

HOUSE REVENUE COMMITTEE

MARCH 18, 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

Rep. Bill Witt

Staff: Paul Warner, Legislative Revenue Officer

Lizbeth Martin-Mahar, Economist, Legislative Revenue Office

Barbara Guardino, Committee Assistant

Witnesses: Rep. Butler, House District 60 (Ontario)

Jim Manary, Oregon Dept. of Revenue

Gil Riddell, Association of Oregon Counties

Hasina Squires, Special Districts of Oregon

Lynn McNamara, League of Oregon Cities

Dexter Johnson, Deputy Legislative Counsel

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005 Chair Strobeck Called meeting to order at 8:40 a.m. Opened work session on HB 2050.

WORK SESSION ñ HB 2050

025 Lizbeth Martin-Mahar Summarized HB 2050-4 amendments section by section (**EXHIBIT 1**); Revenue Impact of Proposed Legislation (**EXHIBIT 2**). Revenue impact is the same as previously discussed ñ2 amendments: \$13.5 million total according to Dept. of Revenue estimates; or \$29.18 million for according to industriesí estimates.

049 Rep. Butler Intangible value of franchises and licenses is difficult to ascertain. Concerned with potential impact on small towns and cities and counties that he represents, particularly as rural infrastructures are built. His rural constituents are concerned about revenue impact. Asked committee to try to remedy some of the losses in these rural areas. Does not want to seriously erode potential for revenue base in these areas.

079 Vice Chair Rasmussen Asked might there be a need for time to explore other revenue options? Follow-up questions.

084 Rep. Butler Implementation takes three years, so gives communities an opportunity to phase in the effects of HB 2050. Suggested that, during that three year time, lawmakers work with members within the industry to come up with ways to assist. Suggested legislators meet with industry during interim.

158 Vice Chair Rasmussen Concerned that it would take a 2/3 majority to reverse passage of this bill. Does not share Butlerís confidence that lawmakers could go back and change it to help rural areas if the bill doesnít work.

172 Rep. Butler History shows that bad legislation can be reversed. Would rather take a chance with proceeding and hoping that infrastructure that is added into rural Oregon will accommodate and build revenue. Rural Oregon needs infrastructure.

218 Jim Manary Testified, Dept. of Revenue has reviewed the ñ4 amendments and could reasonably administer them. Commented on one issue that is not specifically addressed ñ FCC licenses. In a recent court case, Dept. of Revenue settled with the knowledge that legislature would review this issue. Intent would be to phase out those properties on the same basis that Department settled. That intent is reflected in the revenue impact statement.

250 Chair Strobeck Reviewed, included in ñ4 amendments:

Section 1 made the list of intangibles explicit; nuclear plants in Morrow County are exempted; three-year phase-in; requires report by Dept. of Revenue.

267	Rep. Welsh	MOVED n4 AMENDMENTS TO HB 2050 BE ADOPTED.
270	VOTE	ROLL CALL VOTE: MOTION PASSES 5-4-0 REPRESENTATIVES VOTING AYE: SHETTERLY, WELSH, WILLIAMS, WITT, CHAIR STROBECK REPRESENTATIVES VOTING NAY: KAFOURY, MERKLEY, ROSENBAUM, VICE CHAIR RASMUSSEN
282	Rep. Welsh	MOTION: MOVED HB 2050, AS AMENDED, TO THE HOUSE FLOOR WITH A DO PASS RECOMMENDATION.
285	Rep. Witt	Will vote for bill, but is concerned that list of intangibles opens door for confusion. Also, with three exclusions (power plants) the stranded costs will be passed onto the ratepayers.
301	Rep. Rosenbaum	Adoption would be irresponsible. Revenue impact is indeterminate. Given revenue shortage and what has happened in Oregon tax system, this moves Oregon in wrong direction. Will vote no.
321	Rep. Shetterly	Will vote for bill, but has reservations. Represents correct policy, but impact on local governments is troubling. If the committee doesn't take positions on pieces before legislature deals with comprehensive tax changes, committee will never move forward. Committee needs to take a look at the state's responsibility when its actions result in reductions in funding to local governments.
366	Vice Chair Rasmussen	Will oppose bill due to similar objection as Rep. Shetterly stated. Is concerned that interim task forces that reviewed overall tax policy, who said any tax exemptions should be considered within larger context of stability for both state and local government finances. Does not see any emergency in dealing with this. Urged committee not to move this bill.
403	Rep. Williams	Will support bill. Concurred with Rep. Shetterly's comments. Also, believes this is a prudent course. State will face court challenges if it doesn't act. Fairness of bill will mitigate possible litigation.
428	Rep. Merkley	Each of the four industries is different. Should look at industries singly. Is sympathetic to arguments of telecommunications industry. In case of power industry, they are laying groundwork for future competition. Railroad and airport industries, money goes back to the companies. Airport industry section will affect one of his school districts. It is one of the most indebted districts in the country.

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- 040 Rep. Merkley Concerned with difficulty in assessing costs of this bill. Suggested addressing intangibles on industry-by-industry basis. Will not support the bill.
- 063 Chair Strobeck Will support bill because believes the issue is fairness in terms of equal taxation within industrial classes. Is concerned with impact on communities, but believes the three-year phase-in will soften the impact.
- Believes without these changes, state will have lawsuits. Also, not passing bill would limit Oregon's potential for economic growth. Concerning Rep. Witt's comments about the explicit list, legislative intent of committee is clear it does not believe intangible assets of centrally assessed companies should be taxed.
- 101 **VOTE** **ROLL CALL VOTE: MOTION PASSES 5-4-0**
- REPRESENTATIVES VOTING AYE: SHETTERLY, WELSH, WILLIAMS, WITT, CHAIR STROBECK**
- REPRESENTATIVES VOTING NAY: KAFOURY, MERKLEY, ROSENBAUM, VICE CHAIR RASMUSSEN**
- CHAIR STROBECK WILL CARRY THE BILL.**
- 112 Chair Strobeck Closed work session on HB 2050. Opened work session on HB 2139.
- Committee will stand at ease.

WORK SESSION n HB 2139

- 134 Chair Strobeck Directed members' attention to HB 2139 amendments, revenue impact statements, and a summary of the amendments.
- 134 Gil Riddell Reviewed HB 2139-18 amendments (**EXHIBIT 6**). These amendments consolidate a number of previous amendments. Reviewed amendments section-by-section.
- Section 1: Lines 2-4
- Section 2a (new section): Change says counties will draw what they need from assessment and taxation fund to cover expenses, but not more than 10%.
- Page 2, lines 8-10: Reference to keeping a reserve for administrative expenses. Association of Oregon Counties is troubled by these lines.
- Page 2, line 11: Section 2b is new.

216	Riddell	<p>Page 3, line 6: Changes effective date to January 2000 from July 2000.</p> <p>Section 6: Refers to preemption ñ if the fee drops below \$11 rate in the bill, the preemption is lifted.</p>
235	Riddell	<p>Section 7: Creates Oregon Land Information System Fund</p> <p>Section 8: Directs Dept. of Revenue on how to use this money to develop a base map system.</p> <p>Section 9: Directs Dept. of Revenue to study the 1999 act to report to 2004 Legislative Assembly.</p> <p>Page 5, lines 8-9: moves date from July 2000 to January 2000.</p>
270	Rep. Kafoury	<p>Why is a moratorium on a real estate transfer tax included in this bill?</p>
275	Riddell	<p>AOC does not support this moratorium, but it appears necessary for the program to continue.</p>
280	Rep. Shetterly	<p>Section 6 of ñ18, -19, and ñ20 all deal with this moratorium.</p>
295	Jim Manary	<p>Page 2, lines 8-10 reserve fund is patterned after Senior Deferral Program.</p> <p>Assumes this segment is just for accounting purposes.</p>
308	Dexter Johnson	<p>Reserve fund in Senior Citizen Deferral is there to cover Dept. of Revenueís expenses if otherwise funds are inadequate. In context of this bill, it is probably not necessary. It would be all right to delete these three lines.</p>
328	Johnson	<p>Section 2b, page 2, lines 11-14: Change effective date from July 1, 2000 to January 1, 2000.</p>
339	Lizbeth Martin-Mahar	<p>Discussed Revenue Impact of HB 2139-18 amendments (EXHIBIT 7). Has a \$10 recording fee. Averages about \$12 million per year in additional revenue. \$1 fee for mapping system will generate approximately \$1.25 million per year for the next biennium.</p>
356	Chair Strobeck	<p>MOVED ñ18 AMENDMENTS TO HB 2139 BE ADOPTED WITH CONCEPTUAL AMENDMENTS: PAGE 2, DELETE LINES 8-10; ON LINE 14 CHANGE JULY TO JANUARY. ASKED IF ANY OBJECTIONS TO ADOPTING CONCEPTUAL AMENDMENTS.</p>
374	Vice Chair Rasmussen	<p>OBJECTED.</p>

074	Rep. Merkley	Proposed delay of vote, hold a hearing on a bill with a broader relating clause. Believes most municipalities would much prefer a state provision.
109	Rep. Welsh	Committee will run a risk if it doesn't move forward with this bill. Lawmakers can address transfer tax as a stand-alone issue. Can take time to talk about that. Problem when not addressing issues surrounding affordable housing (e.g. land use laws). If free market is allowed to work, there will not be high level of affordable housing. Need to get to core issue. Urged committee to move forward.
128	Rep. Witt	Will support increased fees in order to apply appropriate funding level to assessment and taxation system. This has nothing to do with affordable housing. Does not see relationship at 11 th hour. This last minute effort is inappropriate, should be dealt with elsewhere.
152	Rep. Kafoury	Agreed with Witt, this bill should not have any relationship to affordable housing. Important to adopt 19 amendments to clearly state that the bill relates to tax administration. Urged support of 19 amendments.
160	Rep. Williams	Is a proponent of affordable housing. Rep. Williams and a number of other legislators are working to address the problem, especially in the Portland Metropolitan Area . Concerned amendment could jeopardize passage of HB 2139. Will oppose 19 amendments.
177	Rep. Merkley	HB 2130 has everything to do with affordable housing because it includes a prohibition on local transfer taxes to raise money for affordable housing.
183	Rep. Shetterly	Would like to see HB 2139 pass for the sake of assessment and taxation. This aspect of bill doesn't have much affect in his district. It is a statewide issue and needs to be addressed statewide. Will vote against 19 on the expectation that lawmakers will address the issue elsewhere.
222	Vice Chair Rasmussen	Will there be an opportunity to bring forward for discussion and for vote, direct solutions for low income housing?
228	Chair Strobeck	Does not know of there is a bill, but would be happy to see one in this committee.
253	VOTE	<p>ROLL CALL VOTE: MOTION FAILS 4-5-0</p> <p>REPRESENTATIVES VOTING AYE: KAFOURY, MERKLEY, ROSENBAUM, VICE CHAIR RASMUSSEN</p> <p>REPRESENTATIVES VOTING NAY: SHETTERLY, WELSH, WILLIAMS, WITT, CHAIR STROBECK</p>
263	Vice Chair Rasmussen	MOVED -20 AMENDMENTS TO HB 2139 BE ADOPTED.

-20 amendments will continue the sunset policy.

- 275 Rep. Merkley Since second half is same as ñ19, would deleting the second half result in a straight sunset amendment?
- 288 Dexter Johnson If delete everything after 2002, sunset would be extended. This would cause a problem. Only change in section 6 then would be to extend moratorium two more years.
- 302 Vice Chair Rasmussen **WITHDREW MOTION.**
- 304 Chair Strobeck Would have supported \$15 fee; this bill is for \$10, so will support \$10 fee.
- 339 Rep. Merkley Directed members' attention to HB 2139-17 amendments (**EXHIBIT 10**).

Fee for recording documents can be viewed as small transfer tax. ñ17 amendments add a fee on top of the current \$10, a fee of \$5 that would go toward affordable housing. This would raise \$5 million/year.
- 370 Rep. Merkley **MOVED ñ17 AMENDMENTS TO HB 2139 BE ADOPTED.**
- 379 Chair Strobeck Does this amendment raise taxes and thereby require 3/5 majority?
- 381 Johnson Not sure, but does not believe this would change HB 2139 into a revenue raising bill. This is for a narrow purpose. Does not relate to tax administration funding.
- 417 Rep. Williams Based on counsel's doubts, and the belief that ñ17 amendments are outside the relating clause, will vote no.
- 423 Rep. Merkley Noted, in line 7, bill has the identical contingency clause for the real estate transfer tax prohibition. Suggested amending HB 2139 into a bigger bill. This would address two things: Potential for a problem with real estate transfer tax prohibition; and remove all doubt as to whether ñ17 would be under legitimate relating clause.
- 455 Chair Strobeck Would like to see another bill directly related to this issue.

TAPE 095, SIDE B

025	VOTE	<p>ROLL CALL VOTE: MOTION FAILS 4-5-0</p> <p>REPRESENTATIVES VOTING AYE: KAFOURY, MERKLEY, ROSENBAUM, VICE CHAIR RASMUSSEN</p> <p>REPRESENTATIVES VOTING NAY: SHETTERLY, WELSH, WILLIAMS, WITT, CHAIR STROBECK</p>
034	Rep. Shetterly	<p>MOTION: MOVED HB 2139 AS AMENDED, TO THE HOUSE FLOOR WITH A DO PASS AS AMENDED RECOMMENDATION.</p>
041	Vice Chair Rasmussen	<p>Noted, in ñ18 amendments, page 4 section 9, language calls for a study with Dept. of Revenue in consultation with the county governing bodies and county assessors. There is no mention of special districts or cities.</p> <p>Suggested committee includes counties and cities in study.</p>
058	Rep. Shetterly	<p>Concurred, although this won't change his motion.</p>
069	Manary	<p>Language in ñ18 amendments includes all local governments and private sector in study.</p>
078	Vice Chair Rasmussen	<p>Requested interested parties to speak on the record to say whether they want to be included in study.</p>
084	Hasina Squires	<p>Section 9, lines 15-22 are same as language in HB 2049 in 1997 to require a study; Special Districts were included in the study, and would like to be included in the next study. Special Districts does not support funding this program through local taxing jurisdictions.</p>
101	Lynn McNamara	<p>Concurred with Squires. Special districts pay more than counties and do not get any direct income from the higher fees. Would like to be at the table.</p>
131	Rep. Kafoury	<p>Cannot support bill, even though agrees that counties need the revenue. Cannot in good conscience support what state has been doing to cities.</p> <p>State takes away revenue from intangibles, now it is adding an assessment fee. Will vote no.</p>
144	Rep. Merkley	<p>Disappointed that committee rejected a potential win-win situation. Will not support bill.</p>
148	Vice Chair Rasmussen	<p>Will be glad to continue to work on low income housing issue. Is finding some long-term solutions. Will vote no on HB 2139.</p>

160 VOTE

ROLL CALL VOTE: MOTION PASSES 5-4-0

**REPRESENTATIVES VOTING AYE: SHETTERLY, WELSH, WILLIAMS, WITT,
CHAIR STROBECK**

**REPRESENTATIVES VOTING NAY: KAFOURY, MERKLEY, ROSENBAUM,
VICE CHAIR RASMUSSEN**

REP. SHETTERLY WILL CARRY BILL.

175 Chair Strobeck

Closed work session on HB 2139. Adjourned meeting at 10:20 a.m.

Submitted by, Reviewed by,

Barbara J. Guardino Kim T. James

Committee Assistant Revenue Office Manager

Exhibit Summary:

1. HB 2050, Martin-Mahar, Proposed Amendments to House Bill 2050 (HB 2050-4), 5 pp.
2. HB 2050, Martin-Mahar, Revenue Impact of Proposed Legislation for HB 2050-4, 3 pp.
3. HB 2050, McNamara, City of Pendleton letter to Chair Strobeck, 1 p.
4. HB 2050, McNamara, City of LaGrande letter to Chair Strobeck, 1 p.
5. HB 2050, McNamara, Corvallis letter to House Revenue Committee, 2 pp.
6. HB 2139, Riddell, Proposed Amendments to House Bill 2139, 5 pp.
7. HB 2139, Martin-Mahar, Revenue Impact of Proposed Legislation, 2 pp.
8. HB 2139, Merkley, Proposed Amendments to House Bill 2139 (HB 2139-19) 1 p.
9. HB 2139, Rasmussen, Proposed Amendments to House Bill 2139 (HB 2139-20), 1 p.
10. HB 2139, Merkley, Proposed Amendments to House Bill 2139 (HB 2139-17), 1 p.
11. HB 2139, Martin-Mahar, Amendments to HB 2139, 1 p.
12. HB 2139, Martin-Mahar, Revenue Impact of Proposed Legislation for HB 2139-4, 2 pp.
13. HB 2139, Martin-Mahar, Revenue Impact of Proposed Legislation for HB 2139-4, -6, 3 pp.
14. HB 2139, Martin-Mahar, Proposed Amendments to House Bill 2139 (HB 2139-6), 1 p.
15. HB 2139, Martin-Mahar, Proposed Amendments to House Bill 2139 (HB 2139-7), 2 pp.
16. HB 2139, Martin-Mahar, Proposed Amendments to House Bill 2139 (HB 2139-8), 2 pp.
17. HB 2139, Johnson, Letter to Chair Strobeck from Dexter A. Johnson, Deputy Legislative Counsel, 1 p.
18. HB 2139, Johnson, Proposed Amendments to House Bill 2139 (HB 2139-11), 1 p.
19. HB 2139, Martin-Mahar, Revenue Impact of Proposed Legislation for HB 2139-14, 2 pp.
20. HB 2139, Martin-Mahar, Proposed Amendments to House Bill 2139 (HB 2139-14), 4 pp.
21. HB 2139, Martin-Mahar, Proposed Amendments to House Bill 2139 (HB 2139-15), 2 pp.
22. HB 2139, Shetterly, Proposed Amendments to House Bill 2139 (HB 2139-16), 1 p.