

HOUSE SCHOOL FUNDING AND TAX FAIRNESS/REVENUE COMMITTEE

FEBRUARY 16, 2001 — 1:30 P.M. - HEARING ROOM A - STATE CAPITOL BUILDING

Members Present: Representative Lane Shetterly, Chair

Representative Janet Carlson, Vice Chair (1:51 arrived)

Representative Alan Bates

Representative Alan Brown

Representative Mark Hass

Representative Max Williams (1:53 arrived)

Representative Bill Witt (1:49 arrived)

Members Excused: Representative Deborah Kafoury, Vice Chair

Representative Chris Beck

Staff: Paul Warner, Legislative Revenue Officer

Lizbeth Martin-Mahar, Economist, Legislative Revenue Office

Joan Green, Committee Assistant

Ute Testerman, Committee Clerk

Witnesses: Jim Manary, Department of Revenue

Eric Smith, Department of Revenue Gary Conkling,
VoiceStream

Stacy Sprinkle, Verizon Wireless

Roger Martin, Alaska Air and Air Transportation
Association

Steve McClure, Association of Oregon Counties

Gil Riddell, Association of Oregon Counties

Michelle Deister, League of Oregon Cities

Hasina Squires, Special Districts Association of Oregon

TAPE 51, SIDE A

005 Chair Shetterly Meeting called to order at 1:43 p.m. as a sub-committee with Rep.'s. Brown, Bates, Shetterly and Hass in attendance.

OPENED PUBLIC HEARING ON HB 2278

010 LRO Staff Distributed testimony from Qwest. (Exhibit 1)

021 Martin-Mahar Provided a description of the measure and discussed the background. (Exhibit 2)

Convened as full committee at 1:49 p.m. with the arrival of Rep. Witt.

049 Jim Manary Presented testimony on measure, background on intangibles issue.

208 Manary Presented slide show on FCC License Exemption. (Exhibit 3,)

300 Manary Continued with presentation and "Measure 50. Telecommunications Properties". (Page 6, Exhibit 3)

380 Rep. Witt "Why couldn't you determine the value of the tangible assets as a method of subtracting out the intangible?"

390 Manary Different Indicators like cost, incomestreams, market activity and balance sheet indication are needed to get the values. All this gets merged in with the value and is difficult to extract.

417 Rep. Witt Asked if tangible assets and intangible assets have value. "If all intangible asset values are exempt, could you assess the tangible asset values?"

419 Eric Smith Discussed available tools to an assessor and cited examples.

429 Rep. Witt "Would you determine the value of the tangible assets in the same way you do assess the value

of the intangible assets?"

450 Smith Cited example, how to capture the true value of property.

Submitted by, Reviewed by,

Ute Testerman Kim Taylor James

Committee Clerk Revenue Office Manager

TAPE 52, SIDE A

- 025 Chair Shetterly Questions and discussion regarding that this measure is a narrow exemption of only FCC licenses so the other intangibles are still calculated.
- 029 Manary Answered Rep. Witt's question — good data would make his statement true.
- 046 Rep. Bates Questions and discussion regarding why one small segment of intangible taxation is exempt.
- 059 Gary Conkling Presented testimony in support of measure. (Exhibit 4)
- 130 Vice Chair Carlson "How will the revenue impact reconcile with possible losses to school districts?"
- 135 Conkling "It is necessary to look at the merits of the tax policy; this will have an impact on the monies local school districts will collect."
- 146 Rep. Witt Questions and discussion regarding taxation inequities between wireless communications and other telecommunication companies that use wire.
- 160 Rep. Bates Questions and discussion regarding how other states tax intangibles other than FCC licenses.
- 181 Rep. Brown Questions and discussion regarding the makeup of the intangible assets in prior bills vetoed by the Governor.
- 216 Chair Shetterly Referenced ORS 307.020, which addresses

intangible property.

226 Rep. Witt Questions and discussion regarding whether this measure, if it passed today, would create new inequities between wireless and wire line and the treatment in the value of the license.

290 Stacey Sprinkle Spoke in support of the measure.

329 Chair Shetterly "Do you disagree with the accuracy of the numbers, (Page 2, Exhibit 2)?"

359 Sprinkle "We would want to determine that the data is accurate."

347 Roger Martin Spoke to the measure; no position taken.

TAPE 53, SIDE A

025 Martin Continued speaking to measure.

080 Rep. Witt Noted that the 1997 and 1999 legislatures passed measures to abolish intangible taxes.

103 Michelle Deister Presented testimony in opposition to measure. (Exhibit 5)

158 Rep. Witt Requested Deister clarify the following comments in her testimony:

1. That the bill last session, if it had passed, would have raised taxes on residential taxpayers.
2. The beneficiaries of that same bill had already received a disproportionate share of tax relief.
3. Requested where in the current measure or the 1999 bill the residential tax burden was increased.

Expressed concern about the way the testimony presents the "benefit under Measure 50".

220 Steve McClure Presented testimony in opposition to measure. (Exhibit 6)

249 Rep. Witt Questions and discussion regarding the property tax expenditure fund and clarification of the statute, as it relates to the legislature's responsibility on the trigger on paying one-half of the value of any property tax reduction.

- 285 Gil Riddell Clarified statute:
1. Not effective until July 1, 2001.
 2. The word "shall" is used rather than "may", however if there is not money in the fund the State cannot go into debt.
- 290 Rep. Witt Requested if McClure's analysis is correct.
- 292 Riddell Is in agreement with McClure.
- 294 Chair Shetterly Reviewed statute and noted the issue is what is appropriated to the property tax expenditure funding account.
- 295 Rep. Witt "Do McClure and Riddell agree that there would not be a legal cause of action against the State if the Legislature did not appropriate money into that fund?"
- 296 Riddell "No there would not be a cause of action."
- 298 Vice Chair Carlson "Does the revenue impact of this measure directly affect services that counties provide?"
- 313 McClure Yes.
- 347 Vice Chair Carlson Has pass through money been diminished over the last years?
- 356 McClure Yes.
- 372 Hasina Squires Presented testimony in opposition to measure. (Exhibit 7)
- 446 Chair Shetterly Meeting adjourned at 3:06 p.m.

Submitted by, Reviewed by,

Joan Green Kim Taylor James

Committee Assistant Revenue Office Manager

Exhibit Summary:

1. HB 2778, Testimony, Lang, 1 page
2. HB 2778, Staff Measure Summary, Spreadsheet and Revenue statement, Martin-Mahar, 3 pages
3. HB 2778, Slide Show, Manary, 6 pages

4. HB 2778, Testimony, Conkling, 2 pages
5. HB 2778, Testimony, Deister, 1 page
6. HB 2778, Testimony, McClure, 2 pages
7. HB 2778, Testimony, Squires, 1 page