

HOUSE REVENUE COMMITTEE

MARCH 23, 1999 ñ 8:30 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. Max Williams

Rep. Bill Witt

Members Absent: Rep. Jim Welsh

Rep. Lane Shetterly

Staff: Paul Warner, Legislative Revenue Officer

Lizbeth Martin-Mahar, Economist, Legislative Revenue Office

Steve Meyer, Economist, Legislative Revenue Office

Ed Waters, Economist, Legislative Revenue Office

Barbara Guardino, Committee Assistant

Witnesses: Lynn Schoessler, Oregon Housing & Community Services

Frank Brawner, Housing Lobby Coalition, Tillamook

John Van Landingham, Network for Oregon Affordable Housing (NOAH)

Anne M. Williams, St. Vincent de Paul, Eugene

Gary Conkling, Beaverton and Hillsboro School Districts

Jon Chandler, Oregon Building Industry Association

Jeannette Hamby, Hillsboro

Laura M. Atterberry, Hillsboro

Sen. Burdick, Portland

Jim Manary, Oregon Dept. of Revenue

Gary Bartholomew, Oregon Association of County Tax Collectors ñ Multnomah County

Debby Huggins, Oregon Association of County Tax Collectors ñ Washington County

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005 Chair Strobeck Called meeting to order at 8:40 a.m. Opened public hearing on HB 2087.

PUBLIC HEARING ñ HB 2087

012 Ed Waters Referred to Revenue Impact of Proposed Legislation (**EXHIBIT 1**). HB 2087 increases cap on the total amount of tax credit allowed for lending institution loans for construction, development or rehabilitation of housing for low-income families.

021 Lynn Schoessler Discussed two points in the bill:

1. Increase in cap limitation from \$4 million to \$5 million
2. Extending sunset until 2010

Gave brief overview of affordable housing tax credit program's operation.

Historically, requests for credits have exceeded availability two to one.

056 Frank E. Brawner Spoke in support of the measure. See written testimony (**EXHIBIT 2**) verbatim. Bill would continue the Oregon Affordable Housing Tax Credit, adopted in 1989.

135 John Van Landingham See Community Building at its Best (**EXHIBIT 3**), 1998 annual report for the Network for Oregon Affordable Housing (NOAH). Noted, page 8 contains list of current loans. NOAH has loaned \$50 million to help produce 3,000 units throughout Oregon.

Page 9 is list of participating banks, board of directors.

About æ of projects used this tax credit.

187 Brawner None of these projects would have been accomplished without the tax credit. These residences are transitional for residents who might not otherwise ever own their homes. Residents of the NOAH projects take care of their property. Urged adoption of HB 2087.

213	Rep. Rosenbaum	Asked if \$1million increase in cap represents additional units?
115	Brawner	NOAH is out of money now. Increase represents NOAH's ability to continue existing programs.
120	Van Landingham	Translates into ability to issue \$25 million in additional loan value to build new units, or additional 1,000 units statewide.
229	Chair Strobeck	What happens when a family earns above the level of income? Follow-up questions.
233	Schoessler	They receive notice to move out, but not immediately; they transition out.
275	Rep. Merkley	Noting that families are required to earn 80% of median income, asked witnesses to address the fact that many units are dedicated to the lowest income individuals.
279	Schoessler	Program also houses developmentally disabled, farm workers, who make 30-40% of median income. Gave examples.
313	Schoessler	Median income in Multnomah County is \$31,000 for a four-person family. Median income varies by county.
345	Anne Williams	Spoke in support of the measure. Resources on state and federal level diminish, while the cost of affordable housing continues to increase. Gave example of a 51-unit complex for families in Stayton. Were able to lower rent average of \$82 per unit. 20 young families who were otherwise living in temporary quarters have homes. They are moving toward self-sufficiency.

TAPE 101, SIDE A

013	Williams	Discussed what happens when a family's income begins to rise. St. Vincent DePaul looks at home ownership counseling and training classes as part of the required service component for affordable housing projects. Residents build a 5- or 10-year plan to move from renters and recipients of benefits, to becoming taxpayers.
042	Chair Strobeck	Closed public hearing on HB 2087. Opened public hearing on HB 2982.

PUBLIC HEARING n HB 2982

- 050 Steve Meyer Reviewed HB 2982. See Revenue Impact of Proposed Legislation (**EXHIBIT 7**). Requires assessor to list separately school district exception value each year and maintain exception value and the K-12 tax on this value for 10 years.
- 062 Meyer Reviewed HB2982-1 amendments (**EXHIBIT 8**). Says school districts can use this money for capital projects only.
- 070 Chair Strobeck -1 amendments fix an omission from the original bill.
- 079 Jon Chandler Spoke in support of the measure. Oregon Building Industry Association is excited about this bill, which will facilitate construction of schools. Gave brief background on Gov. Kitzhaber's task force on the cost and benefit of growth in Oregon. Task force report noted that the fastest growing areas in the state are making lots of income tax revenue, but property tax revenue has been limited by Measures 5 and 50. The result is, Oregon can't hire enough police or teachers. This bill addresses that problem. Property taxes generated by new construction will be applied to capital infrastructure for 10 years, so new schools can be built.
- 139 Chandler Basic school support formula remains unchanged under this bill. State simply would not count property taxes derived from new construction. General fund impact will be small.
- 170 Conkling Spoke in support of the measure. See Testimony on HB 2982 (**EXHIBIT 9**). Has been working on issue of funding new schools for a number of years, without much success. Believes state policy is unlikely to change: that the only way to fund schools is through property taxes. Lottery bonds have gone for deferred maintenance. People are already paying property taxes. If state can find a way to capture for a period of time, that value that is already being paid in relation to new growth, school districts could use those dollars to help cover the costs of new construction.
- This bill entails only taxes levied for K-12 schools.
- 239 Conkling Directed members' attention to Addressing Growth by Funding School Facilities (**EXHIBIT 10**). Lists proposals for addressing growth and fund new school facilities:
- Linking Growth and Capital Improvements (HB 2982)
- Incentives for School Site Donations (HB 3405)
- Reimbursing Schools for Leased Classroom Space (HB 3406)
- 284 Rep. Shetterly Questions concerning clarification as to what portion of taxes on a new house. What portion does school keep and what goes to state general fund? Follow-up questions.

369	Rep. Witt	Asked why tax is would be in effect for 10 years.
365	Conkling	Ten years was for purposes of bonding. This is similar to urban renewal. Only includes taxes levied for K-12; doesn't affect Education Service Districts.
414	Rep. Shetterly	Requested some figures on projected impacts to various districts.

TAPE 100, SIDE B

024	Chair Strobeck	Figures would vary in region depending upon where growth is occurring.
035	Chair Strobeck	Suspended public hearing on HB 2982. Opened public hearing on SB 125.

PUBLIC HEARING n SB 125

039	Vice Chair Rasmussen	Set context on how SB 125 came about. In mid-1998, Laura Atterberry was told she was behind on 7 or 8 years of taxes. She had not received bills for these taxes. She was threatened with foreclosure.
064	Jeannette Hamby	Spoke in support of the measure. Senate approved SB 125 approved with a unanimous vote. Focuses on fact that, federal government can only go back three years to correct income taxes. It is the responsibility of the taxpayer to make sure he/she is paying enough taxes. If an error is found, the taxpayer has 30 days to pay or will face foreclosure. Federal government freezes penalties to be fair; wants Oregon to follow federal.
092	Laura Atterberry	House is in foreclosure due to a clerical error that went back five years. She inquired and found that she owed over \$7,000 and had 30 days to pay it or have 16% interest, then foreclosure. She moved in five years before, and has been dealing with problems since she moved in. Now she has a tremendous tax bill and no way to pay it. She can't afford a home equity loan.
139	Sen. Burdick	<p>SB 125 does two things:</p> <ol style="list-style-type: none"> 1. Shortens time period for correcting back taxes from five years to three 2. Puts back taxes on next year's tax bill, which starts foreclosure clock running at that point. Ms. Atterberry's foreclosure clock began running six years before the mistake was found. <p>County made two mistakes on Ms. Atterberry's property. Tax assessors assessed house when it was only partially built, and should have flagged it for future reassessment. They didn't. Then, after Ms. Atterberry bought the house, her taxes were lower than her neighbors were. She unaware of this. Because of these mistakes, SB 125 includes a limited exemption to forgive Ms. Atterberry's back taxes for that period, along with three or four</p>

nearby properties.

- 196 Lizbeth Martin-Mahar Reviewed SB 125-A5. See Revenue Impact of Proposed Legislation for SB 125-A5 (**EXHIBIT 12**). Also see Proposed Amendments to A-Engrossed Senate Bill 125 (SB 125-A5) (**EXHIBIT 13**). Corrects clerical errors. Section 6 deletes lines 22-23 requiring these taxes to be paid back.
- 218 Martin-Mahar Reviewed SB 125-A6. See Revenue Impact of Proposed Legislation for SB 125-A6 (**EXHIBIT 14**). Also see Proposed Amendments to A-Engrossed Senate Bill 125 (SB 125-A6) (**EXHIBIT 15**).
- Sections 1-4 adds a blank for number of years corrected on roll. Does not make distinction between personal property and real property in regard to number of years to correct debt.
- 252 Sen. Burdick Has not seen ñA5 and ñA6 amendments. During Senate Revenue hearings, it was pointed out that there is a difference in how real and personal properties are reported. That is why the Senate Revenue committee kept the distinction.
- Questions and discussion.
- 316 Jim Manary Explained four parts to SB 125-A5:
1. Adjust error correction statutes in future
 2. Number of years allowed to correct
 3. Section 6 gives general relief in a limited time period
 4. Section 7 more limited relief for Ms. Atterberry and two others
- 416 Manary Reviewed ñA6 amendments. These cover the first part of the bill, changes to error correction statutes. Corrections relate to real or personal property. Also leaves open the issue of number of years to go back to correct error.
- 452 Rep. Williams Asked, exactly what relief will Ms. Atterberry get under this bill?
- 456 Manary All taxes and interest would be waived. She was billed for over \$7,000 plus interest.

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TAPE 101, SIDE B

- 027 Rep. Shetterly Asked Manary about group working with Dept. of Revenue on larger issue of omitted property and error corrections.
- 037 Manary Dept. of Revenue had discussions with Associated Oregon Industries, which led to broader discussions.

045	Rep. Shetterly	Concerned that committee should craft bill narrowly enough in relation to Ms. Atterberry that it would not affect broader policy.
060	Gary Bartholomew	<p>Spoke in support of the measure. Gave brief history of three properties that were put on the roll at partial assessments. Since 1989, properties were assessed at 44% of what should have been on tax roll. Problem with Atterberry's property was discovered first; next door neighbor was next.</p> <p>Third property was behind Atterberry residence, assessed for land only value.</p>
138	Bartholomew	<p>Majority of errors is for omitted property where taxpayer didn't report an addition onto property. Vast majority of corrections is current year only.</p> <p>Asked committee to consider balance between taxpayers who know they are under-assessed and those who are unaware of a mistake.</p>
115	Bartholomew	<p>It used to be that the property owner was permitted as many years to pay the tax as it took to find the error. 1995 legislature removed that provision.</p> <p>Now, these bills are due in 30 days.</p> <p>Vast majority of errors is "omitted property" where construction is done without a permit. Asked committee to make distinction between those who know they are under-assessed and those who are not aware.</p>
178	Bartholomew	Referred to blue sheet, Multnomah County Real Property Tax Roll Additions (EXHIBIT 18).
214	Bartholomew	<p>Multnomah County Assessment & Taxation (EXHIBIT 19).</p> <p>Gives amount of corrections, both increasing and decreasing.</p>
248	Bartholomew	Reviewed letter to Chair Strobeck from Multnomah County, Oregon. Deals with issue of number of years (EXHIBIT 20). Summarizes 1996 amendments, proposes technical changes.
330	Debby Huggins	Spoke in support of the measure with 1996 amendments. Was part of discussion group that met prior to drafting this bill. It is never easy to bill back six years and expect payment immediately. Idea was to allow three years to pay to minimize hardship to property owner. Delaying foreclosure time clock under less interest than under current statute.
385	Rep. Merkley	Does bill distinguish between clerical errors and deliberate omissions? Where?
394	Martin-Mahar	Sections 1-4 deal with this.

428	Bartholomew	Clarified, sections 1-4 clarify both clerical errors and deliberate omissions. Directed members' attention to green sheet, Oregon Association of County Tax Collectors Suggested Amendments to A-Engrossed Senate Bill 125 and SB 125-A3 (EXHIBIT 21). This is proposed amendments to A6 amendments. Would clean up language.
489	Vice Chair Rasmussen	Closed public hearing on SB 125. Closed public hearing on HB 2982. Adjourned meeting at 10:28 a.m.

Submitted by, Reviewed by,

Barbara J. Guardino Kim T. James

Committee Assistant Revenue Office Manager

Exhibit Summary:

1. HB 2087, Waters, Revenue Impact of Proposed Legislation, 1 p.
2. HB 2087, Brawner, Testimony of Frank E. Brawner on H.B. 2087 before the House Committee on Revenue, 2 pp.
3. HB 2087, Van Landingham, Community Building At Its Best, Network for Oregon Affordable Housing 1998 Annual Report, 16 pp.
4. HB 2087, Van Landingham, Affordable Housing Developed with Oregon Affordable Housing Tax Credit Since 1984, 2 pp.
5. HB 2087, Waters, Staff Measure Summary, 1 p.
6. HB 2087, Waters, Fiscal Impact Assessment, no expenditure impact, 1 p.
7. HB 2982, Meyer, Revenue Impact of Proposed Legislation, 1 p.
8. HB 2982, Meyer, Proposed Amendments to House Bill 2982, 1 p.
9. HB 2982, Conkling, Testimony on HB 2982, Beaverton School District, Hillsboro School District, 1 p.
10. HB 2982, Conkling, Addressing Growth by Funding School Facilities, Beaverton School District, Hillsboro School District, Oregon Building Industry Association, 1 p.
11. SB 125, Martin-Mahar, Revenue Impact of Proposed Legislation for SB 125-A, 2 pp.
12. SB 125, Martin-Mahar, Revenue Impact of Proposed Legislation for SB 125-A5, 2 pp.
13. SB 125, Martin-Mahar, Proposed Amendments to A-Engrossed Senate Bill 125 (SB 125-A5), 1 p.
14. SB 125, Martin-Mahar, Revenue Impact of Proposed Legislation for SB 125-A6, 2 pp.
15. SB 125, Martin-Mahar, Proposed Amendments to A-Engrossed Senate Bill 125 (SB 125-A6), 2 pp.
16. SB 125, Martin-Mahar, Multnomah County Real Property Tax Roll Additions, 1 p.
17. SB 125, Martin-Mahar, Staff Measure Summary, 2 pp.
18. SB 125, Bartholomew, Multnomah County Real Property Tax Roll Additions, 1 p.
19. SB 125, Bartholomew, Multnomah County Assessment & Taxation Summary of Additions and Subtractions to Tax Rolls, 1 p.
20. SB 125, Bartholomew, Multnomah County Oregon, letter to Chair Strobeck, 2 pp.
21. SB 125, Bartholomew, Oregon Association of County Tax Collectors Suggested Amendments to A-Engrossed Senate Bill 125 and SB 125-A3, 1 p.