

Gil Riddell, Assn. of Oregon Counties (AOC)

Mike Long, Tax Collector, Klamath County

John DiLorenzo, Attorney, City of Seattle and Tacoma

John Phillips, Dept. of Revenue (DOR)

Staff Present: Paul Warner, Legislative Revenue Officer

Mazen Malik, Economist

Mary Ayala, Economist

Kristi Bowman, Committee Assistant

TAPE 109, SIDE A

002 Acting Chair Berger Calls meeting to order at 1:03 p.m.

OPENS PUBLIC HEARING FOR HOUSE BILL 3453

011 Mary Ayala Gives overview of HB 3453 (Exhibit 1). The bill exempts from property taxation any tangible or intangible property whose use arises from contracts between qualified government entities and energy marketing companies. Refers to the revenue impact statement (Exhibit 2).

057 Shawn Miller Gives background of HB 3453. HB 3453 is identical to HB 2047 and its amendment. [The amendment did not connect to the relating clause and HB 3453 was substituted for HB 2047]. The only change to HB 3453 is on page 2, line 36 defining qualified government entities. That line deletes the reference to tribal entities.

- 082 Norm Ross Discusses the narrow scope of HB 3453 pertaining to an assessment issue affecting PPM Energy and the City of Klamath Falls. Submits written testimony (Exhibit 3). The assessment concerns a commodity, e.g., energy. It is a purchase power agreement. Testifies in support of HB 3453 because the Dept. of Revenue (DOR) does not assess similar utility companies for energy contracts. Adds that the DOR disagrees with the Oregon Tax Court decision against PPM.
- 141 Bill Linden Gives historical perspective of HB 3453. Comments that this facility is located within an enterprise zone, and had there been notice that there would be a tax assessment, the City could have exercised tax exemption options available for enterprise zones. Comments that he believes that the bill is a reasonable compromise and supports HB 3453.
- 161 Rep. Olson Asks if there are other public sector-private enterprise relationships like this in other states.
- 166 Ross Responds that there are similar public sector-private enterprise relationships in other states, and he is not aware of any state agency taxing the contract rights like the Oregon DOR has done.
- 171 Rep. Berger Asks if this is essentially the original bill
- 180 Miller Responds that HB 3453 was originally HB 2047 with the HB 2047-1 amendment.

- 197 Gil Riddell Testifies against HB 3453 and reads from written testimony (Exhibit 4) to support AOC's position.
- 239 Mike Long Testifies against HB 3453. Discusses the history of the taxation of PPM in Klamath County. When he received notice that PPM Energy was appealing the Tax Court ruling, the Tax Court advised him to put those taxes in reserve until the suit was settled. If PPM Energy wins the lawsuit, other taxing districts will have to pay an additional 12% interest on taxes paid. Comments that the state would have to make up the taxes lost to schools under the state school funding formula.
- 287 Rep. Boquist Asks Riddell to define "unnecessary property tax expenditure."
- 290 Riddell Responds that he is basing that term on three standards for new property tax expenditures (as stated in Exhibit 4):
- • There is a compelling statewide interest
 - • There is an immediate need
 - • There is agreement with local jurisdictions
- Adds that none of these standards have been demonstrated.
- 308 Rep. Boquist Comments to Riddell that not collecting the tax is now an expenditure. Questions and answers exchanged with Long regarding Klamath County's taxation of PPM's intangible property.
- 320 Long Explains how he projected revenue from the potential of a tax assessment on intangible property.

- 378 Riddell Comments on the DOR's distribution of tax revenue to county assessors. Adds that one of the Klamath County Commissioners told him that they "had not had conversations about this item with the city".
- 394 Acting Chair Berger Asks Riddell about his belief that there is not enough self-limiting language in HB 3453. Asks if this bill would apply to any other energy company.
- 405 Riddell Responds that the bill could apply to future situations, such as the City of Portland's purchase of PGE and having a private company run it. However, he is not aware of any other utility company with this arrangement at this time.

CLOSES PUBLIC HEARING FOR HOUSE BILL 3453

OPENS PUBLIC HEARING FOR HOUSE BILL 3454

TAPE 110, SIDE A

- 007 Ayala Gives background of HB 3454 (Exhibit 5). This bill exempts from property tax tangible or intangible property rights related to members of the Pacific Northwest AC Intertie. Refers to proposed amendment HB 3454-1 (Exhibit 6) that would exclude "property rights". Refers to the revenue impact statement (Exhibit 7).

- 044 John DiLorenzo Testifies in support of HB 3454 and the HB 3454-1 amendment. Reads verbatim from written testimony (Exhibit 8).
- 173 Rep. Galizio Asks for elaboration on the statement in the testimony regarding the DOR's awareness of the Seattle and Tacoma Intertie contracts with Bonneville Power Administration (BPA) in 1995.
- 175 DiLorenzo Responds that the DOR taxed a private party Intertie contract, and the DOR won that lawsuit in tax court because it was a private party. However, the DOR did not tax Seattle and Tacoma until 2001 when they tried to make the assessment retroactive to 1995.
- 182 Rep. Hass Asks if there is any scenario in which DiLorenzo thinks that an entity should pay for the right to use the Intertie.
- 185 DiLorenzo Responds that this scenario is a larger policy question than what this bill proposes. Comments that there should be uniformity in which cities are assessed.
- 218 Riddell Testifies in opposition to HB 3454. Submits written testimony (Exhibit 9). Discusses the differences in taxation between Washington and Oregon pertaining to tangible and intangible property.
- 245 Rep. Riley Asks if Riddell thinks that in-state cities should be taxed on profit-making enterprises. Follow-up question: Is the Klamath Falls enterprise [with PPM Energy] a profit-making business.

- 247 Riddell Responds that if there is profit involved, there is tax liability and would ask for clarification from the DOR. Regarding Klamath Falls, the ownership of that facility should not be taxable.
- 280 John Phillips Responds to questions from the committee. HB 3454 presents a straightforward policy decision regarding taxation of out-of-state entities and provides direction for the DOR. Discusses line 7 in the bill regarding public entities using properties for corporate purposes.
- 334 Rep. Boquist Suggests that the DOR provide information to the committee regarding intangible property taxation and the cost of enforcing the tax.
- 375 Acting Chair Berger Adds that it is the legislature's responsibility to make policy statements to the DOR.

CLOSES PUBLIC HEARING FOR HOUSE BILL 3454

OPENS WORK SESSION FOR HOUSE BILL 2197

TAPE 109, SIDE B

- 008 Mazen Malik Discusses HB 2197-4 amendment (Exhibit 10) that combines references to health care facilities and non-profit groups noted in previous amendments.

036 Acting Chair Berger Discusses the intent of the HB 2197-4 amendment.

043 Rep. Hass MOTION: MOVES THE ADOPTION OF THE HB 2197-4 AMENDMENT.

049 Acting Chair Berger ORDER: THERE BEING NO OBJECTION, THE CHAIR SO ORDERS. MOTION PASSES 8-0-1. ANSWERING AYE: HASS, BOQUIST, ESQUIVEL, GALIZIO, KOMP, OLSON, RILEY, BERGER. EXCUSED: BUTLER

048 Rep. Hass MOTION: MOVES HB 2197-4 AS AMENDED TO THE HOUSE WITH A DO-PASS RECOMMENDATION.

050 Acting Chair Berger ORDER: THERE BEING NO OBJECTION, THE CHAIR SO ORDERS. MOTION PASSES 8-0-1. ANSWERING AYE: HASS, BOQUIST, ESQUIVEL, GALIZIO, KOMP, OLSON, RILEY, BERGER. EXCUSED: BUTLER

CLOSES WORK SESSION FOR HOUSE BILL 2197.

OPENS WORK SESSION FOR HOUSE BILL 2089.

060 Malik

Gives summary of HB 2089 and HB 2089-1 amendment (Exhibit 12). The bill allows the amounts for the collection of lodging tax by local governments to accumulate to \$100 before transfer to the state agency involved. The amendment addresses the issue of having private entities be able to accumulate fees up to \$100 before transferring the funds and have an open-ended date of remitting the tax.

- 103 Rep. Hass MOTION: MOVES THE ADOPTION OF THE HB 2089-1 AMENDMENT.
- 105 Acting Chair Berger ORDER: THERE BEING NO OBJECTION, THE CHAIR SO ORDERS. MOTION PASSES 8-0-1. ANSWERING AYE: HASS, BOQUIST, ESQUIVEL, GALIZIO, KOMP, OLSON, RILEY, BERGER. EXCUSED: BUTLER
- 107 Hass MOTION: MOVES HB 2089-1 AS AMENDED WITH A DO PASS RECOMMENDATION AND BE REFERRED TO THE WAYS AND MEANS COMMITTEE.
- 110 Acting Chair Berger ORDER: THERE BEING NO OBJECTION, THE CHAIR SO ORDERS. MOTION PASSES 8-0-1. ANSWERING AYE: HASS, BOQUIST, ESQUIVEL, GALIZIO, KOMP, OLSON, RILEY, BERGER. EXCUSED: BUTLER

CLOSES WORK SESSION FOR HOUSE BILL 2089

OPENS WORK SESSION FOR HOUSE BILL 2776

120 Ayala Gives summary of HB 2776 (Exhibit 13).

132 Acting Chair Berger Comments that the work group is still waiting for amendments to be drafted and carries-over the bill to a future date.

CLOSES WORK SESSION FOR HOUSE BILL 2776

OPENS WORK SESSION FOR HOUSE BILL 2511

147 Ayala Gives summary of HB 2511 (Exhibit 15). The bill adds four organizations to the list of fraternal organizations that qualify for an exemption from property tax, and changes the definition of fraternal organizations. Refers to the revenue impact statement (Exhibit 16).

201 Rep. Boquist Asks if amendments have been submitted regarding adding or deleting language in certain sections of the bill.

211 Ayala Responds that there are no amendments at this time.

220 Rep. Hass

Asks about cost recovery. The bill seems a little vague on that issue. Adds that he is willing to work on amendments to clarify the cost recovery issue.

CLOSES WORK SESSION FOR HOUSE BILL 2511

OPENS WORK SESSION FOR HOUSE BILL 3359

246 Ayala Gives summary of HB 3359 (Exhibit 17). The bill exempts property taxation on aircraft used or held by foreign-owned carriers.

274 Rep. Hass MOTION: MOVES HB 3359 TO THE HOUSE WITH A DO-PASS RECOMMENDATION.

280 Acting Chair Berger ORDER: THERE BEING NO OBJECTION, THE CHAIR SO ORDERS. MOTION PASSES 8-0-1. ANSWERING AYE: HASS, BOQUIST, ESQUIVEL, GALIZIO, KOMP, OLSON, RILEY, BERGER. EXCUSED: BUTLER

CLOSES WORK SESSION FOR HOUSE BILL 3359

288 Acting Chair Berger Adjourns meeting at 2:18 p.m.

Tape Log Submitted by:

Reviewed by:

Kristi Bowman, Committee Assistant

Kim Taylor James, Committee
Coordinator

Exhibit Summary:

- 1. HB 3453, Staff Measure Summary, Ayala, 1 pg., 04/12/05
- 2. HB 3453, Revenue Impact Statement, Ayala, 1 pg., 04/12/05
- 3. HB 3453, Testimony, Ross, 1 pg., 04/12/05
- 4. HB 3453, Testimony, Riddell, 1 pg., 04/12/05
- 5. HB 3454, Staff Measure Summary, Ayala, 1 pg., 04/12/05
- 6. HB 3454, Amendment HB 3454-1, Legislative Counsel, 1 pg., 04/11/05
- 7. HB 3454, Revenue Impact Statement, Ayala, 1 pg., 04/12/05
- 8. HB 3454, Testimony, DiLorenzo, 5 pp., 04/12/05
- 9. HB 3454, Testimony, Riddell, 1 pg., 04/12/05
- 10. HB 2197, Amendment HB 2197-4, Legislative Counsel, 1 pg., 03/24/05
- 11. HB 2197, Fiscal Impact Statement, Hughes, 1 pg., 04/12/05
- 12. HB 2089, Amendment HB 2089-1, Legislative Counsel, 1 pg., 03/21/05
- 13. HB 2776, Staff Measure Summary, Ayala, 1 pg., 04/12/05
- 14. HB 2776, Revenue Impact Statement, Ayala, 1 pg., 04/12/05
- 15. HB 2511, Staff Measure Statement, Ayala, 1 pg., 04/12/05
- 16. HB 2511, Revenue Impact Statement, Ayala, 1 pg., 04/12/05
- 17. HB 3359, Staff Measure Statement, Ayala, 1 pg., 04/12/05