

WORK SESSION: HB 2270-A, HB 2676-A

PUBLIC HEARING AND WORK SESSION:

HB 2206, HB 2208-A

TAPES 147-148, A/B

SENATE REVENUE COMMITTEE

May 22, 2001 — 8:00 A.M. - HEARING ROOM A - STATE CAPITOL BUILDING

Members Present: Senator Ted Ferrioli, Chair

Senator Lee Beyer, Vice Chair

Senator Susan Castillo

Senator Tony Corcoran

Senator Gary George

Senator John Minnis

Senator Charles Starr

Staff: Paul Warner, Legislative Revenue Officer

Lizbeth Martin-Mahar, Economist, Legislative Revenue Office

Steve Meyer, Economist, Legislative Revenue Office

Ed Waters, Economist, Legislative Revenue Office

Carol Phillips, Committee Assistant

Witnesses: Representative Lane Shetterly, House District 34

John DiLorenzo, Hagen, Dye, Hirschy & DiLorenzo

John Phillips, Department of Revenue

Debra Buchanan, Department of Revenue

Henry Breithaupt, Stoel Rives

Jana Jarvis, Commercial Association of Realtors

B. J. Smith, Government Relations Director,
Clackamas County

Bob Vroman, Assessors' Office, Clackamas County

Justin Burns, Hagen, Dye, Hirschy & DiLorenzo

Mike Farnell, Hagen, Dye, Hirschy & DiLorenzo

TAPE 147, SIDE A

005 Chair Ferrioli Meeting called to order at 8:30 a.m.

OPENED PUBLIC HEARING ON HB 2206

014 Rep. Lane Shetterly Testified regarding the (-1) amendments. (Exhibit 1) Explained that the amendments provide for a modest expansion of the tax credit for rural medical providers. The hospital serving the Dallas area is critically important as the regional healthcare provider. The hospital provides a necessary level of medical service to people in the area and relieves demand placed on Salem Hospital, which is already operating above capacity in terms of its ability to provide the level of services demanded of that facility. Recruitment and retention of medical providers is another issue faced by the hospital in Dallas. The (-1) amendments extend the income tax credit to rural medical providers and practitioners.

Questions and answers interspersed.

089 Ed Waters Discussed the HB 2206 base bill. The bill clarifies language to conform with Measure 50 changes in valuation in the ratio study and tax roll correction statutes. Clarifies that operating taxes, not a levy, shall be extended on the tax roll and reduced by timber offsets each year. Replaces outdated language and full true value

with real market value in statutes pertaining to real and personal property that is subject of a contract of sale. Replaces full assessed value with real market value for statutes pertaining to real and personal property held under lease.

- 106 Waters Reviewed that the (-1) amendments relate to an income tax credit issue. (Note that the (-4) amendments supersede the (-3)s.) The (-2)s and (-4)s represent options for conforming Oregon statutes with a tax court decision regarding tax treatment of like-kind exchange property under IRS Code Section 1031.
- 129 John DiLorenzo Read Exhibit 7 and presented Exhibit 8. Discussed the differences among the (-2), (-3), and (-4) amendments. Stated that the (-2) amendments treat in-state and out-of-state taxpayers the same except that they deprive those taxpayers of the 1991 opportunity. The (-3)s grant to in-state and out-of-state taxpayers the advantages of deferral. The (-4)s appear to be similar to the (-3)s with the exception of an additional provision regarding record keeping. With the (-3)s the taxpayer's failure to file annual report to Department of Revenue is rebuttable.
- Questions and answers interspersed.
- 423 John Phillips Testified in support of HB 2206. The Department of Revenue brought this bill to address informing requests regarding value offsets and changes and other problems in statutes that have become evident since the passage of Measure 50.
- 437 Debra Buchanan Testified regarding the amendments. The (-2)s conform statute to court decision by repealing conflicting language. The (-3)s allow deferral into out-of-state property for residents and non-residents. The (-3)s, however, have a provision that would allow Oregon to tax gain that accrued while the taxpayer was a resident.

TAPE 148, SIDE A

027 Buchanan Continued comments regarding amendments to HB 2206. Stated the Department of Revenue favors the (-4) amendments because it gives the Department authority to compel specified behavior within the bill. Offered a possible (-5) amendment that would repeal ORS 314.290 altogether that would tie Oregon to federal deferral provisions.

Questions and answers interspersed.

097 Henry Breithaupt Testified in support of HB 2206. Believes the (-3)s or (-4)s should be adopted to provide the 1991 benefits the legislature was focusing on for residents and non-residents regarding like-kind transfers of property.

166 Jana Jarvis Encouraged adoption of the (-3) amendments. The Commercial Association of Realtors is interested in being able to keep investment opportunities in Oregon a viable option for residents and non-residents alike.

Questions and answers interspersed.

CLOSED PUBLIC HEARING ON HB 2206-A

OPENED WORK SESSION ON HB 2206-A

197 Vice Chair L. Beyer MOTION:
MOVES THE (-1) AMENDMENTS TO HB 2206-A BE ADOPTED.

201 Chair Ferrioli ORDER:
HEARING NO OBJECTION, THE CHAIR SO ORDERED.

207 Vice Chair L. Beyer MOTION:
MOVES THE (-4) AMENDMENTS TO HB

2206-A BE ADOPTED.

- 210 Sen. George Objects to the motion. Discussion regarding rebuttable option.
- 225 Vice Chair L. Beyer MOTION:
WITHDRAWS MOTION TO MOVE (-4) AMENDMENTS TO HB 2206.
- 227 Vice Chair L. Beyer MOVES THE (-3) AMENDMENTS TO HB 2206-A BE ADOPTED WITH THE ASSUMPTION RULE MAKING WILL INCLUDE REBUTTABLE ASSUMPTION FOR TAXPAYERS TO DEPARTMENT OF REVENUE.
- 238 Chair Ferrioli ORDER:
HEARING NO OBJECTION, THE CHAIR SO ORDERED.
- 240 Vice Chair L. Beyer MOTION:
MOVES HB 2206-A AS AMENDED TO THE SENATE FLOOR WITH A DO PASS RECOMMENDATION.
- 246 Chair Ferrioli ORDER:
HEARING NO OBJECTION, THE MOTION PASSES: 5 — 0 — 2
SENATORS VOTING AYE: CASTILLO, GEORGE, STARR, L. BEYER, FERRIOLI
SENATORS EXCUSED: CORCORAN, MINNIS
Sen. L. Beyer will carry the bill on the Senate Floor.

CLOSED WORK SESSION ON HB 2206-A

OPENED PUBLIC HEARING ON HB 2208-A

- 264 Lizbeth Martin-
Mahar HB 2208-A specifies the requirements for local government if a local option tax is approved in a September election, and the taxing district wants to impose the levy in the current fiscal year. Requires a taxing district to submit an approved supplemental budget if the district wants to use revenues from a local option tax. Updates other statutes with the changes on the local option levies approved in September elections. Reorganizes the agricultural statutes. This measure applies to tax years beginning after July 1, 2002.
- 271 Martin-Mahar Discussed each section of the bill. Section 1 removes obsolete language pertaining to what must be written and noted on the tax roll. Section 2 clarifies wording. Section 3 refers to where to place Section 4, which is one of the major changes brought by the Department of Revenue dealing with the local option. It specifies the requirements for a local government if a local option tax is approved in a September election and that district wants to impose that levy in the current year. Section 5 further clarifies that the district that has a local option levy approved must submit a supplemental budget if the district wants to use those revenues in the current year.
- 290 Martin-Mahar Sections 9 through 12 contain simple language changes. Sections 11 through 19 brought by the Department of Revenue deal with agriculture processing statutes. An agriculture processing interim work group looked at reorganizing some of the statutes without making substantial changes, and that is the basis for Sections 11 through 19. Section 20 brought by the Department of Revenue allows a few changes regarding the Elderly Rental Assistance Program and the Non-Profit Homes for the Elderly. The changes make it easier for the Department of Revenue to forecast how much money they will need for payment of those programs.

- 319 Martin-Mahar Section 21 shows that these changes will take place 2001-02. Section 22 makes it easier for the Department of Revenue to fore-cast their program payment by moving up the late filing deadline for non-profit housing corporations to September 15 from December 31, which is current law, in order to better predict program payments as needed for Non-Profit Housing for the Elderly. Section 23 allows for pro-ration of Non-Profit Homes for the Elderly.
- 330 Martin-Mahar Section 24 says all the above changes apply beginning 2001-02. Section 25 deals with the Senior Deferral Program. It addresses the maximum household income limit currently in law for the Senior and Disabled Program. For future years seniors and disabled individuals who want their property taxes deferred, the income level has been raised to \$32,000 up from current level of \$27,500, beginning 2002-03. Section 27 is a disclosure issue for the senior and disabled program allowing the Department of Revenue to transmit these property tax deferral amounts to the county without liability for disclosure issues. Section 29 is the sunset extension for tribal land under application to be placed in US trust with the federal government. That program would be extended ten years to July 1, 2012.
- 359 Martin-Mahar Discussed the (-A10) amendments, which increase maximum household income limit for the senior deferral program from \$27,500 to \$32,000 and links that program with the special assessment deferral program for local improvement districts (for a new water system or sewer system or similar large project). Some of the seniors who qualify for the senior deferral program could also have their special assessments deferred. This amendment increases the household income limit threshold because in the past the two programs specified the same income limit, but over time the special assessment limit "got out of sync" and in current law is stated as \$17,500. The (-A10) brings the

two program income limits into concurrence.

393 Martin-Mahar The proponents of the (-A10) amendments would like to have the special assessment deferral program be consistent with the changes in HB 2208-A. Therefore, the (-A10)s must be conceptually amended to allow the threshold to not only go up to current law but up to the \$32,000 specified in HB 2208-A. There are two places in the (-A10)s that must be conceptually amended from \$27,500 to \$32,000.

417 Martin-Mahar Discussed the revenue impact consisting of three components:

1. Extends the sunset out ten years for tribal land under application to be placed in U.S. trust with the federal government.
2. Raises the initial maximum household income threshold to enter the tax deferral program from \$27,500 to \$32,000.
3. Indexes household income threshold annually to changes in the Consumer Price Index.

452 Various Questions and answers followed.

TAPE 147, SIDE B

030 Phillips Testified regarding Sections 4 through 8 of HB 2208-A. This bill was brought by the Department of Revenue to address a situation in Oregon relating to local budget laws affecting 1,500 taxing districts in forming their budgets, publicizing their budgets, holding hearings, and finalizing their budgets. The deadline on this process is June 30. After June 30, whatever levy authority or revenues not in their budgets are strictly limited. A conflict that arises year after year is that there is in statute an option to go for a September election opportunity where a district can ask for a ballot to be placed a September election and a local option approved. But if the June 30th deadline has passed and

levies have not been included in budgets, there is a "line drawn in the sand" after which those funds could not be spent, even if approved by voters.

This has placed local governments in difficult situations, where local budget laws designed to encourage public input may be negated because of the June 30 deadline.

050 Phillips The Department of Revenue proposes local governments be allowed to spend that money, but only after submitting a supplemental budget. In the past these situations had to be reviewed on a case-by-case basis. Changing the law would eliminate that requirement.

067 B. J. Smith Testified in support of HB 2208-A. Clackamas County is the originator of the (-A10) amendments. In talking with seniors regarding local improvement assessments that may be coming up discovered the discrepancy in household income threshold allowed for property tax deferral and local assessments.

092 Chair Ferrioli Commented that the committee members are aware of the benefits. Pointed out that local taxing districts will eventually get the revenue because this provides only a tax deferral.

CLOSED PUBLIC HEARING ON HB 2208-A

OPENED WORK SESSION ON HB 2208-A

102 Vice Chair L. MOTION:
Beyer
CONCEPTUALLY CHANGE (-A10)
AMENDMENTS PAGE 1 LINE 24 \$27,500
TO \$32,000 AND ON PAGE 3 LINE 5
CHANGE AMOUNT FROM \$27,500 TO
\$32,000.

113 Chair Ferrioli ORDER:

HEARING NO OBJECTION, THE CHAIR SO ORDERED.

114 Vice Chair L. Beyer MOTION:

MOVES (-A10) AMENDMENTS TO HB 2208-A AS CONCEPTUALLY AMENDED BE ADOPTED.

118 Chair Ferrioli ORDER:

HEARING NO OBJECTION, THE CHAIR SO ORDERED.

119 Vice Chair L. Beyer MOTION:

MOVES HB 2208-A AS AMENDED TO THE SENATE FLOOR WITH A DO PASS RECOMMENDATION.

124 Chair Ferrioli ORDER:

HEARING NO OBJECTION, THE MOTION PASSES: 7 — 0 — 0

Sen. Ferrioli will carry the bill on the Senate Floor.

CLOSED WORK SESSION ON HB 2208-A

OPENED WORK SESSION ON HB 2270-A

135 Martin-Mahar Gave overview of HB 2270-A, which relates to property tax exemptions for historic properties. Discussed the (-A18) amendments and their revenue impact. Also discussed the (-A19) amendments, followed by discussion of the (-A22) amendments.

Questions and answers interspersed.

INVITED TESTIMONY

312 Bill Linden Discussed the (-A19) amendments, which were brought by the Oregon Historic Property Association. These amendments deal with new construction (on or in historic properties) and affect properties in the future, after the effective date of the bill.

Questions and answers interspersed.

385 Justin Burns Testified in support of HB 2270-A. Discussed the (-A22) amend-ments and Exhibit 18.

420 Mike Farnell Testified in support of HB 2270-A. Gave example of benefits that would be derived if a building he owns were covered under the (-A22) amendments to the bill.

TAPE 148, SIDE B

011 Farnell Continued testimony regarding the (-A22) amendments.

026 Chair Ferrioli Because the Democrats have a caucus scheduled for 10:00 a.m., declared that HB 2270-A will be rescheduled for further public hearing another day.

CLOSED PUBLIC HEARING ON HB 2270-A

OPENED WORK SESSION ON HB 2676-A

041 Waters Gave overview of HB 2676-A. This bill extends the sunset of the Employers Dependent Care Assistance Credit through December 31, 2007. It also creates a new tax credit for contributions to the Child Care Division or to a qualified community agency for the purpose of promoting child care. It also directs the Child Care Division to develop a program for identifying qualified community agencies and for distributing moneys collected for allocation to eligible child care providers.

- 055 L. Beyer MOTION:

MOVES THE (-A3) AMENDMENTS TO HB
2676-A BE ADOPTED.
- 063 Chair Ferrioli ORDER:

HEARING NO OBJECTION, THE CHAIR SO
ORDERED.
- 064 Vice Chair L. Beyer MOTION:

MOVES HB 2676-A AS AMENDED TO THE
SENATE FLOOR WITH A DO PASS
RECOMMENDATION.
- 068 Chair Ferrioli ORDER:

HEARING NO OBJECTION, THE MOTION
PASSES: 7 — 0 — 0

Sen. Castillo will carry the bill on the Senate
Floor.
- 078 Chair Ferrioli Adjourned meeting at 9:57 a.m.

Submitted by, Reviewed by,

Carol Phillips Kim Taylor James

Committee Assistant Revenue Office Manager

Exhibit Summary:

1. HB 2206, Rep. Shetterly, (-1) amendments (DJ/hm/ps) 5/18/01, 2 pp.
2. HB 2206, Department of Revenue, (-2) amendments (DJ/ps) 5/21/01, 3 pp.
3. HB 2206, Hagen, Dye, et al., (-3) amendments (DJ/ps) 5/21/01, 11 pp.
4. HB 2206, Department of Revenue, (-4) amendments (DJ/hm/ps) 5/21/01, 11 pp.
5. HB 2206, Waters, Staff Measure Summary, 1 pp.
6. HB 2206, Waters, Revenue Impact Statement, 1 pp.

7. HB 2206, DiLorenzo, Written testimony dated May 22, 2001, 5 pp.
8. HB 2206, DiLorenzo, Written testimony dated May 22, 2001, 40 pp.
9. HB 2208-A, Clackamas County, (-A10) amendments (DJ/hm/ps) 5/21/01, 4 pp.
10. HB 2208-A, Martin-Mahar, Revenue Impact Statement, 1 pp.
11. HB 2208-A, Martin-Mahar, Staff Measure Summary, 1 pp.
12. HB 2208-A, Martin-Mahar, Revenue Impact Statement, 1 pp.
13. HB 2208-A, Martin-Mahar, Fiscal Impact Statement, 1 pp.
14. HB 2270-A, Oregon Historic Property Assn., (-A19) amendments (DJ/ps) 5/9/01, 2 pp.
15. HB 2270-A, Hagen, Dye, et al., (-A22) amendments (DJ/ps) 5/21/01, 2 pp.
16. HB 2270-A, Martin-Mahar, Revenue Impact Statement, 2 pp.
17. HB 2270-A, Martin-Mahar, Revenue Impact Statement, 2 pp.
18. HB 2270-A, Hagen, Dye, et al., Written testimony dated May 21, 2001, 2 pp.
19. HB 2676-A, Rep. Kafoury, (-A3) amendments (DJ/hm/ps) 5/16/01, 2 pp.
20. SB 486, Sen. Corcoran, (-3) amendments (CH/ps) 5/17/01, 2 pp.
21. SB 486, Meyer, Revenue Impact Statement, 1 pp.
22. SB 486, Meyer, School Finance Distribution Simulation 21, 6 pp.