

**PUBLIC HEARING AND WORK SESSION:**

**HB 2027, HB 2103, HB 2282**

**PUBLIC HEARING: HB 2278-A**

**TAPES 128-129, A/B**

**SENATE REVENUE COMMITTEE**

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**May 3, 2001 — 8:10 A.M. - HEARING ROOM A - STATE CAPITOL BUILDING**

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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

Carol Phillips, Committee Assistant

Witnesses: Diane Belt, Washington County Personal Property Tax Collector

Representative Bill Witt, House District 7

John Roach, veteran

Mac MacDonald, Greater Salem Area Veterans, State Veterans of Foreign Wars, and Military Order of World Wars

Jeff Bodenweiser, Disabled American Veterans

John Phillips, Department of Revenue, Property Tax Division

Shirley Leiper, Department of Revenue, Property Tax Division

J. L. Wilson, National Federation of Independent Business

Bob Cantine, Association of Oregon Counties

Michael Burton, Oregon Economic & Community Development

Steve Vincent, Avista Utilities

Art Fish, Oregon Department of Administrative Services, Enterprise Zone Program Manager

**TAPE 128, SIDE A**

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

011 Lizbeth Martin-  
Mahar Gave overview of HB 2027. Stated the accompanying (-1) amend-ments are basically the same as the base bill and just clarify a reference. This bill establishes a different lien date for personal property removed from a county between January 1 and July 1. The tax lien for such personal property is the day preceding the date of removal, sale, or transfer of the personal property. This does not apply to manufactured structures or floating homes.

OPENED PUBLIC HEARING ON HB 2027

052 Diane Belt Testified in support of HB 2027. Exhibit 5. This bill provides that a lien for personal property taxes attaches on the day preceding the date that taxable personal property (furniture, fixtures, and equipment) is sold, removed from the county, or otherwise transferred if that sale or transfer is between January 1 and July 1 of the assessment year. Taxable personal property includes machinery, equipment, furniture, etc.

used previously or presently in a business  
(including any property not currently being used,  
property placed in storage, or property held for  
sale).

Questions and answers interspersed.

#### CLOSED PUBLIC HEARING ON HB 2027

#### OPENED WORK SESSION ON HB 2027

133 Vice Chair L. Beyer MOTION:  
MOVES (-1) AMENDMENTS TO HB 2027 BE  
ADOPTED.

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

137 Vice Chair L. Beyer MOTION:  
MOVES HB 2027 AS AMENDED TO THE  
SENATE FLOOR WITH A DO PASS  
RECOMMENDATION.

144 Chair Ferrioli ORDER:  
HEARING NO OBJECTION, THE MOTION  
PASSES: 7 — 0 — 0  
Sen. Corcoran will carry the bill on the Senate  
Floor.

#### CLOSED WORK SESSION ON HB 2027

166 Martin-Mahar Gave overview of HB 2282. This bill allows  
war veterans up to three years of retroactive  
partial tax exemption if he/she has recently  
received a disability certificate from the U.S.  
Department of Veterans Affairs. A war veteran  
has six months after receiving their disability  
certificate to apply to the county assessor's

office for up to three years of partial tax exemption. If the war veteran does not apply for a partial tax exemption within six months of receiving their disability certificate, he/she can still apply for the war veterans' partial tax exemption for the current and future years, just not the three prior tax years.

Further overview, with questions and answers interspersed.

#### OPENED PUBLIC HEARING ON HB 2282

291 Rep. Bill Witt Testified in support of the bill. The (-1) amendments were created at the request of a constituent whereby his disability was not certified or recognized by the U.S. Department of Veterans' Affairs for more than two years after the point at which he actually became disabled. Certification was backdated to the date he was eligible to be certified as disabled; but by the time he finally received the determination, more than two years had elapsed. Because of that he lost out on the benefit of Oregon law relative to partial property tax exemption. HB 2282 allows a person in those circumstances to go back three tax years and pick up the benefit of the partial tax exemption.

Further testimony, and questions and answers interspersed.

442 John Roach Testified in support of the bill. Mr. Roach is the constituent who went to Rep. Witt and is the reason for the creation of the (-1) amendments to HB 2282. Related his experience with becoming disabled as a result of post traumatic stress syndrome among other health matters and his difficulties in dealing with the U.S. Department of Veterans' Affairs.

#### **TAPE 129, SIDE A**

027 Roach Continued testimony in support of the bill. Because of his health problems has been

determined to be 70% disabled, and thus unable to work. Is overwhelmed by the amount and complexity of paper-work necessary to file for tax credits and other government needs. All veterans would not take advantage of the filing procedure; this is just to help the ones who need it.

Questions and answers interspersed.

- 097 Mac MacDonald Testified in support of HB 2282. Stated the Veterans' Administration works extremely slowly in designating a percentage of disability to any veteran. The fastest time he knows of was three years, but it took eleven years to receive his certificate of disability. Supports the base bill. Upon discharge from the service he was awarded a 10% percent disability certificate. It took seventeen years for him to receive 90% disability certificate.

Comments and questions interspersed.

- 122 Jeff Bodenweiser Testified in support of HB 2282. Stated the base bill seems to be adequate. Pointed out that support for veterans seems to be increasing and long waits for services are decreasing.

- 141 Chair Ferrioli Suggested moving the bill without the (-1) amendments, which could be considered in a later bill.

Discussion, and questions and answers interspersed.

- 192 Sen. Castillo Stated she appreciated the testimony from the veterans present and being reminded of how bad services for veterans seem to be. Thinks something should be done to be sure veterans get whatever services they need in a timely manner. The stories about having to wait years for a response or a decision seem outrageous. State services are available, but those at the federal level seem to need attention.

218 Chair Ferrioli Thanked the witnesses for their service to our country and for their testimony today before the committee.

247 Chair Ferrioli Asked personnel from Department of Revenue, Property Tax Division, to review the (-1) amendments to HB 2282, consult with Legislative Revenue Office staff about revenue impact, and see if there might be a better way to offer relief to veterans with a 70% or greater disability.

Further discussion, comments, and questions and answers followed.

285 John Phillips Added information on possible approaches to refining the (-1) amendments.

310 Shirley Leiper Added additional information on refining the (-1) amendments.

CLOSED PUBLIC HEARING ON HB 2282

OPENED WORK SESSION ON HB 2282

354 Vice Chair L. MOTION:  
Beyer  
MOVES HB 2282 TO THE SENATE FLOOR WITH A DO PASS RECOMMENDATION.

358 Chair Ferrioli ORDER:  
HEARING NO OBJECTION, THE MOTION PASSES: 7 — 0 — 0

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

CLOSED WORK SESSION ON HB 2282

368 Chair Ferrioli Asked Department of Revenue staff to work

with Rep. Witt on the (-1) amendments relative to HB 2282 for two purposes: 1) to reduce the revenue impact and 2) to prepare it for insertion into HB 2208, which is an appropriate vehicle for the amendment.

383 Martin-Mahar Gave overview of HB 2278-A. This bill decreases the personal property tax penalty from 100% to 50% of the personal property tax imposed if the filer paid taxes after August 1 or failed to file a personal property tax return at all. Applies to property tax years beginning 2002-03. Discussed Exhibit 12: Personal Property Tax Penalties by County.

#### OPENED PUBLIC HEARING ON HB 2278-A

471 J. L. Wilson Testified in support of HB 2278-A. Feels that business owners often overlook the personal property tax. Sometimes it is hard to separate business use from personal use. If used for business, items like computers are taxable personal property, and the obligation to pay or file personal property taxes is not readily evident. Because of that, most late filings are probably inadvertent.

#### TAPE 128, SIDE B

045 Wilson Added that most people who did not file are not scofflaws; they simply were unaware of the necessity to file.

049 Chair Ferrioli Stated that constituents contact him with questions regarding personal property tax 100% penalty notices because they did not file in a timely manner. HB 2278-A-A would certainly provide some latitude in reducing the penalty. Can understand the disincentive of 100% penalty for people to file at all.

Discussion, and questions and answers interspersed.

067 Belt Explained how the personal property tax penalty is processed. For example, all filers who had filed in previous years but neglected to do so for the current year were sent a letter informing them of the penalty. If still no response, then non-filers get another letter advising of the further penalty. After that a certified letter is sent. In Washington County telephone calls are made to the businesses to find out if in fact they are still in business. Some appeals have been made, but is not sure that ignorance of the law is a defense.

Further discussion, and questions and answers interspersed.

088 Phillips Added that the Department of Revenue did not advocate for this bill, but agreed there was a big problem with people not filing personal property tax returns, even though they were aware of the necessity to do so. That prompted the imposition of the 100% penalty, which may in fact keep people from filing at all.

Further discussion, and questions and answers interspersed.

188 Bob Cantine Testified in support of HB 2278-A. Agreed that the 100% penalty is onerous and does not necessarily work. 50% seems like a more realistic penalty.

Questions and answers interspersed.

#### CLOSED PUBLIC HEARING ON HB 2278-A

251 Martin-Mahar Gave overview of HB 2103. This bill extends the sunset on long-term rural enterprise zones to December 31, 2004. It reorganizes the long-term rural enterprise zone statutes for clarity. It also creates a Long-Term Enterprise Zone Fund. At present there is just one company expected to utilize this program. It is a forest products plant in Douglas County currently completing construction and will be starting the 15-year property tax exemption period. The facility currently has a property tax exemption



will under construction. The loss in local revenue is uncertain but is estimated at \$350,000 per year. Over the entire 15-year period, there would be a reduction in local revenues of more than \$5 million. On the other hand, it is estimated that once the plant is operational, it will have a payroll estimated at \$4.1 million and an annual tax credit of \$2.6 million per year.

#### OPENED PUBLIC HEARING ON HB 2103

333 Michael Burton Testified in support of HB 2103. Exhibit 17. Gave overview of enterprise zones in general. The zone benefits are to encourage new investment in industrial, wholesale, and hotel/motel developments within designated enterprise zones. The zones provide three-year forgiveness of real and personal property taxes.

388 Steve Vincent Testified in support of HB 2103. Represents collective interests of the Oregon Economic Development Association, comprised of economic development professionals across the entire state. Their goal is to recruit businesses into their jurisdictions, and HB 2103 would help them do that.

Questions and answers interspersed.

440 Vice Chair L. Beyer Stated that of the twelve western states, Oregon is the worst in offering incentives for business to locate here; and the situation is even worse for rural areas. It is impossible to get a business to even consider locating more than five miles from Interstate 5. From a business perspective, it almost never makes sense to locate outside of urban communities. Feels the \$50 million threshold is unrealistic for most areas to meet and should be lowered to a reasonable level. \$15 million to \$25 million is more realistic.

#### **TAPE 129, SIDE B**

026 Burton Added that Vice Chair Beyer's comments are

well stated, but feels the \$50 million level is valid. Discussed rural enterprise zones versus normal enterprise zones. Reiterated that this rural zone benefit is at local option (negotiated locally), and any income tax incentives would be negotiated with the state.

Questions and answers followed.

079 Art Fish Explained more about how enterprise zones work. Stated that the \$50 million threshold remains mostly along the I-5 corridor.

Comments, and questions and answers interspersed.

123 Chair Ferrioli Summarized that HB 2103 does three things. It is a revamp of the enterprise zone process, it is an extension of the time period during which a business can be certified, and it creates a new long-term enterprise zone with a high participation threshold.

Further discussion, and questions and answers followed.

154 Burton Agreed that the threshold could be lowered to \$25 million for participation in the enterprise zone program. However, most very large projects want to be located in a large labor market with a lot of people. Said it is difficult to do business in rural Oregon.

Questions and answers interspersed.

189 Chair Ferrioli Does not know of any rural community who would not welcome 75 full-time employees in a five-year period, especially at 150% of the average wage in the county where located.

CLOSED PUBLIC HEARING ON HB 2103

OPENED WORK SESSION ON HB 2103

- 199 Vice Chair L. Beyer MOTION:  
MOVES THE RULES BE SUSPENDED FOR THE PURPOSE OF CONCEPTUALLY AMENDING THE BILL TO LOWER PARTICIPATION THRESHOLD FROM \$50 MILLION TO \$25 MILLION.
- 219 Vice Chair L. Beyer Commented that participation in the enterprise zone program is permissive and that local governments will determine if they want to participate or not. The revenue is speculative in that there will be no revenue if a siting does not happen.
- 224 Chair Ferrioli ORDER:  
HEARING NO OBJECTION, THE CHAIR SO ORDERED.
- 231 Vice Chair L. Beyer MOTION:  
MOVES HB 2103 AS CONCEPTUALLY AMENDED TO THE SENATE FLOOR WITH A DO PASS RECOMMENDATION.
- 235 Chair Ferrioli ORDER:  
HEARING NO OBJECTION, THE MOTION PASSES: 7 — 0 — 0  
Sen. L. Beyer will carry the bill on the Senate Floor.
- 239 Chair Ferrioli Adjourned meeting at 10:09 a.m.

Submitted by, Reviewed by,

Carol Phillips Kim Taylor James

Committee Assistant Revenue Office Manager

Exhibit Summary:

1. HB 2027, Oregon Assn. Of County Tax Collectors, (-1) Amendments (DJ/ps) 5/2/01, 6 pp.
2. HB 2027, Martin-Mahar, Staff Measure Summary, 1 pp.
3. HB 2027, Martin-Mahar, Revenue Impact Statement, 1 pp.
4. HB 2027, Martin-Mahar, Fiscal Impact Statement, 1 pp.
5. HB 2027, Belt, Written testimony undated, 2 pp.
6. HB 2282, Rep. Witt, (-1) Amendments, (DJ/ps) 3/7/01, 8 pp.
7. HB 2282, Martin-Mahar, Staff Measure Summary, 1 pp.
8. HB 2282, Martin-Mahar, Revenue Impact Statement, 1 pp.
9. HB 2282, Martin-Mahar, Fiscal Impact Statement, 1 pp.
10. HB 2278-A, Martin-Mahar, Staff Measure Summary, 1 pp.
11. HB 2278-A, Martin-Mahar, Revenue Impact Statement, 1 pp.
12. HB 2278-A, Martin-Mahar, Personal Property Tax Penalties Chart, 1 pp.
13. HB 2278-A, Martin-Mahar, Fiscal Impact Statement, 1 pp.
14. HB 2103, Martin-Mahar, Staff Measure Summary, 1 pp.
15. HB 2103, Martin-Mahar, Revenue Impact Statement, 1 pp.
16. HB 2103, Martin-Mahar, Fiscal Impact Statement, 1 pp.
17. HB 2103, Burton, Written testimony dated May 3, 2001, 6 pp.