

SENATE REVENUE COMMITTEE
JANUARY 20, 2005 9:00 AM STATE CAPITOL BUILDING

Members Present: Senator Ryan Deckert, Chair
Senator Charles Starr, Vice Chair
Senator Gary George
Senator Rick Metsger

Members Excused: Senator Floyd Prozanski

Witness Present: John Phillips, Legislative Liaison, Oregon Department of Revenue

Staff Present: Paul Warner, Legislative Revenue Officer
Mary Ayala, Economist
Barbara Guardino, Committee Assistant

TAPE 7, SIDE A

004 Vice Chair Charles Starr Calls meeting to order at 9:00 a.m. Committee will continue with informational hearings.

INFORMATIONAL MEETING

019 Paul Warner Gives overview of updated Withholding Payments chart (**EXHIBIT 1**).

045 Mary Ayala Begins slide presentation on Oregon Property Taxes (**EXHIBIT 2**) slide 1. Part 1: Historical Overview of Property Tax Collections.

84 Ayala Discusses Property Values and Tax Rates, slide 3, assessed value and market rate.

102 Ayala Reviews Oregon Property Tax: Per Capita and as % of Income, slide 4. Property tax as % of income; property tax per capita. Discussion on effects of Measure 5 and Measure 50.

162 Ayala Discusses Property Tax per Capita and % of Income State Ranking, slide 5. Compares Oregon's tax burden with other states.

179 Ayala Discusses County Ranking of Total Assessed Value, slide 6. Total of 46% of assessed value could be accounted for by three counties, Multnomah, Washington and Clackamas.

209 Ayala Discusses FY03-04 Property Tax Rates, slide 7.

293 Ayala Reviews Part 1: Summary – Historical Overview of Oregon's Property Tax Collections, slides 8-9.

258 Ayala Begins Part II of presentation, Oregon's Current Property Tax Structure, slide 11.

273 Ayala Discusses What Property is Taxed? Real property and personal property are taxed, slide 12.

282	Ayala	Explains pie chart concerning real market values, slide 13. More detailed table is available in Table A-4 in DOR report (EXHIBIT 3).
307	Ayala	Explains pie chart, slide 14, FY 03-04 Assessed Value. Compares with previous slide.
328	Ayala	Discusses Real Market Value and Assessed Value, by Property Type, slide 15.
350	Ayala	Continues discussion with The Property Tax Structure, slide16, and Major Components of Property Taxes, slide 17.
365	Ayala	Discusses Characteristics of Permanent Rates, slide 18.
380	Ayala	Discusses General Obligation Bonded Debt, slide 19.
389	Ayala	Discusses Three Other Components of the Property Tax Structure, slide 20.
398	Ayala	Discusses Characteristics of Local Option, slide 21.
417	Ayala	Discusses School Local Option, slide 22.
429	John Phillips	Continues discussion with An Overview of Measures 5 and 50, slide 23. Notes, measures have ongoing effects on taxing districts' ability to raise additional revenue and the legislature's ability to assist. Measure 50 creates certainty for taxpayers and provides relative stability of property tax.
450	Phillips	Discusses Measure 5 Limit, Key Elements, slide 24.
475	Phillips	Discusses Measure 5 Limit Key Elements, School limit, slide 25.

TAPE 8, SIDE A

040	Phillips	Continues presentation with discussion on Measures 5 and 50. Discusses Measure 50 Principles, slide 26.
065	Phillips	Discusses The Roll Back – Maximum Assessed Value (MAV), slide 27. Discusses ratio comparing real market value to maximum assessed value.
082	Phillips	Explains RMV/MAV ratio, Limited Growth in Taxable Value, slide 29.
093	Phillips	Continues explanation of Limited Growth in Taxable Value, slide 30.
122	Phillips	Continues Limited Growth in Taxable Value discussion, slide 31. References exceptions to the tax limits.
130	Phillips	Limited Growth discussion, slide 32, includes minor construction.
158	Phillips	Directs members' attention to examples of exceptions including new construction. Explains ratio of assessed value to real market value. Slide 33.

165	Phillips	Discusses Consolidated Levy Authority, slide 34.
170	Phillips	Discusses Measure 50 Tax Calculation, slide 35.
185	Phillips	Reviews, Part II: Summary of the Current Property Tax Structure, slides 36, 37 and 38.
209	Ayala	Begins Part III: Local Taxes by Taxing District, slide 39.
215	Ayala	Discusses Who Levies Taxes on Property? Slide 40.
222	Ayala	Begins discussion on Who Levies Taxes on Property? Slide 40. Directs members' attention to table D-2 in Oregon Property Tax Statistics, exhibit 3.
251	Ayala	Continues discussion on chart: 2003-04 Property Taxes Imposed by District and Structure, slide 41.
161	Ayala	Discusses Shares of Imposed Taxes, by Major Taxing District, slide 42.
269	Ayala	Summarizes Components of the Tax Statement, slide 43. Identifiers, property values and tax amounts for each district.
298	Ayala	Discusses Property Tax Bill, slide 44.
325	Ayala	Explains Example A: Compression – When It Is NOT Needed, slide 45.
341	Ayala	Explains Measure 5 – Tax Compression, slide 46. How compression value is applied to each tax statement.
361	Ayala	Explains Example B: Compression of Governmental Limit – How Compression is Applied to Each Account, slides 47 and 48.
419	Sen. George	Asks if this compression was a result of Measures 47 and 50.
421	Phillips	Responds, most taxing districts will levy a permanent rate. If they levy local option tax that could throw all districts into compression except that in Measure 50 the local option is prioritized.

TAPE 7, SIDE B

022	Ayala	Continues explanation of local options that are levied. Compression has taken its toll over the years. Refers to Example D: Compression, When Tax Rate Increases and a Local Option Levy Exceeds Measure 5 Limits, slide 50.
040	Ayala	Discusses M5 Compression Losses (\$millions), chart, slide 51.
057	Ayala	Reviews section, Part III: Summary Local Revenues by Taxing District, slide 52.
058	Sen. George	Asks for clarification on the effects of the use of a local option, compression, permanent rate.
053	Phillips	Responds, most districts will impose full permanent rate. In regard to

local option, there are many factors involved.

085	Warner	Most of the discussion and questions coming to LRO is on the issue of schools district local options. It's difficult for schools to calculate how much money they will bring in. Seventeen school districts have passed a local option in the last five years.
103	Chair Deckert	Requests inclusion of the local options in the School Finance Report next week.
123	All	Questions and discussion pertaining to compression and how educated school districts are on this matter.
163	Chair Deckert	Previews next week's topics of discussion. Adjourns meeting at 10:10 a.m.

Tape Log Submitted by,

Barbara Guardino, Committee Assistant

Reviewed by Kim Taylor James

Exhibit Summary:

1. Withholding Payments, Ayala, 1 pp.
2. Oregon Property Taxes, Ayala, 26 pp.
3. Oregon Property Tax Statistics, Fiscal Year 2003-04, Ayala, 175 pp.