

PUBLIC HEARING: HB 2947, HB 2949

WORK SESSION: HB 2129

TAPES 128, 129 A/B, 130 A

HOUSE REVENUE COMMITTEE

APRIL 13, 1999 at 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. Lane Shetterly

Rep. Bill Witt

Members Excused: Rep. Max Williams

Rep. Jim Welsh

Staff: Paul Warner, Legislative Revenue Officer

Lizbeth Martin-Mahar, Economist, Legislative Revenue Office

Ed Waters, Economist, Legislative Revenue Office

Richard Yates, Economist, Legislative Revenue Office

Barbara Guardino, Committee Assistant

Witnesses: Marge Kafoury, City of Portland

Linda Meng, Portland City Attorney

Jeff Tashman, Assoc. of Oregon Redevelopment Agencies (AORA)

Pat Simpson, Bandon

Jim Manary, Oregon Dept. of Revenue

Doug Emner, Marion County Assessor
John Savage, Oregon Office of Energy
Sen. Frank Shields, District 9
Wallace Rutledge, Oregon Dept. of Forestry
John Ledger, Associated Oregon Industries
Lynn McNamara, League of Oregon Cities
Bob Castagna, Oregon Catholic Conference
Jack Munro, American Insurance Association
John McCulley, Agricultural Cooperative Council of Oregon
John Powell, Nucor Corporation
Donald Lamb, St. Vincent dePaul, Oregon Catholic Conference
Brent Gunderson, Sun, Wind and Fire Company, Portland
Ted Hughes, Oregon Manufactured Housing Association.
Jim Craven, American Electronics Association
Paul Cosgrove, American Forest and Paper Association
Kathryn VanNatta, Northwest Pulp & Paper Association

TAPE 128, SIDE A

005 Chair Strobeck Called meeting to order at 8:30 a.m. Opened work session on HB 2129.

WORK SESSION n HB 2129

016 Lizbeth Martin-Mahar Reviewed HB 2129. See Revenue Impact of Proposed Legislation (**EXHIBIT 1**).
Reviewed HB 2129-8 amendments (**EXHIBIT 2**).

029 Martin-Mahar Reviewed HB 2129-9 amendments (**EXHIBIT 3**). Addresses Ms. Simpson's request to change what appears on property tax statements. Section 28: Tells what county assessor computes.
Section 29: Timber offset rate, how it affects permanent rate.
Section 30: Implementation of what goes on tax statement.

071 Martin-Mahar Section 31: Analysis of impact of the urban renewal plan.

Questions and discussion.

103	Marge Kafoury	Explained HB 2129-10 amendments (EXHIBIT 4) .
112	Linda Meng	Portland City Attorney proposed -10 amendments delete Section 23 (7) that addresses compression of urban renewal. AORA and city recommend that all urban renewal portions of the bill be reviewed during interim.
125	Jeff Tashman	Association of Oregon Redevelopment Agencies (AORA) is satisfied to have Dept. of Revenue continue its administrative authority to do compression in the present way until there are legislative changes.
141	Chair Strobeck	<p>Reviewed, -10 amendments replace ñ6 amendments.</p> <p>-7 amendments relate to manufactured homes, timing.</p> <p>-8 amendments clarify drafting confusion in terms of special assessment.</p> <p>-9 amendments list urban renewal on tax statements.</p> <p>-10 amendments AORA compromise.</p>
162	Tashman	Concurred with Ms. Mengis suggestion of dealing with ñ9 amendments in interim.
170	Pat Simpson	Testified in support of ñ9 amendments. Amendments show impact of urban renewal on taxpayers. Can see wisdom of putting this off until more comprehensive changes are made, but this is a beginning. Shows impact, and that is important.
202	Rep. Shetterly	Commented on ñ9 amendments. It may be best to delay implementation this change until after interim discussions to avoid having to amend again during the 2001 session.
223	Rep. Merkley	Supports ñ9 amendments. This is a first step to set the foundation for 2001 session discussions.
235	Vice Chair Rasmussen	Would prefer to let issue continue into interim work group.
242	Chair Strobeck	Shares concern of Vice Chair Rasmussen and Rep. Shetterly. Part of process is to educate taxpayers. Concerned that if committee starts education process and the bill changes, that will create confusion. Does concur that tax statements should have explanations on how

much of their taxes will go toward urban renewal. Thanked Ms. Simpson for her work. It will benefit the taxpayers.

- 273 Rep. Witt Section 14: Continues change in moving lien date on personal property to January 1 with the exception of manufactured homes. Why change for personal property and not for manufactured homes? How will that affect taxpayers?
- 286 Jim Manary Referred to testimony of Diane Belt from Washington County who said manufactured homes is not significant. Belt's concern was collecting taxes from businesses that went bankrupt and didn't have a lien, or businesses that closed and sold their assets. Taxes would have to be paid in January for the coming tax year. With current law, state has no lien, so assets would be gone.
- 303 Rep. Witt If a business sells its assets on January 15, the lien would attach January 1. For what period of time would taxes have to be paid?
- 312 Manary Taxes would have to be paid for the coming tax year. It would be six months prior to beginning of tax year and 10 months prior to when taxes are normally paid with property tax statement in November. With current date, July 1, there would be no lien so Dept. of Revenue couldn't collect the tax.
- 340 Rep. Shetterly Part of the sale transaction would be to make the purchaser responsible for prepayment of taxes.
- 379 Manary The tax bill would go to seller because the seller owned the assets on the assessment date. Issue is a practical collection issue for the county.
- 395 Rep. Witt Expressed concern that taxes are being paid 10 months early for county's convenience. Rep. Witt would prefer to leave the date at July 1. There is always a risk that assets will disappear. That does not justify making people pay 10 months early.

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- 010 Doug Emner Discussed 9 amendments. Expressed concern too much information on a tax bill confuses taxpayers. Marion County assessors use the media to get the information out about tax issues. Urged committee not to make bill more confusing.
- 043 Chair Strobeck Consensus of the committee is that disclosure of how much goes to urban renewal is worthwhile. There will be an interim work group and probably a recommendation to include information. Encouraged tax assessors to prepare for this to occur eventually.

058	Vice Chair Rasmussen	MOTION: MOVED ñ7 AMENDMENTS TO HB 2129 BE ADOPTED. HEARING NO OBJECTION, THE CHAIR SO ORDERED.
061	Vice Chair Rasmussen	MOTION: MOVED ñ8 AMENDMENTS TO HB 2129 BE ADOPTED. HEARING NO OBJECTION, THE CHAIR SO ORDERED.
064	Vice Chair Rasmussen	MOTION: MOVED ñ10 AMENDMENTS TO HB 2129 BE ADOPTED. HEARING NO OBJECTION, THE CHAIR SO ORDERED.
066	Vice Chair Rasmussen	MOTION: MOVED HB 2129, AS AMENDED, TO THE HOUSE FLOOR WITH A DO PASS AS AMENDED RECOMMENDATION.
0073	Rep. Witt	Will vote against bill because taxpayers will have to pay property taxes 10 months before they are due.
079	Chair Strobeck	Issue is who will be harmed with either of these scenarios. Sympathetic to Rep. Witt's point. Suggested a conceptual amendment page 8, line 42, to retain July rather than January.
093	Chair Strobeck	MOTION: MOVED FOR UNANIMOUS CONSENT TO RECONSIDER ñ7 AMENDMENTS. HEARING NO OBJECTION, CHAIR SO ORDERED.
096	Chair Strobeck	Asked committee for consensus on conceptual adoption of amendment to retain July rather than January on page 8, line 42 of the bill.
109	Rep. Kafoury	Asked for explanation why Dept. of Revenue wants date changed.
112	Manary	<p>Personal property is collection problem selling property between January and July. It is assessed January, and if it is sold in those six months, lien doesn't attach until July 1. When assessors discover a sale is taking place, they have no lien to attach the property to collect the tax.</p> <p>Questions and discussion.</p>
137	Rep. Merkley	Referred to Section 14. What is significance of assessment date?
145	Manary	<p>Prior to Measure 5, assessment date was January 1 because it allows a normal time period for assessors' office to gather data on assets. Language of Measure 5 forced assessment date to change to July 1. It was changed back with Measure 50 to allow a longer time period.</p> <p>Lien is for collection purposes. In property changing hands, there is a collection issue in terms of the lien.</p>

179	Rep. Witt	If a business sells its assets on January 15, bill from that tax year was due previous November 15. Those taxes would have covered tax year up through June 30. With this proposed change, to give clear title to new purchaser, seller will have to pay taxes through June 30 of the current year, but for the succeeding year.
197	Manary	Sellers or buyers in transaction have to pay for upcoming year to clear title.
202	Vice Chair Rasmussen	MOVED ADOPTION OF ñ7 CONCEPTUAL AMENDMENTS INTO HB 2129.
211	Chair Strobeck	Suggested shelving HB 2129 for further discussion. Will request drafting of amendments that will incorporate the July date into the ñ7 amendments.
227	Vice Chair Rasmussen	WITHDREW MOTION TO MOVE HB 2129 TO THE FLOOR WITH A DO PASS AS AMENDED RECOMMENDATION.
229	All	More discussion on date change issues.
282	Rep. Merkley	Concurred with Rep. Witt on this issue.
284	Chair Strobeck	Asked for information about the number of times this occurs, how much is due, and how much is collected. Wants to see whether there is evidence of a significant problem. Agrees that paying taxes 10 months in advance is a problem.
312	Chair Strobeck	Closed work session on HB 2129. Opened public hearing on HB 2947 and HB 2949.

PUBLIC HEARING ñ HB 2947, HB 2949

332	John Savage	Spoke in opposition to the measure. (Delete 1.142 Business Energy Facilities; 1.141, Alternative Energy Devices; and 1.143: Energy Conservation Lenderís Credit). See EXHIBIT 5.
		Discussed purpose of Business Energy Tax Credit, exhibit 5, page 1. Discussed Residential Energy Tax Credit Program. Referred to page 2, recent projects completed.
426	Savage	Discussed Lenderís Tax Credit.

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021	Chair Strobeck	Would business energy tax projects not have occurred if this credit did not exist?
023	Savage	For the most part, they would not have occurred.
038	Rep. Kafoury	These credits are important because they encourage people to go beyond current law. Amount of money saved has been dramatic (Business Energy Tax Credit only).
041	Chair Strobeck	Asked how much money companies have saved in energy bills.
044	Savage	Estimated savings \$100 million/year in addition to tax credits.
064	All	Questions concerning Business Energy Tax Credit, whether companies would have taken energy efficient measures anyway.
110	Sen. Shields	Spoke in opposition to HB 2949 (EXHIBIT 6) verbatim (1.141). Urged committee to vote no on HB 2949 and on HB 2954.
171	Wallace Rutledge	<p>Spoke in opposition to the measure. (Delete 1.145 Reforestation Tax Credit) (EXHIBIT 7) paraphrased. Allows landowners to convert scrub-land into forestland. Without this credit, many of these lands would not be converted.</p> <p>Attached charts concerning number of acres that have been converted due to the tax credit.</p>
218	Vice Chair Rasmussen	Would credit apply to cottonwood trees? Follow-up questions.
222	Rutledge	<p>Generally cottonwood trees are not eligible.</p> <p>Many times this land is not being used at all because landowners don't realize its potential, or they can't afford to convert it. This land is concentrated mostly in Douglas and Jackson counties.</p>
270	Rep. Merkley	Is it correct that these are designated forestlands? If so, owners are already receiving significant property tax reductions.
263	Rutledge	Owners of designated forestlands may receive 80% deferral until harvest. Problem is, there

is nothing to harvest until the land is converted to forestland.

- 299 Rep. Merkley Expressed concern that people can qualify for credit even if they're not using the land as forestland. Follow-up questions.
- 322 Chair Strobeck Could someone raise Christmas trees and still qualify for this credit?
- 327 Rutledge No.
- 346 John Ledger Spoke in opposition to the measure. (Delete 1.133 and 1.135 Field Burning and Pollution Control)
- Gave brief background of pollution control credits, which have existed about 30 years. Primarily used by manufacturers. 90% of credits go to facilities outside Portland. Program will sunset end of 2001. Since a company's planning process can take three to five years, many companies have built the credits into their expansion plans. Program benefits rural areas, good for environment; companies are planning to use these credits.
- 420 Lynn McNamara Testified in regard to discussions to eliminate certain property tax exemptions. League of Oregon Cities has not taken a position on this. See testimony (**EXHIBIT 8**) verbatim. LOC will undertake interim study.
- Sunset of these exemptions would add \$5 million back to tax rolls.
- 472 McNamara Discussed chart attached to testimony: Property Tax Exemptions.

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- 045 McNamara One of biggest challenges in looking at these and other tax issues is a lack of clarity about what tax system should accomplish, in providing services and how the present system fits into expectations. Suggested that the committee look at all of tax policy in larger context.
- 066 Bob Castagna Spoke in opposition to the measure. (Add sunset date to 1.124 Working Family Child Care) Welfare reform moved people from welfare to work.
- That is occurring. This credit piggybacks on a federal credit.
- 087 Vice Chair Rasmussen Reasoning behind reviewing sunsets is term limits. Believes lawmakers should have to review tax credits at least every six years. Follow-up questions and comments.

148	Rep. Witt	Is it true that state earned income is not refundable? Follow-up questions.
150	Castagna	Correct.
165	Jack Munro	<p>Spoke in opposition to the measure. (Delete 1.146 Fire Insurance Credit; and 1.148 Assessments Paid to Oregon Insurance Guarantee Association)</p> <p>Fire Insurance Credit is a long-standing provision in Oregon statutes.</p> <p>Insurance tax system is complicated. Historically, domestic companies were subject to corporate excise tax and foreign companies were subject to premium tax. Due to litigation, changes were made in 1995.</p>
216	Munro	<p>Discussed 1.148 Assessments Paid to Oregon IGA: Every state has an insurance guarantee fund.</p> <p>Discussed 1.149 Assessments Paid to Oregon Life and Health IGA</p>
290	Vice Chair Rasmussen	Questions and comments concerning 1.146, Fire Insurance Credit. Makes sense to eliminate it and bring fire marshal funding back into general fund.
319	John McCulley	<p>Spoke in opposition to the measure. (Delete 1.129 Farm Worker Housing Lender's Credit) Tree fruit industry supports maintaining this credit, in order to provide better housing for farm workers. Industry would favor expanding the construction tax credit and eliminating the lender tax credit.</p> <p>Tree fruit industry has introduced HB 3297 related to construction for farm worker housing.</p>
368	McCulley	Spoke in opposition to the measure. HB 2949: (Delete 2.024, Fairground Leased Storage Space) Urged committee to retain this exemption. Original bill totally exempted fairground property, was subsequently narrowed. Credit has valuable impact on smaller counties. In many counties, it would involve taking money from one pocket and put it back into another pocket with no net impact on the county. County fairs are charged to manage properties for benefit of public. As funds are removed, this mandate becomes difficult. Tax that would be collected would be higher than revenues received for RV and farm equipment.
437	John Powell	<p>Spoke in opposition to the measure. (Delete 1.122 Investment in Rural Enterprise Zones ñ Income Tax)</p> <p>HB 2947-1 repeals rural enterprise zone provisions in Oregon Revised Statutes. Coos Bay was able to attract a major steel mill with this credit.</p> <p>Legislation for rural enterprise zones targeted to chronically low employment areas such as Coos Bay. This plant would employ 250 people; average salary would be \$50,000.</p>

031058	Rep. Rosenbaum	Credit does have a sunset date.
057	Powell	Correct, and also governor has to approve this credit. Company has to invest minimum of \$250 million and employ at least 100 people at rate of 150% of average wage in the county. Coos County has very poor infrastructure. There is a bill to address this.
076	Rep. Witt	Asked if there is a requirement that facility has to be in an economically depressed area?
082	John	Correct. It must be in an area with chronic unemployment. Approximately 10 counties qualify.
107	Donald Lamb	<p>Spoke in opposition to the measure on behalf of Vincent de Paul. (Delete 1.141 Alternative Energy Devices; and 1.143 Energy Conservation Lenderis Credit)</p> <p>These credits are very helpful to affordable housing programs. St. Vincent can transfer credits to drive rents down to make affordable housing truly affordable. Bluebell Project in Lane County uses solar energy to drive down cost of utilities.</p> <p>Low income housing 4% loan for lenders (page 135 of Tax Expenditure Report) sunsets December 1999. St. Vincent uses this on its Section 8 housing.</p>
151	Lamb	Spoke in opposition to the measure on behalf of Oregon Catholic Conference (Add sunset to 1.123 Child and Dependent Care; and 1.124 Working Family Child Care). These credits are essential for low income working families.
175	Brent Gunderson	<p>Spoke in opposition to the measure. (Delete 1.141 Alternative Energy Devices, 1.142 Business Energy Facilities)</p> <p>This technology helps to reduce pollution. It is good public policy for Oregon, and the public is behind it.</p>
202	Ted Hughes	Spoke in opposition to the measure. (Delete 1.130 Involuntary Mobile Home Moves) Manufactured housing parks are closing and converting to high-rise apartments. Asked legislators to enhance this program.
222	Jim Craven	March forecast, corporate taxes 1997-99 were \$575 million. Projected taxes \$832 million, 45% increase. Need to look at shift, but it is not true that corporate taxes are going down in Oregon. Corporate tax receipts from 1992-96 more than doubled.

Business tax incentives play a roll in this increase because they create a positive business climate.

270	Craven	Asked committee to maintain the following credits: Research and Development (1.120, 1.121) Computer Donation (1.110) Pollution Control (1.133, 1.135, 2.048) Business Energy Tax Credit (BETC) (1.142) Employer Dependent Care Assistance Program (1.125)
295	Vice Chair Rasmussen	Excused committee to floor session, continued testimonies.
299	Paul Cosgrove	Spoke in opposition to the measure. (Delete 1.135 Pollution Control; and 1.142 Business Energy Facilities) See written testimony (EXHIBIT 9). Many of these credits were awarded to industries that complied with air and water quality standards. What has happened is, paper and pulp industry has become more reliant on recycled fiber. Transition from virgin fiber required industry to make transitions. This created a variety of new standards. Last five years, largest credits have been issued to pulp and paper plants because of this kind of transition.
344	Kathryn VanNatta	Urged retention of above two credits (1.135 and 1.142).
346	Vice Chair Rasmussen	Adjourned meeting at 10:48 a.m.

Submitted by, Reviewed by,

Barbara J. Guardino Kim T. James

Committee Assistant Revenue Office Manager

Exhibit Summary:

1. HB 2129, Martin-Mahar, Revenue Impact of Proposed Legislation for HB 2129-6,-7,-8, 2 pp.
2. HB 2129, Martin-Mahar, Proposed Amendments to House Bill 2129 (HB 2129-8), 1 pp.
3. HB 2129, Martin-Mahar, Proposed Amendments to House Bill 2129 (HB 2129-9), 5 pp.
4. HB 2129, Kafoury, Proposed Amendments to House Bill 2129 (HB 2129-10), 1 p.
5. HB 2947, Savage, Oregon Office of Energy Business Energy Tax Credit Program, 4 pp.
6. HB 2949, Shields, testimony of Sen. Frank Shields, Multnomah County District 9, 1 p.
7. HB 2947, Rutledge, Oregon Dept. of Forestry, 5 pp.
8. HB 2949, McNamara, Testimony of the League of Oregon Cities on Property Tax Exemptions, 3 pp.
9. HB 2947, Cosgrove, Northwest Pulp & Paper, Tax Incentives In Support, 1 p.
10. HB 2949, Yates, Proposed Amendments to House Bill 2949 (HB 2949-1), 19 pp.
11. HB 2949, Yates, Property Tax Expenditures, 2 pp.
12. HB 2949, Rohleder, Statement of House Bill 2949 by Oregon Dept. of Fish and Wildlife, 1 p.
13. HB 2947, Aguirre, Oregon Dept. of Human Resources, 2 pp.
14. HB 2947, Crosley, Oregon Employment Department, 4 pp.