

SENATE REVENUE COMMITTEE
FEBRUARY 10, 2005 8:30 AM STATE CAPITOL BUILDING

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

Witness Present: Michelle Deister, League of Oregon Cities
Dee Wescott, Mayor, Damascus
John Hartsock, Mayor Pro Tem, Damascus
Rep. Linda Flores, District 51
Randy Tucker, Metro
William Manne, Oregon State Bar Taxation Section
Jerry Hanson, Washington County Assessor

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

TAPE 32, SIDE A

005 Chair Deckert Calls meeting to order at 8:34 a.m. Opens public hearing on SB 341. Pertaining to newly incorporated city of Damascus.

PUBLIC HEARING, SB 341

023 Mary Ayala Gives overview of SB 341. See Staff Measure Summary (**EXHIBIT 1**). Enables a city located in an urban growth boundary that was incorporated after 1990 to issue an 18 month obligation in anticipation of tax revenues or other income prior to the beginning of the fiscal year in which the city expects to receive these revenues. Gives background. City has no funding.

056 Michelle Deister Introduces mayor and mayor pro tem of city of Damascus. Points out, bill has an emergency clause.

069 Dee Wescott Gives background on recent Damascus incorporation.

092 John Hartsock Testifies in favor of SB 341. See written testimony (**EXHIBIT 2**) paraphrased. City has no money to operate.

143 Hartsock SB 341 modifies ORS 288.165 to provide Damascus the ability to operate over the next 6 months. Urges committee to move bill as an emergency measure.

165 Chair Deckert Comments, bill is needed but has one concern: would bill make it easier for several new small cities to sprout up? There is legislation in the House to allow this in the Portland metro region.

181	Hartsock	Has not read House bill and is not aware of which parts of statutes are being changed to allow this. Damascus is limited by 3-mile veto, meaning any adjacent city within 3 miles can say no. Believes protections are there.
211	Rep. Flores	Introduces Randy Tucker.
220	Randy Tucker	Scenario Deckert describes is currently not possible without consent of Portland, Beaverton, Hillsboro, etc. ORS 221.010 and 221.031 contain those prohibitions.
250	Chair Deckert	Expresses concern current law might be changed.
255	Rep. Flores	Acknowledges Chair Deckert's concerns. Urges support for SB 341.

WORK SESSION, SB 341

275	Vice Chair C. Starr	MOTION: MOVES SB 341 TO THE SENATE FLOOR WITH A DO PASS RECOMMENDATION.
277	Chair Deckert	ASKS FOR ANY OBJECTION TO MOTION. THERE BEING NO OBJECTION THE CHAIR SO ORDERS. VOTE: 5-0-0 MEMBERS VOTING AYE: GEORGE, METSGER, PROZANSKI, VICE CHAIR C. STARR, CHAIR DECKERT

PUBLIC HEARING, SB 283

301	Mary Ayala	Gives overview of SB 283 (EXHIBITS 3, 4, 5). Enables a limited liability company to qualify for property tax exemption or special assessment if the LLC is wholly owned by one or more nonprofit corporations.
356	William Manne	Testifies in favor of SB 283. See written testimony, paraphrased (EXHIBIT 6). ORS 307 grants property tax exemption to real property held and used by qualifying nonprofit corporations.
422	Manne	Explains, ORS 307 was formulated long before limited liability statutes existed. Corporations can form nonprofit subsidiaries and qualify but they can't form an LLC and qualify for tax exemption. Bill gives them another choice. Believes bill is revenue neutral.
444	Ayala	Is still researching whether bill is revenue neutral.

TAPE 33, SIDE A

025	Manne	In Oregon a nonprofit cannot be designated as an LLC. Federal law is also grappling with LLCs. State follows federal law for income tax purposes. Bill's intention is to give charitable entities the opportunity to use this form since it is a better form.
055	Chair Deckert	Asks how sophisticated a nonprofit has to be in order to use this form.
058	Manne	Responds, they are usually larger, sophisticated charities. It's the purpose for which the property is used that distinguishes whether it qualifies for an exemption. It only qualifies if it's being used for charitable purposes.

092	Chair Deckert	Asks for an example of a charity that qualified for an LLC.
095	Manne	Gives an example of a nonprofit thrift store.
116	Chair Deckert	A good policy question for the committee is whether a nonprofit should act like a business.
119	Manne	By recognizing there's no policy purpose served by preventing a charity from acting like a business, there's no reason to prevent a charity from availing itself of LLC form. The statutes simply don't refer to LLC.
130	Vice Chair Starr	Notes a conflict of interest since he is involved in a nonprofit organization (a Christian school) that rents facilities. Bill would affect his enterprise, although he favors its passage.
155	Sen. Prozanski	Summarizes, a nonprofit can currently create another nonprofit entity. This takes away an extra step.
172	Jerry Hanson	Discloses he is a board member on two nonprofits. Testifies, this change might be considered a change in ownership. If a nonprofit creates a new LLC it should be aware it needs to file an application with the county assessor. Otherwise entities could jeopardize their exemptions.
206	Chair Deckert	Closes public hearing on SB 283. Adjourns meeting at 9:18 a.m.

Tape Log Submitted by,

Barbara Guardino, Committee Assistant

Exhibit Summary:

1. SB 341, Staff Measure Summary, Ayala, 1 pp.
2. SB 341, Testimony of John Hartsock, Damascus City Council, Hartsock, 2 pp.
3. SB 283, Preliminary Revenue Impact of Proposed Legislation, Ayala, 1 pp.
4. SB 283, Staff Measure Summary, Ayala, 1 pp.
5. SB 283, Legislative Fiscal Office, No Expenditure Impact Statement, Ayala, 1 pp.
6. SB 283, Legislative Testimony Before Senate Revenue Committee, Manne, 1 pp.