

PUBLIC HEARING

SB 283

PUBLIC HEARING AND WORK SESSION

SB 29

WORK SESSION

HM 7, HB 2234

TAPES 163-164 A-B

HOUSE REVENUE COMMITTEE

MAY 18, 2005 1:30 PM STATE CAPITOL BUILDING

Members Present:

- Rep. Tom Butler, Chair
- Rep. Vicki Berger, Vice-Chair
- Rep. Mark Hass, Vice-Chair
- Rep. Brian Boquist
- Rep. Sal Esquivel
- Rep. Larry Galizio
- Rep. Betty Komp
- Rep. Andy Olson
- Rep. Chuck Riley

Witnesses Present: Ian Richardson, Oregon State Bar Tax Section

Jim Carlson, Oregon Health Care Assn.

Senator Ben Westlund, District 27

Doris Penwell, Assn. of Oregon Counties (AOC)

Arthur Fish, Economic and Community Development Dept.

Staff Present: Paul Warner, Legislative Revenue Officer
Mary Ayala, Economist
Lizbeth Martin-Mahar, Economist
Kristi Bowman, Committee Assistant

TAPE 163, SIDE A

002 Chair Butler Calls meeting to order at 1:38 p.m.

OPENS PUBLIC HEARING FOR SENATE BILL 283

016 Mary Ayala Gives background of SB 283 (Exhibits 1,2,3). The bill enables a Limited Liability Corporation (LLC) to qualify for a property tax exemption or special assessment if the LLC is owned by a non-profit organization. Discusses amendment SB 283-1 (Exhibit 4) which pertains to residency requirements for long-term care facilities that are eligible for the property tax exemption.

056 Chair Butler Discusses the relating clause of SB 283, and comments that there are other amendments pending.

- 064 Ian Richardson Testifies in support of SB 283 because it would give a significant benefit to charitable organizations who own real property in Oregon. Comments on benefits of LLCs. There is no downside because there is no revenue impact. Submits written testimony (Exhibit 5).
- 098 Chair Butler Discusses non-profits and LLCs with Richardson.
- 118 Rep. Boquist Asks if the LLC would have to report to the Dept. of Justice (DOJ) annually. How does the public know if the LLC is wholly owned?
- 126 Richardson Responds that there is a need for a reporting mechanism for the DOJ. Discussion with Rep. Boquist regarding the formation of an LLC to handle the property tax and title details. An LLC reduces the financial risk to non-profit organizations.
- 215 Jim Carlson Testifies in support of SB 283 and submits written testimony (Exhibit 6). The Oregon Health Care Assn. sponsored the amendment SB 283-1. The program has been used by small rural counties to ensure that long term care facilities can qualify for the property tax exemption.
- 253 Rep. Riley Asks why 70% was used for the percentage of Medicaid residents to determine eligibility requirements for the tax credit.
- 254 Carlson Responds that at the time there was no particular reason to use 70% because it was unknown how widespread the potential utilization would be. Since then it was decided by local districts to provide more leeway. More discussion with Rep. Riley on the percentage issue.

CLOSES PUBLIC HEARING FOR SENATE BILL 283

OPENS PUBLIC HEARING FOR SENATE BILL 29

325 Ayala Gives background of SB 29 (Exhibit 7). The bill clarifies that a property's real market value will be multiplied by the changed percent ratio (CPR), or assessed value, to determine the property's maximum assessed value.

337 Sen. Ben Westlund Testifies in support of SB 29. The bill clarifies current statute language regarding a property's value.

CLOSES PUBLIC HEARING FOR SENATE BILL 29

OPENS WORK SESSION FOR SENATE BILL 29

383 Rep. Berger MOTION: MOVES SB 29 TO THE HOUSE FLOOR WITH A DO PASS RECOMMENDATION.

385 Chair Butler ORDER: THERE BEING NO OBJECTION, THE CHAIR SO ORDERS. MOTION PASSES 9-0-0. VOTING AYE: BOQUIST,

ESQUIVEL, GALIZIO, KOMP, OLSON, RILEY, BERGER, HASS,
BUTLER.

399 Rep. Berger MOTION: MOVES SB 29 TO THE CONSENT CALENDAR.

406 Chair Butler ORDER: THERE BEING NO OBJECTION, THE CHAIR SO
ORDERS. MOTION PASSES 9-0-0. VOTING AYE: BOQUIST,
ESQUIVEL, GALIZIO, KOMP, OLSON, RILEY, BERGER, HASS,
BUTLER.

CLOSES WORK SESSION FOR SENATE BILL 29

OPENS WORK SESSION FOR HOUSE MEMORIAL 7

TAPE 164, SIDE A

003 Lizbeth Martin- Gives background of HM 7 which was previously heard by the
Mahar Revenue Committee on 05/12/05. It expresses support by the State
House of Representatives to Oregon Congressional Representatives to
abolish the federal estate tax.

034 Chair Butler Comments that there would need to be a change to state law to make
any necessary changes to the 2010 federal tax law change. Discussion
of the tax implications with Martin-Mahar.

- 041 Rep. Hass Expresses concern about certain statements in the bill “that are so far from reality...and filled with non-factual propaganda.”
- 055 Chair Butler Responds that if there is a way to keep federal estate tax money in Oregon, then it would benefit the state economy.
- 059 Rep. Galizio Expresses concern about using the phrase “death tax” stated in the bill. Discusses lines 12-13 concerning old vs. new wealth. Comments that this bill is “problematic.”
- 082 Chair Butler Comments that most “old” wealth has been “estate-planned” away into family foundations. More discussion of estate tax issues with Rep. Galizio.
- 113 Rep. Hass Asks if this is a bill on which the Revenue Committee wants to have a floor discussion.
- 118 Rep. Boquist States for the record that the state of Washington calls the estate tax a “death tax.”
- 123 Chair Butler MOTION: MOVES HM 7 TO THE HOUSE FLOOR WITH A DO PASS RECOMMENDATION.
- 127 Chair Butler Asks for roll-call vote.

135 Chair Butler ORDER: MOTION PASSES 5-4-0. VOTING AYE: BOQUIST, ESQUIVEL, OLSON, BERGER, BUTLER. VOTING NO: GALIZIO, KOMP, RILEY, HASS.

CLOSES WORK SESSION FOR HOUSE MEMORIAL 7

OPENS WORK SESSION FOR HOUSE BILL 2234

145 Ayala Gives background of HB 2234 (Exhibit 8). The bill concerns the number of electronic enterprise zones (E-commerce zones) that can be placed within existing enterprise zones. Asks members to replace the HB 2234-5 amendment (Exhibit 9) with the HB 2234-7 amendment (Exhibit 10), according to instructions from Legislative Counsel. Discusses the HB 2234-7 amendment provisions. There is a potential revenue impact (Exhibits 11 and 12).

200 Chair Butler Discusses the revenue impact of corporate income tax exemptions on E-commerce zones.

240 Chair Butler Discusses the revenue impact of the property tax exemption.

255 Rep. Riley Clarifies that the property tax exemption is for the enterprise zone and there is no additional exemption for the E-commerce zone designation.

- 260 Ayala Responds that under the E-commerce zone designation the property tax exemption is at a lower threshold than that of the enterprise zone. There is a minimal revenue impact. The significant revenue impact for this bill is the corporate income tax exemption which only exists for an E-commerce zone.
- 270 Chair Butler Discusses the property tax exemption revenue impact on E-commerce zones.
- 296 Chair Butler Comments on a concern expressed on the House Floor about workers overseas employed by companies in an enterprise zone.
- 312 Rep. Riley Responds that the property tax credit is only on that portion that is in the enterprise zone. There is no tax credit given for property outside of an enterprise zone.
- 327 Rep. Esquivel Gives an update to the number of E-commerce zones in the state and in Medford. Comments that it has been a very good tool and is very successful. Discussion with Chair Butler about the companies using the tax credit in the Medford area.
- 370 Rep. Hass Expresses concern that whenever new enterprise zones are added, they are taking away from existing zones.
- 378 Rep. Esquivel

Responds that he does not agree. E-commerce zones are good for a region and the state.

409 Rep. Hass Agrees that it would be good for the state to have greater employment in other areas, but we are taking away the appeal of locating in Burns if more enterprise zones are created in other areas.

TAPE 163, SIDE B

015 Chair Butler Expresses concern about locating enterprise zones in rural areas like Burns.

026 Rep. Riley Comments that the bill still has requirements for establishing E-commerce zones. It still has to be inside an enterprise zone, and enterprise zones have restrictions.

033 Rep. Boquist Comments that the state is trying to attract new business to rural locations by creating E-commerce zones as an incentive.

050 Chair Butler Comments that E-commerce zones are a way to ensure businesses locate in economically distressed areas.

075 Rep. Riley Comments that there are not enough jobs to go around. These zones are being created to create new jobs.

- 076 Rep. Boquist Comments that there are many factors that determine why a business locates in a certain area. The state must have alternatives to attract businesses and gain jobs. Medford has done a better job of selling enterprise and E-commerce zones to attract businesses.
- 095 Doris Penwell Discusses the HB 2234-7 amendment which moves up the implementation date to 2006 and drops further expansion of zones. Discusses the selection of enterprise zones by the Oregon Economic and Community Development Dept. (ECDD) that ensures all companies meet qualifications.
- 136 Chair Butler Discussion with Ayala on the revenue impact of the HB 2234-7 amendment.
- 187 Arthur Fish Testifies that there are 14 *completed* E-commerce projects who have filed for tax breaks. Rep. Esquivel referred to *proposed* projects. The enterprise zones sunset in 2009. The E-commerce zones last as long as the enterprise zones do. This is a one time credit with a five year carry-forward.
- 225 Fish Discusses the tax credit process.
- 228 Rep. Hass Clarifies that it is a one year credit.
- 230 Fish Responds that the credit is used for only one year, but it can be used on more than one asset. The unused portions can be carried forward.

- 244 Chair Butler Discussion with Fish about job creation and capital equipment investment.
- 253 Rep. Hass Suggests updating the definitions of E-commerce.
- 259 Fish Responds that it is a self-regulating definition and is redefined in rules. The Law is clear about what the ECDD regulates. Assets used for the tax credit must be related to E-commerce. The key is to understand what assets are part of the business.
- 280 Rep. Hass Asks for more definition of various capital assets that “are part of the business.”
- 390 Fish Responds that specifics are in ORS 307.517. All assets that are claimed for the tax credit have to be part of the business. If warehouses and shipping operations are serving the business, then it is included by statute. Uses Blue Cross and Dell as examples.
- 325 Chair Butler Comments that there are two tax credits involved in this discussion. Expresses the need for clarification of enterprise zone qualifications and revenue impacts before taking the bill back to the House Floor. General comments about E-commerce and enterprise zones.
- 372 Rep. Riley Comments that for existing E-commerce zones, the business must increase employees in the enterprise by 10%. Adds that this provision is not applicable to new businesses coming into the state.

- 378 Fish Discusses the property tax exemption. Comments that very little property tax credits can be claimed initially.
- 405 Chair Butler Discussion with Penwell on HB 2234-7 amendment.
- 407 Fish Comments that ECDD supports the HB 2234-7 amendment.
- 411 Chair Butler Expresses concern about businesses not locating in eastern Oregon because of the lack of transportation alternatives to trucking. Asks what causes success in this program.
- 430 Fish Agrees with Chair Butler about his concerns, and states that people make a difference. Cites Medford as an example. He is working with people in Harney County to get the program started in their area.

TAPE 164, SIDE B

- 039 Ayala Discusses HB 2234-B6 amendment.

CLOSES WORK SESSION FOR HOUSE BILL 2234

- 052 Chair Butler Adjourns meeting at 3:03 p.m.

Tape Log Submitted by:

Reviewed by:

Kristi Bowman, Committee Assistant

Kim Taylor James, Committee
Coordinator

Exhibit Summary:

1. 1. SB 283, Staff Measure Summary, Ayala, 1 pg., 05/16/05
2. 2. SB 283, Staff Measure Summary, Ayala, 1 pg., 05/17/05
3. 3. SB 283, Staff Measure Summary, Ayala, 1 pg., 02/22/05
4. 4. SB 283, Amendment SB 283-1, Leg. Counsel, 2 pp., 05/02/05
5. 5. SB 283, Testimony, Richardson, 1 pg., 05/18/05
6. 6. SB 283, Testimony, Carlson, 4 pp., 05/18/05
7. 7. SB 29, Staff Measure Summary, Ayala, 1 pg., 05/17/05
8. 8. HB 2234, Staff Measure Summary (Revised), Ayala, 1 pg., 05/17/05
9. 9. HB 2234, Amendment HB 2234-B5, Leg. Counsel, 2 pp., 05/18/05
10. 10. HB 2234, Amendment HB 2234-B7, Leg. Counsel, 2 pp., 05/18/05
11. 11. HB 2234, Revenue Impact Statement (Revised), Ayala, 2 pp., 05/17/05
12. 12. HB 2234, Revenue Impact Statement (Revised HB 2234 B-5), Ayala, 2 pp., 05/17/05
13. 13. HB 2234, Amendment HB 2234-B6, Leg. Counsel, 3 pp., 05/18/05