

PUBLIC HEARING & WORK SESSION:

HB 2125, HB 2046

PUBLIC HEARING: HB 2047, HB 2049, HB 2139

TAPES 033, 034 A/B, 035 A

HOUSE REVENUE COMMITTEE

FEBRUARY 5, 1999 ñ 8:30 A.M. - HEARING ROOM A - STATE CAPITOL BUILDING

Members Present: Rep. Ken Strobeck, Chair

Rep. Anitra Rasmussen, Vice Chair

Rep. Deborah Kafoury

Rep. Jeff Merkley

Rep. Diane Rosenbaum

Rep. Lane Shetterly

Rep. Jim Welsh

Rep. Max Williams

Members Excused: Rep. Bill Witt

Staff: Paul Warner, Legislative Revenue Officer

Lizbeth Martin-Mahar, Economist, Legislative Revenue Office

Barbara Guardino, Committee Assistant

Witnesses: Diane Belt, Dept. of Assessment and Taxation, Washington County

Jim Manary, Oregon Dept. of Revenue

Pat Frahler, Multnomah County & County Tax Collectors Assoc.

Gary Bartholomew, Multnomah County Assoc. of County Tax Collectors

TAPE 033, SIDE A

005 Chair Strobeck Opened public hearing on HB 2125. Noting that there were not witnesses, closed public hearing on HB 2125, opened work session.

WORK SESSION n HB 2125

018 Lizbeth Martin-Mahar Reviewed HB 2125-1 proposed amendments (**EXHIBIT 1**). Distributed revenue impact statement. (**EXHIBIT 2**)

060 Vice Chair Rasmussen **MOVED -1 AMENDMENTS TO HB 2125 BE ADOPTED.**

063 Chair Strobeck **ASKED FOR OBJECTIONS TO MOVING (-1) AMENDMENTS INTO HB 2125. HEARING NO OBJECTION, THE CHAIR SO ORDERED.**

065 Vice Chair Rasmussen **MOTION: MOVED HB 2125, AS AMENDED, TO THE HOUSE FLOOR WITH A DO PASS AS AMENDED RECOMMENDATION.**

067 **VOTE**

ROLL CALL VOTE: MOTION PASSES 8-0-1

REPRESENTATIVES VOTING AYE: KAFOURY, MERKLEY, ROSENBAUM, SHETTERLY, WELSH, WILLIAMS, VICE CHAIR RASMUSSEN, CHAIR STROBECK.

REPRESENTATIVES EXCUSED: WITT

VICE CHAIR RASMUSSEN WILL CARRY THE BILL.

080 Chair Strobeck Closed work session on HB 2125. Opened public hearing on HB 2046.

PUBLIC HEARING n HB 2046

085 Lizbeth Martin-Mahar Summarized HB 2046. Asks state to shorten number of years before beginning foreclosure from three to two years. Applies to property tax delinquencies arising from tax years on or after July 1, 1999 (**EXHIBIT 3**). Distributed fiscal impact statement. (**EXHIBIT 4**)

099 Martin-Mahar Gave brief background of foreclosure process.

111 Diane Belt Reviewed chart, Foreclosure Process (**EXHIBIT 5**), reviewing a property delinquent from October 1995. Distributed written testimony (**EXHIBIT 6**).

198 Rep. Shetterly After a judgement, can a taxpayer have to pay only the most delinquent tax, or do all

taxes have to be paid?

201 Belt All that were published in paper after judgement must be paid. Reason for bill is, a legislator asked why this process takes so long. Would shorten process from six years to five years.

240 Pat Frahler Asked committee to consider bill.

Discussion and questions concerning testimony, chart.

277 Vice Chair Rasmussen Discussed a case of a constituent whose additional value was left off the role for three years. She was almost forced into foreclosure even though it was an error on part of the clerk. Is this likely to happen again?

299 Belt Familiar with this case. This law deals with normal foreclosure process. Can't guarantee it will never happen again.

317 Vice Chair Rasmussen Uncomfortable shortening it up to a year.

330 Rep. Shetterly Likes the compression. Would recommend that special situations be looked at apart from this process.

339 Rep. Welsh Questioned how it could affect families settling an estate, could they fall through the cracks?

369 Belt Once the notice is posted in the paper neighbors will call the clerk's office to notify of death and provide family information many times. The clerk does a lien holders' search.

391 Chair Strobeck Where is the provision that prescribes the process of foreclosure?

399 Belt Chapter 312 is the entire foreclosure process.

412 Chair Strobeck What kinds of properties are generally foreclosed?

- 415 Belt While working for Yamhill County, they never took a resident's home. Washington County properties are typically contaminated surveyor strips. One home foreclosure had a \$300,000 IRS tax lien. Demographics come into play. Rare for residential home to be taken for tax collector.
- 441 Rep. Shetterly Residents do go into the foreclosure process, but the notice and process does clear up the problem.

TAPE 034, SIDE A

- 028 Chair Strobeck Closed public hearing on HB 2046. Opened work session on HB 2046.

WORK SESSION n HB 2046

- 030 Rep. Shetterly **MOTION: MOVED HB 2046 TO THE HOUSE FLOOR WITH A DO PASS RECOMMENDATION.**
- 033 **VOTE** **ROLL CALL VOTE: MOTION PASSES 8-0-1**
- REPRESENTATIVES VOTING AYE: KAFOURY, MERKLEY, ROSENBAUM, SHETTERLY, WELSH, WILLIAMS, VICE CHAIR RASMUSSEN, CHAIR STROBECK**
- REPRESENTATIVES EXCUSED: WITT**
- REP. KAFOURY WILL CARRY THE BILL.**
- 046 Chair Strobeck **MOTION: INTRODUCTION OF LC 1582, (EXHIBIT 7) RELATING TO TAXATION. HEARING NO OBJECTION, THE CHAIR SO ORDERED.**
- 049 Chair Strobeck Opened public hearing on HB 2047.

PUBLIC HEARING n HB 2047

- 051 Lizbeth Martin-Mahar Discussed HB 2047. Deals with two distinct issues: Ties fees for a title search to the greater of the actual cost to the county or \$50; Foreclosure delay for participants in the Senior Property Tax Deferral Program (**EXHIBIT 8**). Distributed fiscal impact statement. (**EXHIBIT 9**)
- 123 Chair Strobeck Requested a definition of the senior deferral program.

125	Martin-Mahar	Designed to help low income seniors not have to pay their taxes if their income is under \$24,000. They can pay none or a portion.
132	Rep. Shetterly	Is the delayed program for people who are qualified, but for some reason have not entered the program? This would allow them into the program without pay down? Why is foreclosure happening--if the person is in the program the property would not be in the foreclosure process correct?
154	Martin-Mahar	Seniors wanting foreclosure delay will have to pay taxes down to \$1,000. Bill would eliminate that.
158	Diane Belt	Presented testimony in support of measure (EXHIBIT 10) . Presented history on the senior deferral program. Assessors would like to see elimination of \$1,000 requirement and let them apply for delay of foreclosure. Bill as written doesn't do what assessors want, there will be some amendments.
228	Rep. Merkley	Gave example of someone who didn't pay property taxes beginning at age 57. If at 62, he signed up for the deferral program, the state pays for taxes there forward?
220	Belt	Correct. State only pays from the time of application. Amendments would not alleviate the debt from age 57, it alleviates the county's foreclosure action. Once deferral is disqualified, the taxes become due. The state's lien is primary.
254	Chair Strobeck	Requested explanation of charts attached to testimony.
261	Belt	Explained charts, continued with testimony, reviewing of bill section by section. Section 1 deals with title searches. Exhibit 10 includes sample fee schedule. Discussion and questions interspersed.
331	Gary Bartholomew	Spoke in support of HB 2047. Clarified, counties don't have to do a title litigation guarantee report. Multnomah County used to do a \$50 plant search, got into serious legal problems with people who had not been notified about expiration of the redemption. So, county had to adopt litigation guarantees.
377	Bartholomew	Discussed section 2 of bill, senior delay process, disqualification. Proposed amendments: Section 3, page 3, lines 14-15; Section 2, page 2, line 16. Will say that seniors who disqualify one year can pay the taxes on the current year.

037	Rep. Merkley	Concern about the 2 nd half of bill is the numbers in testimony provided. Number seems low. Concerned that people would take advantage of law and just not pay their taxes at all.
054	Belt	This happened before there was an income limit. Income limit has addressed the problem. Most people do not want on the program. Any program will have people who will take advantage.
069	Bartholomew	Taxes delayed on prior years continue to accrue interest.
080	Rep. Merkley	Could you tell what the two interest rates are?
083	Bartholomew	Responded.
103	Chair Strobeck	Clarification page 3, Exhibit 1 828 is total number of taxpayers who qualify for deferral program in Washington County.
110	Belt	Correct. There are 350,000 accounts total. Statewide, applications have decreased. Interest rates have decreased, economy is better.
135	Paul Warner	In recent years, Dept. of Revenue has transferred \$5 million per year from this program into general fund.
154	Chair Strobeck	Amendments will be requested and the bill will be rescheduled. Closed public hearing on HB 2047. Opened public hearing on HB 2049.

PUBLIC HEARING ñ HB 2049

157	Lizbeth Martin-Mahar	Began review of the ñ2 amendments to the bill. Distributed revenue impact statement for the (-1) amendment and fiscal impact statement for HB 2049. (EXHIBITS 11-12)
170	Staff	Distributed submitted testimony from Washington County. (EXHIBIT 13)
175	Chair Strobeck	Committee does not have ñ2 amendments, bill will be rescheduled. Closed public hearing on HB 2049. Opened public hearing on HB 2139.

PUBLIC HEARING ñ HB 2139

195	Lizbeth Martin-Mahar	Deals with assessment and taxation funding. See Assessment and Taxation Funding (EXHIBIT 14) . Current Law: Sources of Assessor Funding <ul style="list-style-type: none"> • Delinquent Interest • \$20 fee ñ sunsets July 1, 2000
242	Martin-Mahar	Gave examples of documents that receive fees: easements, memorandum of land sale contract, etc.
260	Martin-Mahar	Section 1: Incorporates 1.33% interest per month, 16% annual interest, into permanent statutes on assessor funding. No change in interest rate. Section 2: Applies fee, currently amount is unknown (EXHIBIT 15) .
314	Jim Manary	Presented testimony in support of measure. Bill is a result of Measure 50 implementation. See Oregon Department of Revenue Property Tax Administration Funding, November 30, 1998 (EXHIBIT 16) . Current sunset extends funding until middle of next biennium. Funding task force explored two things: <ol style="list-style-type: none"> 1. What should it cost state to run property tax system under Measure 50 2. How it should be funded
345	Manary	History of Oregon tax system. Until late 1920s, main tax was property tax. Pressure for property tax relief resulted in income tax. Not long after that, state government used income tax as primary source of revenue for school and government funding. 1980s serious recession, Lane County was hit worst because of decline in timber revenues. 1989 session, legislature helped counties out by creating two sources for funding (delinquent funding, real estate processing fee). This reduced commissionersí burden for local property tax administration, and moved responsibility for 500 industrial plants to Dept. of Revenue.

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TAPE 034, SIDE B

011	Manary	Referred to Oregon Department of Revenue Property Tax Administration Funding Report To The House Interim Committee, November 30, 1998 (EXHIBIT 16) . Page 1, Executive Summary. Group included county commissioners, county assessors, representatives from: cities, special districts, schools, community colleges, realtors, developers, manufactured homes industry. Also Associated Oregon Industries.
023	Manary	Group concluded that funding cuts (sunset) would create serious consequences: Reduction of taxpayer and business services; deterioration of value estimates

043	Manary	Page 2: Possible Future Efficiencies
065	Manary	<p>Began slide show (EXHIBIT 17): Slide 1: County Document Processing chart (page 1)</p> <p>Mapping system has lots of potential use for the private sector. It combines the data bases into computerized mapping.</p>
108	Manary	Page 2 map: Why OLIS? Many districts cross county boundaries. New software can connect counties, data will be contained in one base.
122	Manary	Page 3, map: Why OLIS? Multnomah, Clackamas counties. Demonstrates that information that crosses county lines is available.
132	Manary	<p>Page 4 map: Flood Plain. Can determine ownership, deals about a property</p> <p>Including information about flood plains.</p>
155	Manary	Page 5 map: Property bordering rivers. Frontage, identify what is for sale.
166	Manary	Page 6 map: Properties overlapping a user-defined boundary: Can draw where you want to be.
175	Manary	<p>Page 7 map: All state owned land within 100 feet of freeway.</p> <p>Page 8 (skipped)</p> <p>Page 9 Vicinity map, Benton County</p>
211	Manary	<p>Continued discussion on Exhibit 16, interim group's issues, page 2 (didn't pursue):</p> <ul style="list-style-type: none"> • Because taxing districts are the beneficiaries of \$2.5 million per year, why don't they pay for the cost of administering it? With Measure 50 fixed rates, this would cut their services. • Taxpayer discount from 3% to 2.5%. • Certain kinds of accounts are more expensive than others.
254	Manary	Group considered continuing current delinquent interest, expanding it.
275	Rep. Shetterly	Asked what impact this has on school funding formula. Would state backfill this?

280	Manary	Schools could choose to replace it or not. Schools didn't favor this part of the discussion.
298	Manary	Group looked at processing fee, agreed to expanding the base. This would include most of the documents.
311	Manary	Group also recommended that the legislature pick up \$1.3 million/year from state general fund. Looked at existing law of prohibition of local real estate transfer taxes and fees. Realtors and bankers do not want multiple fees for multiple jurisdictions; they prefer a simple, statewide, uniform fee.
348	Manary	Page 3, Sources Agreed Upon: continuing current delinquent tax contribution; expanding base for processing fee, etc. Sources of Debate: Processing fee amount, prohibition of real estate transfer fee, etc.

TAPE 035, SIDE A

006	Manary	Page 4: Department Recommendations. Committee left starting place as retain the current delinquent tax contribution. There will be amendments to make this more specific. Bill continues current law for prohibition of local real estate transfer taxes and fees. Removes sunset provision. This document is a starting place for discussion where interim group left off.
034	Manary	Annual Funding: To the extent that state increases funding, it decreases counties' burden.
050	Vice Chair Rasmussen	Thanked Manary for group's interim work.
056	Manary	Added, due to mapping system, discussion of dedicating \$1 of processing fee into special account for implementation of mapping system.
079	Vice Chair Rasmussen	Adjourned meeting at 10:27 a.m.

Submitted by, Reviewed by,

Barbara J. Guardino Kim T. James

Committee Assistant Revenue Office Manager

Exhibit Summary:

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1. HB 2125, Martin-Mahar, Proposed Amendments To House Bill 2125-1, 1 p.
2. HB 2125, Martin-Mahar, Revenue Impact of Proposed Legislation for HB 2125-1, 2 pp.
3. HB 2046, Revenue Impact of Proposed Legislation for HB 2046, 1 p.
4. HB 2046, Martin-Mahar, Legislative Fiscal Office no impact statement, 1 p.
5. HB 2046, Belt, Foreclosure Process, 1 p.
6. HB 2046, Belt, Washington County Oregon testimony on HB 2046, 3 pp.
7. LC 1582, Strobeck, Draft, 13 pp.
8. HB 2047, Martin-Mahar, Revenue Impact of Proposed Legislation for HB 2047, 2 pp.
9. HB 2047, Martin-Mahar, Legislative Fiscal Office no impact statement, 1 p.
10. HB 2047, Belt, Washington County Oregon testimony on HB 2047, 5 pp.
11. HB 2049, Martin-Mahar, Revenue Impact of Proposed Legislation for HB 2049-1, 2 pp.
12. HB 2049, Martin-Mahar, Fiscal Analysis of Proposed Legislation, 1 p.
13. HB 2049, Belt, Washington County Oregon testimony of HB 2049, 1 p.
14. HB 2139, Martin-Mahar, Assessment and Taxation Funding for HB 2139, 2 pp.
15. HB 2139, Martin-Mahar, Revenue Impact of Proposed Legislation for HB 2139, 2 pp.
16. HB 2139, Manary, Oregon Department of Revenue Property Tax Administration Funding Report To The House Interim Revenue Committee Funding Task Force (HB 2049 1997) November 30, 1998, 26 pp.
17. HB 2139, Manary, County Document Processing, 10 pp.