

**HOUSE SCHOOL FUNDING AND TAX
FAIRNESS/REVENUE COMMITTEE**

JANUARY 19, 2001 — 1:30 P.M. - HEARING ROOM A - STATE CAPITOL BUILDING

Members Present: Representative Lane Shetterly, Chair

Representative Janet Carlson, Vice Chair

Representative Deborah Kafoury, Vice Chair

Representative Alan Bates

Representative Chris Beck

Representative Alan Brown

Representative Mark Hass

Representative Max Williams

Representative Bill Witt

Staff: Paul Warner, Legislative Revenue Officer

Lizbeth Martin-Mahar, Economist, Legislative Revenue Office

Ed Waters, Economist, Legislative Revenue Office

Joan Green, Committee Assistant

Witnesses: Debra Buchanan, Department of Revenue

John Phillips, Department of Revenue

TAPE 15, SIDE A

005 Chair Shetterly Meeting called to order at 1:37 p.m.

OPENED PUBLIC HEARING ON HB 2271

- 020 Ed Waters This measure was requested by the Department of Revenue and regards a tax administration issue. (EXHIBIT 1)
- 027 Debra Buchanan Presented testimony in support of measure. (Exhibit 2)
- 052 Rep. Witt Questioned why a taxpayer would want to carry a credit over instead of using it in a given year.
- 055 Buchanan A taxpayer might be in a different tax situation in one year than another; it would not be used by most taxpayers.
- 067 Rep. Witt Requested examples of an economic reason why a taxpayer would not want to use the tax credit in the given year.
- 071 Buchanan Two reasons:
1. If there were a change in a taxpayers situation from year to year that would allow them benefit in delaying the claim of the credit.
 2. If there were changes in the effective tax rates from year to year.
- 077 All Questions and discussion regarding why this is necessary since this is a credit not a deduction; once it is calculated the dollar amount is the same.
- 107 Chair Shetterly Is the permissive language being left in place with the enactment of a new section?
- 119 Buchanan "The intent is that in calculating the credit for that first year the taxpayer needs to take the maximum amount available even though they are permitted to carry over the balance. Once they take the maximum, whatever is left may be carried over."

OPENED WORK SESSION ON HB 2271

- 129 Rep. Witt **MOTION: MOVED HB 2271 TO THE HOUSE FLOOR WITH A DO PASS RECOMMENDATION.**
- 142 **ROLL CALL VOTE: MOTION PASSED 9-0-0**
- REPRESENTATIVES VOTING AYE: Bates, Beck, Brown, Hass, Williams, Witt, Carlson,**

Kafoury, Chair Shetterly

Rep. Witt will carry the bill.

OPENED PUBLIC HEARING ON HB 2274

- 154 Ed Waters This measure was requested by the Department of Revenue and addresses some tax fairness issues. (EXHIBIT 3)
- 162 Buchanan Presented testimony in support of measure. (Exhibit 4)
- 253 Rep. Witt Questioned if the Department is seeking rule-making authority because of the broad array of circumstances that can occur that that fall outside of the statute.
- 258 Buchanan Concurred.
- 268 Rep. Witt Questioned if the Department's intent in being given rule-making authority is to correct the double taxation situations that occur in these circumstances.
- 272 Buchanan Concurred.
- 282 Rep. Bates Questioned if rule-making authority would be limited to just this particular issue.
- 294 Buchanan This measure would limit the Department to grant only relief of double taxation by two states.
- 301 Rep. Bates "Could the power to adopt by rule be used by the Department to grant relief to taxpayers in other, unrelated situations?"
- 284 Buchanan No.
- 312 Chair Shetterly The authority granted by the measure would be narrow; referenced page 1, line 27 of the measure.

OPENED WORK SESSION ON HB 2274

- 335 Rep. Beck **MOTION: MOVED HB 2274 TO THE HOUSE FLOOR WITH A DO PASS RECOMMENDATION.**
- 373 **ROLL CALL VOTE: MOTION PASSED 9-0-0**
- REPRESENTATIVES VOTING AYE: Bates, Beck, Brown, Hass, Williams, Witt, Carlson,**

Kafoury, Chair Shetterly

Rep. Beck will carry the bill.

OPENED PUBLIC HEARING ON HB 2205

- 395 Lizbeth Martin- Mahar The measure permits new exceptions when property tax accounts, with adjudicated real market values, can be increased. (EXHIBIT 5)
- 449 John Phillips Presented testimony in support of measure. (Exhibit 6)

TAPE 16, SIDE A

- 015 Phillips Continued with testimony in support of measure. (EXHIBIT 6)
- 070 Rep. Beck Questions and discussion clarifying whether this applies to real market value or assessed market value under Measure 50.
- 112 Rep. Witt Questions and discussion regarding the impact Measure 50 had on bringing this legislation forward. "Is it the Department's opinion, that even with Measure 50 aside, this is appropriate and good tax policy relative to valuing property for property tax purposes?"
- 153 Phillips Discussed practice prior to Measure 50 and protections that were provided for properties prior to Measure 50.
- 166 Chair Shetterly "Under current law once the adjudicated property value is established there is not the 'catch-up' at the end of the five years under Measure 50?"
- 167 Phillips Concurred.
- 173 Rep. Witt Wouldn't the Department catch up after 5 years when the adjudication period has run out?
- 183 Phillips The maximum assessed value has to be adjusted in the year subsequent to the change; once that link is broken the real market value is high and the taxable assessed value is low and it will track the 3% only.
- 199 Rep. Bates Gave an example and questioned if it would permanently lower taxes to go to court and adjudicate prior to subdivision and if so couldn't this change prevent that from happening in the future.

- 206 Phillips Concurred.
- 212 Rep. Hass There could be huge savings in some areas of the state if a 1992 value was frozen in.
- 226 Rep. Bates What is the financial impact to individuals specifically and the State in general?
- 232 Phillips This is a perspective effect; explained how it would be implemented.
- 239 Rep. Bates Will the assessed value change when the properties are sold.
- 243 Phillips No.

OPENED WORK SESSION ON HB 2205

256 Rep. Beck **MOTION: MOVED HB 2205 TO THE HOUSE FLOOR WITH A DO PASS RECOMMENDATION.**

259 **ROLL CALL VOTE: MOTION PASSED 9-0-0**

REPRESENTATIVES VOTING AYE: Bates, Beck, Brown, Hass, Williams, Witt, Carlson, Kafoury, Chair Shetterly

Chair Shetterly will carry the bill.

268 Chair Shetterly Meeting adjourned at 2:24 p.m.

Submitted by, Reviewed by,

Joan Green Kim Taylor James

Committee Assistant Revenue Office Manager

Exhibit Summary:

1. HB 2271, Revenue and Fiscal impact statements, Waters, 2 pages
2. HB 2271, Testimony, Buchanan, 1 page
3. HB 2274, Revenue and Fiscal impact statements, Waters, 2 pages
4. HB 2274, Testimony, Buchanan, 2 pages
5. HB 2205, Preliminary Staff Measure Summary, Revenue and Fiscal impact statements, Martin-Mahar, 3 pages
6. HB 2205, Testimony, Phillips, 6 pages