

## HOUSE REVENUE COMMITTEE

JUNE 17, 1999 ñ 8:15 A.M. - HEARING ROOM A - STATE CAPITOL BUILDING

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Members Present: Rep. Ken Strobeck, Chair

Rep. Anitra Rasmussen, Vice Chair

Rep. Diane Rosenbaum

Rep. Lane Shetterly

Rep. Bill Witt

Members Excused: Rep. Deborah Kafoury

Rep. Jeff Merkley

Rep. Jim Welsh

Rep. Max Williams

Staff: Paul Warner, Legislative Revenue Officer

Lizbeth Martin-Mahar, Economist, Legislative Revenue Office

Barbara Guardino, Committee Assistant

Witnesses: Gil Riddell, Association of Oregon Counties

Gary Conkling, Oregon Winegrowers Association

Art Schlack, Association of Oregon Counties

Mark Noakes, County Assessors Association

Dexter Johnson, Legislative Revenue Counsel

Jesse Lyon, Oregon Winegrowers Association

Hasina Squires, Special Districts Association

**TAPE 215, SIDE A**

005 Chair Strobeck Called meeting to order at 8:30 a.m. Opened work session on SB 595.

**WORK SESSION n SB 595**

014 Lizbeth Martin-Mahar Reviewed SB 595-2 amendments (**EXHIBIT 1**). These amendments eliminate conflicts with SB 248, which is a rewrite of farm use statutes, and add a requirement that a winery grow grapes on at least 15 acres of specially assessed land.

031 Martin-Mahar Reviewed SB 595-3 amendments (**EXHIBIT 2**). Include a local option alternative.

038 Martin-Mahar Reviewed SB 595-4 amendments (**EXHIBIT 3**). Similar to n3 amendments but do not include wine grapes as a local option alternative, just machinery and equipment.

057 Martin-Mahar Reviewed SB 595-5 amendments (**EXHIBIT 4**). Specifies winery is located in EFU (Exclusive Farm Use) zone. Requires winegrower to grow at least five acres of wine grapes versus 15.

068 Chair Strobeck Where did the 15-acre suggestion come from versus five acres?

070 Martin-Mahar Fifteen acres is currently required in order to receive special assessment.

076 Gil Riddell Pointed out, wine grapes are not now taxed. Proponents put them in the list, and Association of Oregon Counties is willing to include them.

082 Gary Conkling SB 595-5 amendments come from Oregon Winegrowers Association. Under current law, it is possible to site a winery in an EFU zone when there are at least 15 acres of vineyard adjacent to the grower's property that produce wine that is processed at the winery. SB 595-5 amendments state that winery owner must grow at least five acres of wine grapes. An average acre produces 2 tons of grapes. Reason for using five acres is that existing law would permit the siting of a winery in an EFU zone if the grower had 15 acres of adjacent land that provided grapes, five acres of their own land, or a combination.

135 Conkling Was unaware of a conflict amendment with SB 248. Oregon Farm Bureau would prefer five acres.

155 All Discussion and questions interspersed.

193	Rep. Witt	<b>MOTION: MOVED -2 AMENDMENTS TO SB 595 BE ADOPTED WITH CONCEPTUAL CHANGES: ON PAGE 1 LINE 3, AND ON PAGE 2 LINE 20, CHANGE 15 ACRES TO 5 ACRES.</b>
202	All	Questions and discussion.
245	Chair Strobeck	Clarified, issue is, -2 amendments, line 4, "is assessed under ORS 308.370 (1)" does not appear in ñ5 amendments. What is the difference?
254	Dexter Johnson	ORS 308.370(1) is the reference to exclusive farm use farmland assessment. In SB 248, this section is being repealed and replaced by Section 5 in the case of EFU land and Section 7 in the case of non-EFU land. That is the reason for conflict amendments in ñ2.
285	Chair Strobeck	Does the specific reference to wine equipment take away any other exemption or treatment of other kinds of food processing?
293	Johnson	Does not believe so. Would prefer that proponents answer this question.
296	Art Schlack	Two-pronged test: <ol style="list-style-type: none"> <li>1. Land has to qualify under farm use assessment</li> <li>2. Significant use of land for growing wine grapes</li> </ol>
369	Jesse Lyon	Winegrowers Association is concerned with inclusion of assessment language. In 1994 the tax court ruled that land under wineries and tasting rooms was entitled to farm use special assessment. In the controversial King Estate case, the tax court overruled its prior decision. If the tax court continues its current thinking, that could affect the committee's decision.
398	Rep. Merkley	SB 595-2 page 2 refers to the land that the wine grapes are growing on, not the land that contains the winery.
404	Lyon	Believes most farms that grow wine grapes already have a farm use special assessment.
431	Vice Chair Rasmussen	Asked staff if ñ2 or ñ4 are in conflict.

434	Martin-Mahar	Committee must adopt either the ñ2 or the ñ4 amendments.
436	Hasina Squires	Directed membersi attention to chart, Yamhill County Fire Districts <b>(EXHIBIT 5)</b> . Special Districts Association supports SB 595-4 amendments. Would prefer local option.

**TAPE 216, SIDE A**

027	Jim Manary	See Wineries with Production Areas of Less Than 10,000 Square Feet <b>(EXHIBIT 6)</b> Yamhill County estimated that 25 percent of existing wineries qualify.
045	Rep. Rosenbaum	Would support SB 595 ñ4 amendments with a conceptual amendment to change acreage from 15 to 5. Would vote no on ñ2 amendments.
059	Vice Chair Rasmussen	Will oppose SB 595-2 amendments. Would prefer local control.
069	Rep. Merkley	Would support SB 595 with a local option as contained in ñ4 amendments.
073	Chair Strobeck	Recessed meeting at 9:05 a.m. Reconvened meeting at 9:10 a.m.
077	Chair Strobeck	Restated motion: Change 15 to 5 on page 1, line 3; and page 2, line 20. Asked for any more discussion.
085	Rep. Rosenbaum	Will vote no because ñ2 amendments do not provide for local option.
090	Rep. Merkley	Would prefer local option amendment.
104	Rep. Kafoury	Expressed reluctance to adopting a local option because this would create inequality among counties.
119	Chair Strobeck	Will support ñ2 amendments. This is not a new tax break, it simply clarifies what was understood to be existing policy.
127	Rep. Merkley	Asked for clarification of position of counties on whether or not this is new policy.

139	Manary	The most recent case is a tax court case that says processing of wine grapes is not farm use and is not exempt. That case (King Estate) is on appeal with Supreme Court. The debate is whether this conflicts with an earlier case (Craven).
156	<b>VOTE</b>	<p><b>ROLL CALL VOTE: MOTION PASSES 6-3-0</b></p> <p><b>REPRESENTATIVES VOTING AYE: KAFOURY, SHETTERLY, WELSH, WILLIAMS, WITT, CHAIR STROBECK</b></p> <p><b>REPRESENTATIVES VOTING NAY: MERKLEY, ROSENBAUM, VICE CHAIR RASMUSSEN</b></p>
167	Rep. Witt	<b>MOTION: MOVED SB 595, AS AMENDED, TO THE HOUSE FLOOR WITH A DO PASS AS AMENDED RECOMMENDATION.</b>
174	Rep. Kafoury	Declared conflict of interest on SB 595.
180	Vice Chair Rasmussen	Expressed frustration that this bill and other bills are being passed out piecemeal rather than in a comprehensive tax reform.
197	<b>VOTE</b>	<p><b>ROLL CALL VOTE: MOTION PASSES 6-3-0</b></p> <p><b>REPRESENTATIVES VOTING AYE: KAFOURY, SHETTERLY, WELSH, WILLIAMS, WITT, CHAIR STROBECK</b></p> <p><b>REPRESENTATIVES VOTING NAY: MERKLEY, ROSENBAUM, VICE CHAIR RASMUSSEN</b></p> <p><b>REP. WITT WILL CARRY THE BILL.</b></p>
207	Rep. Rosenbaum	Notified committee of a possible minority report.
209	Vice Chair Rasmussen	Will join Rep. Rosenbaum in minority report.
210	Chair Strobeck	Adjourned meeting at 9:20 a.m.

Submitted by, Reviewed by,

Barbara J. Guardino Kim T. James

Committee Assistant Revenue Office Manager

Exhibit Summary:

1. SB 595, Martin-Mahar, Proposed Amendments to Senate Bill 595 (SB 595-2), 3 pp.
2. SB 595, Squires, Proposed Amendments to Senate Bill 595 (SB 595-3), 2 pp.
3. SB 595, Squires, Proposed Amendments to Senate Bill 595 (SB 595-4), 2 pp.
4. SB 595, Strobeck, Proposed Amendments to Senate Bill 595 (SB 595-5), 1 p.
5. SB 595, Squires, Yamhill County Fire Districts, 1 p.
6. SB 595, Manary, Wineries with Production Areas of Less Than 10,000 Square Feet, 1 p.