

HOUSE REVENUE COMMITTEE

MARCH 25, 1999 ñ 8:30 A.M. - HEARING ROOM A - STATE CAPITOL BUILDING

Members Present: Rep. Ken Strobeck, Chair

Rep. Anitra Rasmussen, Vice Chair

Rep. Jeff Merkley

Rep. Diane Rosenbaum

Rep. Lane Shetterly

Rep. Max Williams

Rep. Bill Witt

Members Absent: Rep. Jim Welsh

Rep. Deborah Kafoury

Staff: Paul Warner, Legislative Revenue Officer

Lizbeth Martin-Mahar, Economist, Legislative Revenue Office

Barbara Guardino, Committee Assistant

Witnesses: Beverly Stein, Multnomah County

Rep. Kitty Piercy, District 39

Rep. Jo Ann Bowman, District 19

Rep. Kathy Lowe, District 26

Lynn McNamara, League of Oregon Cities

Hasina Squires, Special Districts Association
Tim Nesbitt, Service Employees International Union
Tom Gallagher, Arco, other industries
Don Miner, Oregon Manufactured Housing Association
Pat Schwock, Oregon Manufactured Housing Association
Pat Simpson, Bandon
Diane Belt, Washington County Assessor
Rep. Jeff Knopf, District 37
Linda Meng, City of Portland
Jeffrey Tashman, Assoc. of Oregon Redevelopment Agencies
Jim Davis, United Seniors, Oregon State Council of Senior Citizens
John DiLorenzo, Portland
Jim Manary, Oregon Dept. of Revenue

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005 Chair Strobeck Called meeting to order at 8:39 a.m. Opened public hearing on HB 2039.

PUBLIC HEARING n HB 2039

019 Lizbeth Martin-Mahar Summarized HB 2039. Directed members' attention to Revenue Impact for Proposed Legislation (**EXHIBIT 1**). Calls for state funds to reimburse counties for new property tax expenditures after July 1, 1999.

No revenue impact for local governments.

Passage of this measure would likely result in a reduction in property tax expenditures.

064 Beverly Stein Spoke in support of the measure. See written testimony of Beverly Stein, Multnomah County Chair (**EXHIBIT 2**) verbatim.

Tax Exemptions and Tax Expenditures are Everywhere

Measure 50 Changed Everything

The Time To Act Is Now

Also directed members' attention to letter from Washington County Oregon (**EXHIBIT 3**).

126	Rep. Merkley	In the context of this legislation, would school districts be considered local taxing districts?
130	Stein	Yes.
144	Chair Strobeck	Would Multnomah County support actions by legislature that would end old property tax exemptions if they were replaced with others that had an equal financial impact?
150	Stein	Generally, yes.
158	Rep. Shetterly	Noted, Measure 50 did create a change in that new exemptions don't result in a shift across the base, they result in decrease in revenues.
175	Vice Chair Rasmussen	There is a bill under consideration in regard to intangible property from taxes for cities and counties. Would that fall under this bill? Stein: Yes. If committee does not to move this bill, would Multnomah County be interested participating in a process to pass a tax exemption that would be ratified by the counties?
207	Stein	Would consider it.
256	Chair Strobeck	Suspended public hearing on HB 2039. Opened public hearing on HB 3183.

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PUBLIC HEARING re HB 3183

265	Rep. Piercy	Spoke in support of the measure. See written testimony (EXHIBIT 4) verbatim. Lower income senior citizens should not have to lose their homes because they cannot afford to pay their property taxes. Discussed ways in which HB 3183 enhances Property Tax Deferral program. Suggested study group to find solutions to this issue.
349	Rep. Piercy	Bill needs amendment to fix problem: New exemption includes only seniors over age 65; current law applies to age 62.
363	Rep. Bowman	Spoke in support of the measure. See written testimony (EXHIBIT 5) verbatim. HB 3183 would allow seniors to live out their lives in their own homes. Provides relief for seniors on low fixed incomes. Bill addresses only seniors with a demonstrated financial need.

- 407 Rep. Lowe Spoke in support of the measure. See written testimony (**EXHIBIT 6**) verbatim. When senior citizens are moved out of their homes, their life expectancy decreases.
- 452 Rep. Merkley Half the cost to local taxing jurisdictions would reimbursed by state. (Page 6, section 7, of bill.) Why only half the cost rather than all of it?
- 465 Rep. Lowe Puts much-needed revenue in hands of counties at the time of deferment. Bulk is reimbursed upon transfer of property.

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- 036 Rep. Rosenbaum Would it be possible to pay for an expansion by increasing the age threshold for eligibility?
- 046 Rep. Piercy This would be worth considering.
- 050 Rep. Lowe If threshold were increased, urged grandfathering those under threshold age.
- 063 Vice Chair Rasmussen Noted, should consider including disabled population in this bill.
- 075 Rep. Lowe Concurred, perhaps committee could consider at least a 20% deferral.
- 080 Rep. Piercy Concurred, this would be worth consideration.
- 090 Rep. Shetterly Expressed concern about providing both a deferral and an exemption. It is the heirs that would benefit from this, not the seniors.
- 103 Rep. Bowman Seniors have been reluctant to take this deferral due to concern about leaving tax burden for their heirs. Question is how to make it broad enough to help the most people while not causing their heirs to lose the property.
- 130 Chair Strobeck Suspended public hearing on HB 3183; reopened public hearing on HB 2039.

CONTINUED: PUBLIC HEARING ñ HB 2039

- 135 Lynn McNamara Spoke in support of concept of the measure on behalf of League of Oregon Cities. If

legislature creates a new mandate for local governments, state should fund it. Concerning local control, LOC would like to discuss this more.

- 159 Hasina Squires Spoke in support of the measure on behalf of Special Districts Association. Half of special districts have five or fewer full time employees. 300 districts are rural fire districts. When a property tax exemption is enacted, special districts do not have the option of shifting the loss to another department. They just have to take the cut. Special districts would prefer that legislators don't enact property tax exemptions at all.
- 198 Chair Strobeck Is it correct that, under Measure 50, the only way special districts can increase revenues is with new construction?
- 211 Rep. Witt Is it correct that many special districts are able to impose their own taxes?
What would happen if the legislature then exempts some of those things from taxation?
- 225 Squires Several districts can levy systems development charge fees. Does not believe this bill would impact these fees. Main concern is with property tax revenues, not fees.
- 270 Tom Gallagher Spoke in support of the measure. Two reasons: When local governments lose revenues, they have to find ways to make it up. Increase tends to fall on the same businesses. Looking more at relationship between state and local taxes. Second, Oregon has had major tax revisions, and abilities to raise revenues are getting more limited. Until Oregon has major tax reform, this committee will have increasingly difficult job balancing taxes.
- 312 Rep. Williams Should legislature look at comprehensive tax reform?
- 320 Gallagher Has been watching tax reforms for 20 years. "Tax reform is in the eye of the beholder." Does not believe lawmakers will be able to fix system until it really breaks. The voters will decide when it is time.
- 339 Tim Nesbitt Neutral. As member of Governor's Tax Committee, concurred in concepts contained in HB 2039. Fears this bill will replace one problematic decision-making system with another. State doesn't have to balance a budget impacted by legislative decisions; counties do. This means they have to decide what to cut from existing programs. HB 2039 will force state to balance its budget and to deal with cutting services not funded by property taxes. However, to put total burden of balancing budget on state funding sources does not make sense. Suggested state enactment of property tax expenditures be conditioned on 2/3 of counties concurring. This would provide a system of checks and balances that would connect funding sources with those who manage the system.
- 393 Nesbitt Directed members attention to Section 2 (2): Attempt to establish impact threshold, uses percent that is yet to be filled in that is a statewide impact. Impacts can vary greatly from

county to county. Suggested, look at statewide number and the county budget that is affected.

- 413 Rep. Williams Expressed concern about waiting for 2/3 of counties to concur in order to balance state budget. How can lawmakers overcome this?
- 425 Nesbitt This would take years to achieve this.

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- 007 Vice Chair Rasmussen Expressed concern that the state would have to backfill the counties' losses.
- 024 Rep. Williams Requested to see a model of what this would look like.
- 036 Chair Strobeck Closed public hearing on HB 2039. Reopened public hearing on HB 3183.

CONTINUED: PUBLIC HEARING n HB 3183

- 040 James Davis Spoke in support of the measure. See written testimony, United Seniors of Oregon (**EXHIBIT 7**) verbatim.

United Seniors of Oregon would be happy to work with committee on this issue and other tax deferral and on other tax issues involving seniors.
- 078 Rep. Witt Expressed concern that this bill doesn't take into account the net asset worth of senior citizens. Could seniors with high net worth and low income could get this tax deferral?
- 082 Davis It looks at their income over the prior year, allows them to adjust it. Believes program is used almost exclusively by low-income seniors. Program is not geared toward people with high net worth.
- 098 Chair Strobeck Closed public hearing on HB 3183. Opened public hearing on HB 2129.

PUBLIC HEARING n HB 2129

- 105 Don Miner Spoke in opposition to the measure. See written testimony (**EXHIBIT 8**). Focused remarks on Sections 14-15. Believes that, under HB 2129, if a person who lived in a manufactured home paid taxes in November 1998 then sold the in January, 1999, that person would have to pay 2000 taxes as well. This is unfair. Section 14 changes the lien date from July to January. ORS 820.500(10)(a) should be amended to require taxes to be paid in current

calendar year.

- 163 Pat Schwock Spoke in opposition to the measure. Concurred with Mineris testimony.
Many manufactured homes are occupied by senior citizens.
- 175 Pat Simpson Spoke in opposition to the measure. See written testimony, Urban Renewal Should Be Subject to Compression (**EXHIBIT 9**) paraphrased. Believes urban renewal in regard to HB 2129 should be in compression.
Two years ago, urban renewal took 2.5% of all property taxes. One year later, it took 4%. Coos County has 13% of all urban renewal areas in Oregon, and takes 6% of total property taxes. Asked committee to compress urban renewal. Urban renewal is used to make money, not just to cure blight. People don't get a chance to vote on these projects, or when to terminate urban renewal. Therefore, urban renewal has increased Coos County tax rates.
- 219 Simpson Discussed ORS 310.232: Contraction of urban renewal increment from assessed value. Urban renewal gets money out of nothing. Bandon's urban renewal has increased city tax rate 9.7%.
Would like to see in regard to compression, breaking out by components, the "fixed rates" for taxing districts, which include tax rate for district, increment. Showing this on the tax bill would result in "no hidden taxes."
Urban renewal was broken out before Measure 50. Suggested this be done again.
- 392 Simpson The way the bill is now, citizens have taxation without representation. Law is not clear that all of money collected goes to pay the urban renewal debt, so it is unclear how to ever get rid of urban renewal. Bandon takes 10% for overhead. Asked for a bill that requires all money coming in to be subtracted from maximum debt and it must be open to public scrutiny. If public can keep track of this money, counties will manage it better.

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- 030 John DiLorenzo Spoke in opposition to the measure as printed. One section of HB 2129 goes beyond housekeeping and constitutes a major policy change. Main purpose is to clarify. Owns three apartments in downtown Portland that have undergone substantial renovations, due primarily to availability of a number of exemption programs.
- 059 DiLorenzo Page 15, section 21, lines 8-11: States that qualification for any portion of a property for a new exemption disqualifies that portion of the property from any other exemption. This section eliminates any incentive for a property owner to tack property tax exemptions onto existing exemptions. Many of these exemptions were designed to be cumulative.
- 104 DiLorenzo A change like this does not belong in a housekeeping bill. Suggested holding the bill until the legislature reviews the entire area of exemptions, or delete section 21.
- 149 DiLorenzo Summarized: HB 2129 is not a housekeeping bill. It does much more than clarify certain laws, it makes major policy changes. Asked committee to wait to make decision about this bill until after it has addressed the issue of exemptions in a comprehensive way.

- 160 Rep. Rosenbaum Doesn't understand part of Section 21 (4)(a): Seems to say maximum assessed value is determined under the section only if there has been an exemption the previous year that no longer applies. That seems to contradict new language that DiLorenzo objects to.
- 171 DiLorenzo They seem to be contradictory. Will have to find out more about how these two sections would work together.
- 186 Diane Belt Spoke in support of the measure. Discussed sections 14 and 15, pre-collection of taxes on personal property. Prior to Measure 5, the assessment date and lien date were the same. Measure 50 separated lien date from assessment date.
- Section 14: Deals with personal property associated with business. Suggested page 8, paragraph (b) should say: "the liens for taxes on personal property, excluding manufactured structures, shall attach on or after January 1." Explained reasoning behind this.
- 239 Belt Section 15: Manufactured structures. Real property does not go anywhere; manufactured homes can move. If manufactured homeowners leave the state before paying taxes, the security for collecting that debt is gone. Six-month discrepancy makes it difficult to collect tax.
- Manufactured homes leaving the state has not been a big problem.
- 276 Chair Strobeck Suspended public hearing on HB 2129; opened work session on HB 2566.

WORK SESSION n HB 2566

- 282 Rep. Jeff Knopf Spoke in support of working toward equity on Education Service District (ESD) funding. (Bill prohibits superintendent of public instruction from distributing moneys from State School Fund to education service districts.) This could prevent costly lawsuits. Spoke in favor of using \$150 as average weighted amount for school districts. His district, Deschutes Creek, is one of lowest funded per student in Oregon.
- 329 Vice Chair Rasmussen Directed members' attention to HB 2566-1 amendments (**EXHIBIT 10**). Directed members' attention to HB 2566-2 amendments (**EXHIBIT 11**).
- Hopes that, in addition to helping bottom funded ESDs, that a study group will take a serious look at how to deliver regional services in a cost-effective way. These amendments need some minor corrections. Will need to revisit this bill.
- 378 Chair Strobeck Closed public hearing on HB 2566. Reopened public hearing on HB 2129.

CONTINUED: PUBLIC HEARING --HB 2129

380 Jeffrey Tashman See written testimony (**EXHIBIT 12**) paraphrased. Addressed issue of compression of urban renewal taxes. Agreed in principle with Ms. Simpson's testimony about urban renewal taxes. Believes urban renewal taxes should be compressed in a proportional way with taxing district taxes. Proposed one way of sharing compression losses between urban renewal agencies. AORA and City of Portland are in dispute of methodology. Requested lawmakers help AORA and City of Portland resolve this dispute.

431 Linda Meng Directed members' attention to HB 2129-5 amendments (**EXHIBIT 13**).

See written testimony regarding HB 2129 (**EXHIBIT 14**) verbatim.

Amendments proposed by City of Portland say that urban renewal revenues would be subject to compression on a proportional basis. Bill as written does not compress urban renewal revenues.

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030 Jim Manary Reviewed three areas of interest:

1. Section 14, personal property; Section 15, manufactured structures ñ Issue is collecting taxes on structures after owner moves, versus its impact on taxpayers. Leaves this issue to judgement of committee.
2. Section 16, subdivisions, petition plats. Contacted number of counties who said there is not a serious problem. Recommended delete sections 16 and 17.
3. In regard to DiLorenzo's comments, the intent of this bill is housekeeping. Section was included on advice of attorney general.

068 Manary Concerning urban renewal, if committee intends for urban renewal districts to share in compression loss, language in bill needs to be changed.

076 Vice Chair Rasmussen Urged City of Portland to continue to work with AORA toward a resolution. Closed public hearing on HB 2129. Adjourned meeting at 10:30 a.m.

Submitted by, Reviewed by,

Barbara J. Guardino Kim T. James

Committee Assistant Revenue Office Manager

Exhibit Summary:

1. HB 2039, Martin-Mahar, Revenue Impact of Proposed Legislation, 1 p.
2. HB 2039, Stein, Testimony of Beverly Stein on HB 2039, 2 pp.
3. HB 2039, Stein, Washington County, Oregon, letter to Chair Strobeck and Members of the Committee, 2 pp.
4. HB 3183, Piercy, Testimony of Kitty Piercy, State Representative, District 39, Lane County, 7 pp.
5. HB 3183, Bowman, testimony of Jo Ann Bowman, State Representative, District 19, Multnomah County, 1 p.
6. HB 3183, Lowe, Testimony Before House Committee on Revenue, Kathy Lowe, State Representative, District 26, 1 p.
7. HB 3183, Davis, Oregon State Council of Senior Citizens, United Seniors of Oregon, Testimony in Support of HB 3183/Senior Tax Deferral, 1 p.
8. HB 2129, Miner, HB 2129 Testimony Before the House Revenue Committee by Don Miner, Executive Director, Oregon Manufactured Housing Association, 1 p.
9. HB 2129, Simpson, HB 2129: Urban Renewal Should Be Subject to Compression, 2 pp.
10. HB 2566, Rasmussen, Proposed Amendments to House Bill 2566 (HB 2566-1), 6 pp.
11. HB 2566, Rasmussen, Proposed Amendments to House Bill 2566 (HB 256602), 6 pp.
12. HB 2129, Tashman, Testimony to House Revenue Committee, Association of Oregon Redevelopment Agencies (AORA), by Jeffrey Tashman, Tashman Johnson LLC, 4 pp.
13. HB 2129, Meng, Proposed Amendments to House Bill 2129 (HB 2129-5), 1 p.
14. HB 2129, Meng, City of Portland, Oregon, Office of City Attorney, Testimony Regarding HB 2129 by Linda Meng, 1 p.
15. HB 2129, Martin-Mahar, Fiscal Analysis of Proposed Legislation, 1 p.
16. HB 2129, Martin-Mahar, Proposed Amendments to House Bill 2129 (HB 2129-4), 3 pp.
17. HB 2129, Warner, City of Gresham Office of the Mayor & City Council, letter to Paul Warner, Revenue Officer, 1 p.
18. HB 2566, Meyer, ESD Revenue Estimates, Higher of \$150 or 98-99 Revenue per ADMw, 3 pp.
19. HB 3183, Martin-Mahar, Revenue Impact of Proposed Legislation, 2 pp.