

## HOUSE SCHOOL FUNDING AND TAX FAIRNESS/REVENUE COMMITTEE

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MARCH 14, 2001 — 1:30 P.M. - HEARING ROOM A - STATE CAPITOL BUILDING

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Members Present: Representative Lane Shetterly, Chair

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

Representative Deborah Kafoury, Vice Chair (2:14 arrived)

Representative Alan Bates

Representative Chris Beck (1:51 arrived)

Representative Mark Hass

Representative Bill Witt

Members Excused: Representative Alan Brown

Representative Max Williams

Staff: Paul Warner, Legislative Revenue Officer

Lizbeth Martin-Mahar, Economist, Legislative Revenue Office

Richard Yates, Economist, Legislative Revenue Office

Joan Green, Committee Assistant

Witnesses: Rep. Al King, Legislative House District  
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Dexter Johnson, Legislative Counsel

Debra Buchanan, Department of Revenue

Bernie Lerch, Oregon Winegrowers

Jesse Lyon, Oregon Winegrowers

Don Schellenberg, Oregon Farm Bureau

**TAPE 85, SIDE A**

005 Chair Shetterly Meeting called to order at 1:44 p.m. as a sub-committee with Rep.'s. Bates, Hass, Witt and Chair Shetterly in attendance.

**OPENED PUBLIC HEARING ON HB 2033**

006 Lizbeth Martin-  
Mahar Provided a description of the measure and discussed the background. (Exhibits 1-2)

Convened as full committee at 1:51 p.m. with the arrival Rep.'s Beck and Carlson.

128 Rep. Witt "What is the impact on the tax credit of an accelerated depreciation vs. a straight line depreciation?"

130 Martin-Mahar "None, the total depreciation would be the same."

132 Rep. Witt "The credit is equal to the amount of property taxes that would be paid, correct?"

144 Martin-Mahar Clarified that the (-2) amendments replace the language in the original bill and under the (-2) amendments this would not be based on the property taxes, (Exhibit 3); explained how it is calculated and referenced the table titled "Agricultural Processing", (Exhibit 2).

168 Rep. Bates Referenced the (-2) amendments, (Page 3, Lines 4-6, Exhibit 3), and questioned if the intent is for a rough estimate is to be made on the property tax on equipment?

182 Martin-Mahar Concurred.

189 Rep. Al King Spoke in support of the measure.

227 Rep. Witt "Do neighboring states have similar provisions in their law for growers/processors?"

236 King Believes there would be parallels between Washington and Oregon; California is a "player" in the international industry; noted he is not an authority on policies for other states.

- 269 Chair Shetterly Cited Chapter 174's definition of "person"; is "person" being used in the same way in section 263A, (Page 1, Line 13 and Page 2, Lines 10-11, Exhibit 3), and would that contemplate business entities that are related?
- 322 Johnson Noted that there is a definition of "person" in the Internal Revenue Code that contemplates artificial entities like corporations and believes they are similar. The use of the word "person" on page 2 of the (-2) amendments would be the section 174 definition, (Exhibit 3).
- 325 Debra Buchanan Gave the definition of Internal Revenue Code (IRC) 267 for "person".
- 340 Rep. Witt Questioned what is trying to be accomplished with adding the 179 IRC language.
- 348 Johnson Explained the effect of that language.
- 352 Rep. Witt "Over the long term does it change the amount of the credit by putting the provision in the bill saying you have to add back any 179 IRC depreciations?"
- 355 Johnson "Not over the long term; once the property is fully depreciated the credit goes away."
- 362 Rep. Witt "Is it correct to presume that 100% of the property is going to be depreciated and this measure gives more credit earlier and less later?"
- 363 Johnson "It would be more correct to say you can claim the credit for the expensed amount."
- 368 Rep. Witt Why couldn't the measure be written more effectively by giving a credit to the extent that property taxes were paid on the property?
- 380 Johnson "It is my understanding that is difficult to separate out value of processing machinery and equipment."
- 382 Rep. Witt "Even if the tax is paid?"
- 383 Johnson "The difficulty is to identify the particular property."
- 387 Rep. Bates Referenced scenarios in table for "Agriculture Processing", and asked for clarification, (Exhibit 2).

013	Buchanan	Explained how the table's examples are computed based on her definition of a 179 expense, (Exhibit 2).
027	Martin-Mahar	"The 179 expense is not depreciated, if it was depreciated than the first example would apply."
033	Rep. Witt	"The 179 expense does not have anything to do with determining what the property tax will be, it just a provision in the code to allow a quicker expense write-off for businesses, correct?"
039	Johnson	Concurred and explained that the entire bill is disconnected from the property tax.
046	Rep. Witt	Commented that it makes sense to add back the 179 expense to get at the intent of the bill of having a tax credit similar to property tax paid.
072	Bernie Lerch	Presented testimony in support of measure. (Exhibit 4)
127	Rep. Witt	Questions and discussion regarding <ul style="list-style-type: none"> <li>1. The percent of value that comes after harvest.</li> <li>2. The statistics of importing/exporting of grapes in and out of Oregon for purposes of processing.</li> <li>3. The percentage of growers that process on their own land.</li> </ul>
112	Rep. Bates	"Do foreign countries and other states have these types of tax credits available for processing machinery?"
183	Lerch	California does, foreign countries in the southern hemisphere have government subsidies.
190	Jesse Lyon	Presented testimony in support of measure. (Exhibit 5)
346	Vice Chair Carlson	Questions and discussion regarding circumstances where someone would have machinery on a property that was not assessed, but contiguous to an assessed property, (Page 1, Section 3 (3), Exhibit 5).
382	Chair Shetterly	Clarified that the land would be contiguous not the machinery and equipment; may need to reword that for clarification.

393 Rep. Hass "Are there wineries in Oregon where the wineries and the vineyards are miles apart?"

400 Lyon Yes.

**TAPE 85, SIDE B**

004 Chair Shetterly "Is the intent more a vertically integrated operation to address an integrated agricultural processing operation and not the facility that processes only, which is more a manufacturing entity?"

010 Lyon Concurred.

014 Chair Shetterly Referenced the (-2) amendments, page 1, line 13 and page 2, lines 10-12 and spoke of instances where a limited licensed corporation (LLC) owns the land and a corporation operating the entity, (Exhibit 3). Is the intent of the measure to treat those as qualifying for the credit and if that is the intent is that accomplished by this language?

029 Lyon Yes.

033 Chair Shetterly The language on line 11 is broad enough to encompass an LLC, (Page 2, Exhibit 3)?

037 Lyon Yes.

045 Don Schellenberg Presented testimony in support of measure and supports the (-2) amendment. (Exhibit 6)

148 Chair Shetterly Meeting adjourned at 2:50 p.m.

Submitted by, Reviewed by,

Joan Green Kim Taylor James

Committee Assistant Revenue Office Manager

Exhibit Summary:

1. HB 2033, (-2) Staff Measure Summary and Revenue Impact Statement, Martin-Mahar, 3 pages
2. HB 2033, Table titled "Agriculture Processing, Martin-Mahar, 1 page
3. HB 2033, (-2) amendment, (DJ/ps) 03/12/01, Conkling, 5 pages
4. HB 2033, Testimony, Lerch, 1 page
5. HB 2033, Testimony, Lyon, 2 pages

6. HB 2033, Testimony, Schellenberg, 2 pages