market value resulted in tax increase.
325	Martin-Mahar	HB 2062 (Vetoed) (slide 71): Passed by House and Senate in 1997, vetoed by governor. Exempted utility personal property intangibles. Also, nuclear power plant was not tangible if in the rate base. This may need to be clarified again this session because Trojan is not in PGE's rate base, and would be considered an intangible now.
351	Martin-Maher	HB 2062 Governor's Veto Letter (slide 72): Governor explained why he vetoed this bill and recommended work group.
370	Martin-Mahar	Work Group Discussions (slide 73): Five work group meetings with Department of Revenue (DOR) officials, utility industry members, and local taxing district individuals.
425	Martin-Mahar	Utility Industry Position (slide 74): Feel strongly that there needs to be equal taxation among local and centrally assessed companies. Telecommunications wants to be assessed by the cost approach. Their main concern is FCC licensing.

**TAPE 007, SIDE A**

005	Chair Strobeck	8:35 a.m., Committee will stand at ease due to malfunction of tape recorder; 8:45 a.m. meeting back in session.
010	Martin-Maher	Local Taxing Districts Position (slide 75): Due to M50, any reduction in assessed value will now have a direct impact on each local taxing district.

034	Martin-Mahar	Other States (slide 76): Are taxing utility intangibles. Discussed 1996 Washington State Survey.
063	Martin-Mahar	Options to Remove Intangibles (slide 77): Some intangibles can be identified, some cannot. Needs to be discussion on this.  Real Market Value will become important for utilities in near future.
112	All	Questions and discussion concerning intangibles.
153	Rep. Witt	Requested return to slide 12, Total Property Taxes. Asked about M50 line in graph. Why does M50 taxes begin in 1997-98 at M5 level? Wondered if gap is an accurate representation.  Questions and discussion on how Martin-Mahar arrived at this graph. General questions on M50, intangibles.
295	Chair Strobeck	Committee will stand at ease until slide program on transportation is set up, 9:07 a.m. Committee resumed at 9:10 a.m.
299	Dick Yates	Financing Roads (EXHIBIT A):  <ul style="list-style-type: none"> <li>• Funding overview</li> <li>• Highway fund taxes</li> <li>• Cost responsibility</li> </ul> Statewide Revenue For Roads and Transit: 1995 ñ These are 1995 figures, but not much has changed. Of \$1.5 billion, 70% goes to roads, 31% to transit.
305	Yates	1995 Revenue for Transit (pie chart)
312	Yates	Local Transit Funds (pie chart)  Federal Transit Funds (pie chart)  Questions and discussion on how money gets to transit districts. Most is channeled through state government.
353	Yates	State Transit Funds (pie chart): Mostly lottery money

380	Yates	<p>1995 Revenue for Roads (pie chart)</p> <p>Local Road Funds (pie chart)</p> <p>Federal Road Funds: Most comes from federal highway, forest funds also important</p>
408	Yates	State Road Funds (pie chart): Largest chunk is from fuel tax
415	Rep. Witt	Questions concerning "49% other" on Local Road Funds chart. Yates will bring more detail on what this comprises.
445	Yates	<p>Highway Fund</p> <ul style="list-style-type: none"> <li>• Dedication</li> <li>• Distribution</li> <li>• Tax Rate History</li> </ul>
446	Yates	<p>Highway Fund Constitutional Dedication: One problem with transportation bills is, when raising gas taxes and registration fees, money is being raised for highways only, and cannot be used for mass transit. Legislature has to find some other revenue source for mass transit.</p> <p>Questions and discussion concerning constitutional dedication, attempts to change it.</p>

#### **TAPE 006, SIDE B**

051	Yates	<p>Tax Rate History (chart): Compared weight mile tax rate for 80,000-pound vehicle between 1982 and 1996. Trucks were overpaying their cost responsibility so tax was reduced.</p> <p>Questions and discussion interspersed.</p>
070	Yates	Highway Fund Distribution (was skipped earlier): State user taxes and fees are shared among counties, cities and state.
090	Yates	<p>Taxes and Fees</p> <ul style="list-style-type: none"> <li>• A Primer on Cost Responsibility (Allocate among types of vehicles that will use the facility)</li> <li>• Current Taxes and Fees (registration fees, fuel taxes, weight-mile taxes, combined taxes and fees)</li> </ul>

110	Yates	A Primer on Cost Responsibility: Users should pay in proportion to costs.
137	Yates	Travel on Oregon Roads (chart) ñ Oregonians traveled 3 billion miles in 1996. Showed six types of road systems, percent of heavy vehicle travel is significant on rural interstates.
160	Yates	Planned Expenditures (per Year): 1995-97 Cost Responsibility Study  Modernization  Preservation  Maintenance
185	Yates	Engineering Data and Judgements: DAS took over cost for responsibility studies from ODOT. Have been conducting a new study, will deliver final model by April 1.  VMT (Vehicle Miles of Travel): Common Costs  AMT (Axle Miles of Travel): Costs Related to Axle Crossings
250	Yates	PCE (Passenger Car Equivalent): Costs Imposed by Space Occupied  ESALs (Equivalent Single Axle Loads): Costs added by Heavy Axle Loads
284	Yates	Heavy Vehicle Share of Cost Allocators: Shows percent of each of the above allocators in regard to heavy vehicles. Indicates heavy vehicles are causing the majority of stress on highways
322	Yates	Planned Expenditures (per Year): Chart shows allocation of costs between light and heavy vehicles. Percent for heavy vehicles is high for modernization and preservation.  Questions and discussion interspersed.
384	Yates	Current System: Vehicles under 26,000 pounds, and over 26,000 pounds, are taxed differently.  Questions and discussion interspersed.

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#### **TAPE 007, SIDE B**

014	Yates	Analysis of Whole Tax: Total Tax Depends on vehicle weight, miles driven, number of
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axles for largest vehicles.

030	Yates	Total Tax Per Mile, graph 1: Demonstrates dollars per mile on a five-axle vehicle that has driven 10,000 miles.  Total Tax Per Mile, graph 2: Five axles up to 80,000 pounds  Total Tax Per Mile graph 3: Illustrates difference in dollars per mile with different number of axles.  Questions and discussion on weight mile tax.
096	Yates	Setting Heavy Vehicle Tax Rates: Three examples of the process that Oregon goes through in setting tax rates. Vehicles weighing 8,000 to 10,000 pounds; 26,000 to 28,000 pounds; 78,000 to 80,000 pounds. New cost responsibility study will have to decide what registration fee will feed the total amount of dollars that match the cost responsibility for each weight class.
157	Yates	Analysis of Each Tax: Registration fees, fuel tax, weight-mile tax
167	Yates	Registration Fees: Graph
173	Chair Strobeck	Meeting will begin at 8:30 a.m. Tuesday. Adjourned meeting at 10:00 a.m.

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Submitted by, Reviewed by,

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Committee Assistant Revenue Office Manager

Exhibit Summary:

A. Orientation, Yates, Financing Roads, 28 pp.