

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

MARCH 6, 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 (2:14 arrived)

Representative Alan Bates

Representative Chris Beck (1:57 arrived)

Representative Alan Brown

Representative Mark Hass

Representative Max Williams (1:50 arrived)

Members Excused: 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: Rep. Tom Butler, House District 60

Don Schellenberg, Oregon Farm Bureau

Jack Chapin, Oregon Farm Bureau

Carrie Kuerschner, 1001 Friends of Oregon

Bob Cantine, Association of Oregon Counties

Tom Linhares, County Assessors Association

John Phillips, Department of Revenue

Hasina Squires, Special Districts Association

TAPE 74, SIDE A

004 Chair Shetterly Meeting called to order at 1:45 p.m.

OPENED PUBLIC HEARING ON HB 2554

012 Ed Waters Provided a description of the measure and discussed the background. (Exhibit 1)

016 Rep. Tom Butler Spoke in support of the measure.

048 Chair Shetterly Has Oregon ever allowed income averaging?

050 Butler Yes.

060 Rep. Hass Would other types of income benefit from income averaging?

065 Butler This measure does not provide for other types of income.

088 Rep. Bates Does this bring Oregon tax law into line with the federal tax code?

095 Butler It would parallel federal tax code.

104 Vice Chair Why was this provision deleted from the statutes initially?
Carlson

109 Butler Provided historical background on the rationale behind the removal of income averaging.

175 Rep. Bates Did the federal law change just for farming or for everyone?

178 Butler The federal law provides for two-year income averaging on farming only.

OPENED PUBLIC HEARING ON HB 2555

195 Ed Waters Provided a description of the measure and discussed the background. (Exhibit 2)

203 Rep. Tom Butler Spoke in support of the measure.

260 Rep. Brown Would this apply to other small businesses?

263 Butler This measure applies only to farms or ranch activities.

- 288 Chair Shetterly If a 5% across-the-board capital gains rate reduction were passed this measure would not be necessary?
- 290 Butler Concurred.
- 310 Rep. Bates Requested an example of where this would take place.
- 313 Butler Explained the concept behind the measure, as it pertains to inflation on the land.

OPENED CONCURRENT PUBLIC HEARING ON HB 2554

- 352 Don Schellenberg Spoke in support of the measures and submitted written testimony on HB 2554. (Exhibit 3)

OPENED PUBLIC HEARING ON HB 2876

- 410 Lizbeth Martin-Mahar Provided a description of the measure and discussed the background. (Exhibit 4)

TAPE 75, SIDE A

- 025 Lizbeth Martin-Mahar Continued with presentation of the measure. (Exhibit 4)
- 038 Don Schellenberg Presented testimony in support of measure. (Exhibit 5)
- 080 Jack Chapin Spoke in support of the measure.
- 120 Rep. Beck "The goal is to promote the creation of larger parcels, but the result is the opposite?"
- 132 Chapin Yes and it would tend to limit the housing that comes into the zone.
- 138 Rep. Beck "Does it take two parcels and merge them into one?"
- 140 Chair Shetterly The measure does not do that, but it gives the tax benefit if you voluntarily take two parcels and merge it into one parcel.
- 151 Schellenberg Concurred and noted a dwelling could be built if it qualified; the statute provides policy on agricultural land use, which provides preservation of agriculture in large blocks.
- 156 Rep. Beck Cited example and questioned if that would qualify under this measure.

- 169 Schellenberg Cites stipulations under which dwelling could be built and the various tests that would apply.
- 184 Chapin Spoke to the small acreage that are not farm-oriented and the trouble caused to the community.
- 198 Vice Chair Smaller parcels have a higher dollar figure than Kafoury a larger single parcel?
- 206 Schellenberg Concurred.
- 208 Chapin Another incentive to smaller parcels is they can be divided among heirs.
- 213 Rep. Bates Spoke to smaller parcel's value being in the ability to get a home-site approved, which changes the dynamic of an agricultural community.
- 223 Schellenberg Believes Rep. Bates' is correct; but clarified the difference between tax lots and parcels.
- 234 Rep. Bates "I believe the policy that we are trying to move away from is cutting farms into small pieces, thereby increasing the chance that home sites will be built."
- 235 Schellenberg This would be an incentive with only voluntary participants.
- 250 Carrie Kuerschner Presented testimony in support of measure. (Exhibit 6)
- 347 Chair Shetterly Noted that your testimony supports the policy objectives, but you haven't taken a position on the measure itself. (Exhibit 6)
- 356 Kuerschner "We support HB 2786 itself, I was concerned that we have not addressed or analyzed the fiscal impact of the measure."
- 364 Bob Cantine Spoke in opposition to the measure.

TAPE 74, SIDE B

- 035 Cantine Continued with testimony in opposition to the measure.
- 049 Tom Linhares Spoke in opposition to the measure.
- 059 Chair Shetterly Referenced Schellenberg's testimony and noted that per his testimony the smaller of the two parcels would be exempt after consolidation; there is a drafting issue to resolve the question.

- 061 Linhares The question then arises if a building were on the smaller parcel would that be exempt as well. Continued with testimony to the measure; no position taken.
- 093 Hasina Squires Spoke in opposition to the measure.
- 103 John Phillips Spoke to the measure and requested clarification for purposes of administration; no position taken.
- 130 Chair Shetterly Do you have any idea what the revenue impact would be?
- 132 Phillips. No, continued with testimony and requests for clarification on administrative issues.
- 149 Chair Shetterly Meeting adjourned at 2:51 p.m.

Submitted by, Reviewed by,

Joan Green Kim Taylor James

Committee Assistant Revenue Office Manager

Exhibit Summary:

1. HB 2554, Revenue Impact Statement, Waters, 1 page
2. HB 2555, Revenue Impact and Fiscal Statements, Waters, 2 pages
3. HB 2554, Testimony, Schellenberg, 1 page
4. HB 2876, Staff Measure Summary, Revenue and Fiscal statements, Martin-Mahar, 3 pages
5. HB 2876, Testimony, Schellenberg, 3 pages
6. HB 2876, Testimony, Kuerschner, 4 pages