

HOUSE REVENUE COMMITTEE
MAY 9, 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: John Phillips, Department of Revenue (DOR)
Representative Steve March, District 46
Debra Buchanan, DOR
Glenn Stonebrink, Oregon Cattleman's Association
Oregon Hay and Forage Association
Mike Burton, Oregon Economic and Community Development Department
OECD
Casina Squires, Special Districts Association
Don Schellenberg, Oregon Farm Bureau

Staff Present: Paul Warner, Legislative Revenue Officer
Mazen Malik, Legislative Revenue Office
Lizbeth Martin-Mahar, Legislative Revenue Office
Kathy Tooley, Committee Assistant

TAPE 160, SIDE A

004 Chair Shetterly Calls meeting to order at 9:00 a.m.

OPENED WORK SESSION ON HB 2368

013 Rep. Hass **MOTION: MOVED TO RECONSIDER THE VOTE BY WHICH THE HB 2368, WITH AMENDMENTS, WAS REFERRED TO THE WAYS AND MEANS COMMITTEE.**

ORDER: HEARING NO OBJECTION, THE CHAIR SO ORDERS. (ALL MEMBERS PRESENT.

019 Rep. Hass **MOTION: MOVED HB 2368, WITH AMENDMENTS, (EXHIBIT 1) TO THE HOUSE FLOOR WITH A DO PASS RECOMMENDATION.**

022 **ROLL CALL: MOTION PASSED 9-0-0
REPRESENTATIVES VOTING AYE: Barnhart, Berger, Farr, Hass, Hopson, Scott, Verger, Williams, Chair Shetterly.**

Rep. Barnhart will carry the bill.

OPENED WORK SESSION ON SB 229

039 Chair Shetterly **MOTION: MOVED TO RECONSIDER THE VOTE BY WHICH THE SB 229**

TO THE HOUSE FLOOR. THE BILL IS BEFORE THE COMMITTEE.

ORDER: HEARING NO OBJECTION, THE CHAIR SO ORDERS. (ALL MEMBERS PRESENT.)

- 045 Mazen Malik Described background and intent of SB 229 (Exhibit 2). Provided Revenue Impact SB 229, (Exhibit 3).
- 062 John Phillips Discussed unintended affect of the bill, provision of sharper language, discussed –A4 amendment (Exhibit 4).
- 072 Chair Shetterly This fixes interest as of the date the taxes are deemed due and not retroactive interest?
- 074 Phillips Answered affirmatively. There is a provision that says if it is not paid by the due date, collection and enforcement reverts back to the year possibly 2-3 years earlier when appeal was made; focuses on foreclosure process. DOR’s position is it is not good policy to have interest revert to a prior year, before the person knew they had liability.
- 094 Chair Shetterly **MOTION: MOVED ADOPTION OF THE –4 AMENDMENT INTO SB 229.**
- ORDER: HEARING NO OBJECTION, THE CHAIR SO ORDERS. (ALL MEMBERS PRESENT).**
- 086 Rep. Verger **MOTION: MOVED SB 229, AS AMENDED, TO THE HOUSE FLOOR WITH A DO PASS RECOMMENDATION**
- 090 **ROLL CALL: MOTION PASSED 9-0-0**
REPRESENTATIVES VOTING AYE: Barnhart, Berger, Farr, Hass, Hopson, Scott, Verger, Williams, Chair Shetterly.
- Rep. Verger will carry the bill.**

OPENED PUBLIC HEARING ON HB 2991

- 099 Lizbeth Martin-Mahar Described background and description HB 2991, (Exhibit 5).
- 124 Rep. Steve March Spoke in support of HB 2991. Described the bill as targeting only areas that have been declared drought disasters. DOR has requested minor clarifications to the bill. Question what is long term farm debt? The intent was a debt instrument for 10 years or more, rather than production crop loan that would carry over for just a year.
- 155 Rep. March There is an issue with line 17 of the bill which speaks to both the water right and the farmland. Suggested change to leave a period after agricultural land owner and drop words “for irrigation purposes”. DOR also has changes to make it workable for them. Do not anticipate a lot of people taking advantage of the bill, only those forced to. They would still have to pay federal capital gains, just state capital gains forgiven if they reinvest or payoff farm debt.
- 183 Rep. March Relating to clause said to taxation. If it has a huge fiscal impact, would like to figure out how to pay for. Would like this to have a minimal fiscal impact or no net loss to the state.
- 192 Rep. Hass Regarding revenue impact, if this works like a 1031, ultimately long term someone would pay that tax.

204	Rep. Hass	A revenue impact this biennium will even out down the road.
208	Debra Buchanan	Discussed concern with HB 2991, suggested language in 316.881 that could be used as a model.
225	Ben Stonebrink	Spoke in support of HB 2991. This bill probably won't be used by many, because their intent is to keep their farms and keep operating. Asked for the opportunity to sell to another farmer with the possibility of buying it back in the near future.
240	Rep. Barnhart	I thought water rights ran with the land and were not severable?
390	Stonebrink	Water rights are allowed to be sold for instream rights. Anything a water right is sold for is for capital gains.
256	Chair Shetterly	Recessed hearing on HB 2991.

OPENED PUBLIC HEARING ON HB 2296-A

269	Malik	Provided background and description of HB 2296-A, (Exhibit 6). Discussed addition of 5 new enterprise zones for short and long-term.
342		Discussed Revenue Impact (Exhibit 7).
370	Mike Burton	Intent of the bill to create an opportunity for North Lincoln County to compete for an enterprise zone. OECDD does not have a strong feeling about the number of zones and is willing to see HB 2296-A go forward.
380	Burton	OECDD has concerns regarding opt out provision, shared with special districts.
401	Burton	Discussed staff comments, based on a report on investments made in the last year, rather than the life of the 49 existing zones.
416	Casina Squires	This bill applies only to 5 new zones, SDA neither supports or opposes HB 2296 as long as it includes opt out language.
442	Rep. Hass	Opposed to HB 2296, as this tends to dilute other enterprise zones, if it makes the whole state a zone, it takes away from the strategy of locating a business in an existing zone. Has this changed your attitude toward that?
465	Burton	OECDD believes this is a policy question as to interest by the Committee in allowing 5 new enterprise zones. This is an incentive OECDD believes works and makes a difference to companies as to where they locate. Believe the North Lincoln County issue is addressed in HB 2299 by allowing same position on hotel/motel and destination resorts. OECDD is not convinced HB 2296 is necessary.

TAPE 161, SIDE A

098	Barnhart	Are you suggesting that adding more zones, could have the affect of cannibalizing existing zones?
075	Burton	To an extent, that's true. With 49 or 54 zones, not sure how effective this as an incentive to drive investment to those distressed parts of the state.

REOPENED PUBLIC HEARING ON HB 2991

112	Don Schellenberg	Spoke in support of HB 2991, (Exhibit 8). The only thing wrong with this bill is it only applies to drought areas, ought to apply to all farm areas.
131	Schellenberg	Question with language, regarding the definition of long term farm debt, and regarding a qualified sale.
152	Rep. Scott	Amendments are proposed on both of those issues.
163	Rep. Scott	Closed Public Hearing HB 2991.
166	Vice Chair Scott	Meeting adjourned at 10:10 a.m.

Tape Log Submitted by,

Kathy Tooley, Committee Assistant

Exhibit Summary:

1. Shetterly, "HB 2368-A14 (Consisting of -A5, -A10, -A11 Amendments), 13 pages
2. Malik, "Staff Measure Summary SB 229", 2 pages
3. Malik, "Revenue Impact SB 229", 1 page
4. Phillips, "SB 229-A4 Amendments", 1 page
5. Martin-Mahar, "HB 2991", 1 page
6. Malik, "Staff Measure Summary HB 2296-A", 2 pages
7. Malik, "Revenue Impact HB 2296-A", 1 page
8. Schellenberg, "Testimony HB 2991", 1 page