

HOUSE REVENUE COMMITTEE
FEBRUARY 10, 2003 8:30 AM STATE CAPITOL BUILDING

Members Present: Representative Lane Shetterly, Chair
Representative Wayne Scott, Vice Chair
Representative Joanne Verger, Vice Chair
Representative Phil Barnhart
Representative Vicki Berger
Representative Pat Farr
Representative Mark Hass
Representative Elaine Hopson
Representative Max Williams

Witness Present: Dexter Johnson, Legislative Counsel
Kristina McNitt, Oregon Small Woodlands Association,
Oregon Department of Forestry Technical Working Group
Rep. Wayne Krieger
Clint Bentz, Oregon Small Woodlands Association,
Oregon Department of Forestry Technical Working Group
Norm Miller, Department of Revenue
Wallace Rutledge, Department of Forestry

Staff Present: Paul Warner, Legislative Revenue Office
Dick Yates, Legislative Revenue Office
Kathy Tooley, Committee Assistant

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004 Chair Shetterly Calls meeting to order at 8:31 a.m.

OPENED HEARING ON HB 2424

013 Paul Warner This is a biennial event, Legislative Counsel goes through the tax statutes and reviews them for syntax and consistent language.

016 Dexter Johnson Explained that the intent of the bill before the Committee was to make technical corrections to the Oregon Tax Statutes. There are no substantive changes.

028 Rep. Williams There are a number of definitions sections in this bill, is this rewriting existing definitions, or is this new language for the definitions?.

035 Johnson It is neither, it is simply alphabetizing the definitions to make it consistent with legislative form and style and is something legislative counsel has been changing over years.

052 Chair Shetterly Let the record reflect that the witness is telling us the truth.

055 Rep. Williams For example, when it defines "specific request", it would be deleted later? (HB 2424, Page 19, line 6), and then re-added, not changing any definitions. It would help for the record to understand that we didn't redefine language.

045 Johnson That's correct.

065	Rep. Hass	Last biennium there was a law that changed from “shall” to “may”, I’m seeing legislation coming through that reflects that, what does that really mean in terms of old laws that had “may” in there?.
072	Johnson	The provision that was passed said that the phrase “shall not” or “may not” means the same, it is a mandatory prohibition. Position of Legislative Counsel has been to change “shall not” to “may not” when a statute is being amended.
095	Chair Shetterly	Closes Public Hearing

OPENED WORK SESSION HB 2424

097	Rep. Williams	MOTION: MOVES HB 2424 TO THE FLOOR WITH A DO PASS RECOMMENDATION.
101		ROLL CALL VOTE: MOTION PASSED 8-0-1 REPRESENTATIVES VOTING AYE: Berger, Farr, Hass, Hopson, Scott, Verger, Williams, Chair Shetterly. Rep. Barnhart Excused. Rep. Farr will carry the bill.

OPENED PUBLIC HEARING ON HB 2197

160	Kristina McNitt	Testified in support of HB 2197, -1 amendments, -2 amendments. Charge of the Oregon Department of Forestry Technical Working Group (ODFTWG) was to create a property tax system that would be: <ul style="list-style-type: none"> • Acceptable to all parties; • Reduce the Department of Revenue’s administrative cost of the previous deferral system, and • Provide an incentive to encourage small tract forestland owners to continue to maintain a forestland base.
178	Rep. Wayne Krieger	Testified in support of HB 2197.
218	Clint Bentz	Testified in favor of HB 2197.
253	Chair Shetterly	Advised the Committee, if this bill is not passed this session, the small woodland owners will revert to the industrial tax model, with full property tax imposed and paid on an annual basis.
261	Norm Miller	Gave a technical overview of HB 2197, who it impacts, and its alignment with Measure 50.
340	Rep. Farr	What’s the line of demarcation between Eastern and Western Oregon?
343	Miller	The line of demarcation would be the west edge of Wasco, Deschutes, Klamath Counties, the top of the Cascade Range. Continued testimony regarding “Land Tax Examples, (Page 4, Exhibit 3).
436	Chair Shetterly	What is showing is unpaid, tax which they currently would not be paying. This would be the tax that would be due if they were to go on to 100% taxation. This is not current taxes that are being foregone?
452	Miller	Continued testimony regarding “Severance Tax”, and difference between Eastern and Western Oregon rates, (Page 7, Exhibit 3).

Questions and discussion interspersed regarding timber and taxation.

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097	Chair Shetterly	The Severance Tax is designed across all landowners to collect the deferred tax, but it is not applied on a property by property basis?
100	Miller	That is correct.
147	Miller	Explained the -1 and -2 amendments. Questions and discussion regarding tax rate indexing of timber harvesting.
253	Rep. Verger	Are you trying to set up a system to allow the small forest land owner, who doesn't harvest every year, to pay the taxes during the year the trees are cut?
270	Miller	Yes. Questions and discussion regarding opting in and out of program.
322	Rep. Scott	If you go into the 10-year period of time does the factor accumulate deferral interest?
350	Miller	At this point in time, we are not building a mechanism to pay interest on unpaid tax.
356	Rep. Scott	If a person does not harvest for 10 years and sells their land, but never opts out of the program, what happens?
359	Miller	The taxation option follows with the land, until someone opts of the program.
366	Rep. Scott	It is for life until harvest then?
369	Miller	That's correct.
370	Rep. Hass	Is this like the seniors' deferral system.
352	Miller	There are some similarities to the senior deferral, with the interest rate at 6%. In this case, the committee did not factor interest into the calculations; tax is being accumulated over time without interest.
383	Chair Shetterly	At an escalating rate adjusted by this index?
385	Miller	That's correct
369	Chair Shetterly	Since you are not collecting on a per property basis, there is not an amount to which that interest could be attached?
394	Miller	That is correct. Suggests staff in work session may have info about how rate was computed.
404	Yates	Explains the indexing of the harvest tax rate system vs. property tax system. Questions and discussion interspersed regarding property tax not paid and severance tax.

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- 015 Miller Explains that over a 50-year period that unpaid taxes would be paid based on the tax rate.
- 025 Rep. Barnhart If I pay severance tax, does that start the severance tax rate over again back at the \$3.89?
- 018 Miller The rate continues to grow over time for all landowners. This bill is trying to recover property tax not paid over time, it does not start over for each individual landowner, it increases as the property tax value increases.
- 043 Rep. Barnhart Hard to understand unpaid taxes are made up for on a single tax rate on severance based on a valuation increase only over time.
- 054 Wallace Rutledge Testified in favor of HB 2197 and the -1 and -2 amendments. Provided background and the intention of the bill. HB 2197 attempts to create a streamline version combining two tax programs, encouraging landowners to invest their money into managing small tract forest lands.
- 170 Clint Bentz Clarified issue on tax rate. Tax rate indexed every year, increasing and at harvest accrues at the highest tax rate, mimicking interest collection.
- 200 Chair Shetterly Told the committee, this is an attempt to mimic severance tax that was on the books for all landowners prior to 1999. A problem with the severance tax was that while it was intended to collect the deferred tax, it actually collected more than the deferred tax.
- 160 Bentz As of today, there is no deferred tax. People that harvest early and clear cut will pay a penalty. This bill gives flexibility to the small woodland owner to pay the tax when they harvest and have the money.
- Questions and discussion interspersed over opt in rates.
- 313 Yates Provided Committee with "Fiscal Analysis", (Exhibit 7), "Staff Measure Summary", (Exhibit 8), "Revenue Impact Statement", (Exhibit 9), and "Slide Presentation", (Exhibit 10).
- 330 Yates Began presentation with overview of the bill
- 334 Yates Continued testimony, beginning "Extension of 80-20 program", (Page 1, Slide Bottom, Exhibit 10)
- 350 Yates Continued testimony, beginning "Extension of 80-20 Program"
- Continued testimony, beginning "Small Tract Forestland", (Page 2, Slide Top, Exhibit 10).
- 380 Yates Continued testimony, beginning "Property Tax", (Page 2, Slide bottom, Exhibit 10).
- Questions, discussion interspersed.
- 393 Yates Continued testimony, beginning "Severance Tax", (Page 3, Slide Top, Exhibit 10).

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- 038 Yates Discussed Amendment -1, -2, (Exhibits 4 and 5).

052	Yates	Continued presentation, beginning "Application Process", (Page 3, Slide Bottom, Exhibit 10).
067	Yates	Continued presentation, beginning "Requirements to Qualify", (Page 4, Slide Top, Exhibit 10).
100	Yates	Continued presentation, beginning "Owner to Notify Assessor", Page 4, Slide Bottom, Exhibit 10).
120	Yates	Continued presentation, beginning "Disqualification", (Page 5, Slide Top, Exhibit 10).
		Questions and discussion interspersed.
145	Yates	Continued presentation, beginning "Additional Tax", (Page 5, Slide Bottom, Exhibit 10).
		Questions and discussion interspersed.
165	Yates	Continued presentation, beginning "Severance Tax Administration", (Page 6, Slide Top, Exhibit 10).
202	Yates	Continued presentation, beginning "Severance Tax Distribution" (Page 6, Slide Bottom, Exhibit 10).
217	Yates	Continued presentation, beginning "Disqualifications" (Page 7, Slide Top, Exhibit 10).
234	Yates	Continued presentation, beginning "Severance Tax Administration", (Page 7, Slide Bottom, Exhibit 10).
243	Yates	Continued presentation, beginning "Conforming Amendments", (Page 8, Slide Top, Exhibit 10).
287	Yates	Continued presentation, beginning "WOSTOT Repeal" (Page 8, Slide Bottom, Exhibit 10).
297	Yates	Continued presentation, beginning "Miscellaneous", (Page 9, Slide Top, Exhibit 10).
300	Yates	Continued presentation, beginning "Technical Issues", (Page 9, Slide Bottom, Exhibit 10).
335	Yates	Continued presentation, "Example: Will Penalties Prevent Exit Prior to Harvest (Exhibit 11).
		Questions and discussion regarding opting in and out of the program.

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067	Bentz	If there are people that take advantage of the systems, this can addressed in future legislatures.
095	Yates	Model recognizes that there will be gainers and losers among those in the program, and anticipated losses in first couple of cycles, but evens out and may raise additional revenue.

120	Rep. Verger	Asked what program is an owner in if opt out of the program.
126	Yates	An owner would move into large owner program and pay property tax at 100% and no harvest tax.
132	Verger	A disincentive would be "if I opt out, then I don't get to opt back in".
143	Chair Shetterly	MOVES INTRODUCTION OF LC 2337, LC 2339, AS COMMITTEE BILLS. LC 2337 transfers money from the state school fund to local equalization grant; LC 2339 relates to local option distribution to school fund; and LC 2040 is
155	Chair Shetterly	Clarifies the bills entered as Committee Bills, do not indicate support opposition by the members of the Committee. ORDER: THERE BEING NO OBJECTION, THE CHAIR SO ORDERS. Members present: Barnhart, Berger, Farr, Hass, Hopson, Scott, Verger, Williams, Chair Shetterly.
162	Chair Shetterly	MOVES INTRODUCTION OF LC 2040 FOR INTRODUCTION AT THE REQUEST OF LEAGUE OF OREGON CITIES AND ASSOCIATED OREGON INDUSTRIES. ORDER: THERE BEING NO OBJECTION, THE CHAIR SO ORDERS. Members present: Barnhart, Berger, Farr, Hass, Hopson, Scott, Verger, Williams, Chair Shetterly.
166	Chair Shetterly	Meeting adjourned at 10:35 a.m.

Tape Log Submitted by,

Kathy Tooley, Committee Assistant Reviewed by Kim Taylor James

Exhibit Summary:

1. Warner, Staff Measure Summary, HB 2424, 1 page
2. McNitt, "Testimony HB 2424", 2 pages
3. Miller, "Testimony for HB 2197", 8 pages
4. Miller, "HB 2197-1", 3 pages
5. Miller, "HB 2197-2", 1 page
6. Rutledge, "Testimony for HB 2197", 4 pages
7. Yates, "Fiscal Analysis of Proposed Legislation", 2 pages
8. Yates, "Staff Measure Summary", 1 page
9. Yates, "Revenue Impact HB 2197", 2 pages
10. Yates, "Slide Presentation HB 2197", 9 pages
11. Yates, "Example: Will Penalties Prevent Exit Prior to Harvest", 1 page
12. Chair Shetterly, "LC 2337", a committee bill, 6 pages
13. Chair Shetterly, "LC 2339", a committee bill, 11 pages
14. Chair Shetterly, "LC 2440", at the request of League of Oregon Cities, and Associated Oregon Industries", 22 pages