

**PUBLIC HEARING: HB 2139, HB 2668**

**PUBLIC HEARING & WORK SESSION: SB 251, SB 252**

**TAPES 074 - 075 A/B, 076 A**

## **HOUSE REVENUE COMMITTEE**

**MARCH 3, 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. Max Williams

Rep. Bill Witt

Members Absent: Rep. Jim Welsh

Staff: Lizbeth Martin-Mahar, Economist, Legislative Revenue Office

Ed Waters, Economist, Legislative Revenue Office

Barbara Guardino, Committee Assistant

Witnesses: Jim Manary, Oregon Dept. of Revenue

Jerry Hanson, Washington County

Steve McClure, Union County Commissioner

Gil Riddell, Associated Oregon Counties

Genoa Ingram, Oregon Association of Realtors

Susan Browning, Oregon Dept. of Revenue

**TAPE 074, SIDE A**

005      Chair Strobeck                      Meeting called to order at 8:35 a.m. Opened public hearing on HB 2139, HB 2668.

**PUBLIC HEARING n HB 2139, HB 2668**

015      Manary                              Directed members' attention to HB 2139: Property Tax Administration Funding **(EXHIBIT 1)**. Summarizes the basic issues.

038      Manary                              Reviewed second document, House Bill 2139 **(EXHIBIT 2)**.  
  
Delinquent Interest; Processing Fee  
  
Reviewed third document, Industrial Accounts Funded **(EXHIBIT 3)**.

084      Manary                              Reviewed HB 2139-1 amendments **(EXHIBIT 4)**. Processing fee. Clarifies documents that the fee would be applied to. Any document that requires a clerk's recording fee is subject to this.

112      Manary                              Reviewed HB 2139-2 amendments **(EXHIBIT 5)**. Deals with statewide mapping system. A dollar of the fee would be placed in a dedicated account. Director of Dept. of Revenue would appoint an advisory committee to decide how to apply the money to create this system.  
  
In answer to questions: Estimate intake is about \$1 million per year. Does not know how long this money would be needed. Estimated start-up time for statewide system is 6-7 years. Currently, many counties still use paper maps.

232      Manary                              Summarized: Hooking maps into state system; counties upgrading their maps.

234      Manary                              Reviewed HB 2139-3 amendments **(EXHIBIT 6)**. Provides that Dept. of Revenue take only the necessary expenses.

260      Lizbeth Martin-Mahar              Discussed revenue impact for HB 2139-1 **(EXHIBIT 7)**. Estimates of the impact for the next two biennia range from an increase in local tax revenues of \$17.2 - \$76.7 million. Clarified, under current law, sunset on both funding sources will occur July 2000.

318      Martin-Mahar                      Discussed revenue impact for HB 2139-2 amendments **(EXHIBIT 8)**. Changes total revenue impact from \$17.2 million to \$12.3 million.  
  
Discussed revenue impact for HB 2139-3 amendments **(EXHIBIT 9)** Allocates only necessary funds.

343	Rep. Witt	What would the fee be if Department assessed a fee on all the documents to be revenue with the current system?
346	Martin-Mahar	Currently generating \$3.5 million in recording fees at \$20 rate.
379	Gil Riddell	Clarified point from Dept. of Revenue table (see Industrial Accounts Funded): The 5% that goes to the clerks is only from the processing fee, not from total collections. The clerks receive \$1.
410	Jerry Hanson	<p>Spoke in support of the measure. Addressed question from previous hearing concerning costs related to assessment and taxation via the recording of documents. What does it cost as a result of the documents?</p> <p>Digressed: The documents identified were transfer of ownership. Funding committee recommended broadening the base to all documents with few exceptions. This would increase the amount of funding, while simplifying activity in clerk's office regarding how much to charge.</p>

**TAPE 075, SIDE A**

030	Hanson	Concerning question of direct cost impacts ñ See Oregon State Association of County Assessors <b>(EXHIBIT 10)</b> .
046	Hanson	<p>Discussed Deed Records ñ transfer of ownership</p> <p>Discussed Mortgage Records ñ comprises 2/3 of documents</p>
127	Hanson	<p>Discussed Liens and UCC Filings</p> <p>Discussed Miscellaneous documents</p> <p>In Summary: Industry has large stake in the ability of property tax system to function smoothly.</p>
156	Rep. Witt	Proposed fees are total four times the average cost. Why? Will they be passed on to consumers?
172	Hanson	\$20 would generate \$20 million, or 20 x 1 million documents per year. Biggest change would be in refinancing. Costs would be passed on to property owners. Has no problem with the fact that it doesn't represent cost.
201	Steve McClure	Explained costs from perspective of local government. Governments have costs of doing the recording, keeping an information system available, interaction with the public. Cost for public involvement goes beyond recording of fees. This cost is reasonable. The

community expects records to be available, timely, and accurate.

- 236 Rep. Witt Asked for more detail as to what goes into cost figures.
- 240 Hanson Mainly staff costs for personal services. The bulk of those costs are in the mapping area. These figures are fairly accurate.
- 280 Rep. Witt Would he be open to amendment to change the fee depending on the type of document?
- 290 Hanson This is at the heart of the discussion. Does not believe the problem is equity based on cost. It is equity in value of the system to various people. Vast difference in complexity of various transactions. Would not recommend such an amendment.
- 326 All Follow-up questions by Reps. Welsh, Shetterly, Witt concerning the \$20 fee. How much is necessary? What is the cost per transaction?

**TAPE 074, SIDE B**

- 028 Rep. Welsh Concerned, witnesses are not giving the committee the true cost for doing business.
- 039 Hanson Testimony is representative of counties' direct costs ñ fairly accurate.
- 044 Rep. Welsh Wants to know costs for providing service to customers. Maybe committee needs to discuss costs for entire system.
- 080 Gil Riddell Testimony in favor of HB 2668. Similar to HB 2139. Both will continue the operation of the original bill that created the program in 1989 and the adjustment made in 1997. Both would broaden the base of documents. HB 2668 sets fee at \$20; HB 2139 leaves it blank.
- Would like to include implementation of recommendation of interim task force to have Dept. of Revenue's roll in this paid by general funds as opposed to taking 10% of assessment and taxation fund.
- 104 Riddell HB 2668 would expand operation of HB 2049 (Measure 50) from 4% of interest to special districts and cities, to include schools and counties.
- HB 2668 has provision that says, if rate is set at less than \$20, local governments would be permitted to govern locally based on the will of their constituents.

- 142 Rep. Witt Do these fees go into county general funds, or are they used specifically for assessment and taxation?
- 148 Riddell Explained how program operates. State determines which counties qualify. Funds within the pot are shared based on the size of budgets. Counties' general fund contribution has grown since program began. Counties have done their share.
- Questions and discussion.
- 207 Chair Strobeck Recommended members look at interim task force report, learn the reasons behind policy decisions.
- 237 McClure Discussed statewide digital mapping process, results of Measure 50. Union County has started mapping process, is proceeding slowly. Product has huge demand statewide, but it is necessary to have a good product. There is a tremendous demand for digital mapping. The proposed \$1 will not pay for this.
- 284 Hanson About 1/3 of counties have hired enough expertise to do the digital mapping. Other counties, due to size or budget, cannot. The result is a patchwork map. Assessors have the only map that maintains accurate ownership boundaries. Value of this product would far outweigh the cost.
- 317 Genoa Ingram Spoke in support of the measure.
1. Addressed question of neutrality of fee: To be cost-neutral it would be \$3 per document. Realtors association suggests to amend fee to \$5-10 would cover cost plus provide funding for mapping.
  2. Addressed state recording fees of \$5 per page. A simple transaction would cost about \$80.
  3. Addressed impact of increasing fee to \$20. Suggested minimizing the number of documents to fill out. Some money is going to backfill general fund. This is a red flag.
- Questions and discussion concerning backfilling, estimated \$80 per simple transaction.

#### **TAPE 075, SIDE B**

- 025 Rep. Shetterly Suggested looking at 10 or 15 closing statements, look at average cost in context.
- 039 Chair Strobeck Closed public hearing on HB 2139 and HB 2668. Opened public hearing on SB 251.

#### **PUBLIC HEARING re SB 251**

046	Susan Browning	<p>Bill Summary 251 (<b>See March 2, EXHIBIT 4</b>). This bill expands insufficient funds check penalty provisions to include electronic fund transfers. Increasingly, people authorize creditors to take money out of their checking accounts. If insufficient funds, it is the same as a bounced check. 30% of total taxes owed by employers now comes in by electronic funds transfer. Effective date for section 1.</p> <p>People are given sufficient warning before penalty is imposed.</p>
081	Rep. Witt	<p>Questioned proposed penalty structure. Penalty is too high. Is this bill geared chiefly toward people who are trying to cheat the system?</p>
105	Browning	<p>Variety of instances ñ 1 check in every 8,000. Some people just arenít paying attention. The Dept. of Revenue has waiver provisions.</p> <p>Follow-up questions.</p>
145	Rep. Williams	<p>Referred to ORS 3701 ñ Individuals are entitled to same kind of recovery for someone who provides a dishonored check. Not dependent on intent.</p>
183	Browning	<p>Department sends check through once or twice before penalizing.</p>
214	Rep. Shetterly	<p><b>MOTION TO SUSPEND THE RULES FOR THE PURPOSE OF RECONSIDERING THE VOTE ON SB 251 IN WHICH THE BILL FAILED TO PASS.</b></p>
225	Chair Strobeck	<p><b>ASKED FOR ANY OBJECTION TO RECONSIDER THE VOTE ON SB 251. HEARING NO OBJECTION, THE CHAIR ORDERED.</b></p>
233	Chair Strobeck	<p>Closed pubic hearing on SB 251. Opened work session on SB 251.</p>

**WORK SESSION ñ SB 251**

236	Rep. Witt	<p>Read ORS 3701: Insufficient funds, collecting statutory damages. This does not equate to what Dept. of Revenue has proposed.</p>
262	Rep. Williams	<p>Did not mean to suggest that systems are identical.</p>
313	Rep. Welsh	<p>Will draft a bill that takes a more comprehensive look at overall fairness of penalties.</p>
316	Rep. Kafoury	<p><b>MOTION: MOVED SB 251 TO THE HOUSE FLOOR WITH A DO PASS</b></p>

**RECOMMENDATION.**

319 Rep. Witt Will vote no. Does not believe it is fair for everyone involved. People affected will be typically low-income people. Penalty is punitive.

333 **VOTE** **ROLL CALL VOTE: MOTION PASSES 7-1-1**

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

**REPRESENTATIVES VOTING NAY: WITT**

**REPRESENTATIVES EXCUSED: ROSENBAUM**

**REP. KAFOURY WILL CARRY THE BILL.**

340 Chair Strobeck Closed work session on SB 251. Opened public hearing on SB 252.

**PUBLIC HEARING n SB 252**

349 Ed Waters Gave brief review of SB 252. Eliminates \$10 minimum for tax inactive corporations effective January 1, 1999. See Staff Measure Summary (**EXHIBIT 12**).

353 Susan Browning Spoke in support of the measure. See Bill Summary for SB 252 (**EXHIBIT 15**). Compliance issue with inactive corporations. It is difficult to collect fee. Oftentimes it costs more than \$10 to collect the \$10 fee. Raises policy issue for Dept. of Revenue. Since these corporations are already paying a \$10 annual fee to register their names, is it appropriate to have them pay a \$10 tax for their inactive status.

Collection is difficult.

383 All Questions and discussion concerning deleting of language, costs, general funds, etc.

**TAPE 076, SIDE A**

064 Chair Strobeck Closed public hearing on SB 252. Opened work session on SB 252.

**WORK SESSION n SB 252**

066 Vice Chair Rasmussen **MOTION: MOVED SB 252 TO THE HOUSE FLOOR WITH A DO PASS RECOMMENDATION.**

067 VOTE

**ROLL CALL VOTE: MOTION PASSES 8-0-1**

**REPRESENTATIVES VOTING AYE: KAFOURY, MERKLEY, SHETTERLY, WELSH, WILLIAMS, WITT, VICE CHAIR RASMUSSEN, CHAIR STROBECK**

**REPRESENTATIVES EXCUSED: ROSENBAUM**

**REP. WELSH WILL CARRY THE BILL.**

075 Chair Strobeck

Closed work session on SB 252. Directed members' attention to three testimonies from March 2 bill regarding HB 2050: **(EXHIBITS 16, 17, 18)**.

084 Chair Strobeck

Adjourned meeting at 10:27 a.m.

Submitted by, Reviewed by,

Barbara J. Guardino Kim T. James

Committee Assistant Revenue Office Manager

Exhibit Summary:

1. HB 2139, Manary, HB 2139 Property Tax Administration Funding, 2 pp.
2. HB 2139, Manary, House Bill 2139, Delinquent Interest, Processing Fee, 1 p.
3. HB 2139, Manary, HB 2139 Industrial Accounts Funded, 1 p.
4. HB 2139, Manary, Proposed Amendments to House Bill 2139 (HB 2139-1), 1 p.
5. HB 2139, Manary, Proposed Amendments to House Bill 2139 (HB 2139-2), 2 pp.
6. HB 2139, Manary, Proposed Amendments to House Bill 2139 (HB 2139-3), 2 pp.
7. HB 2139, Martin-Mahar, Revenue Impact of Proposed Legislation for HB 2129-1, 2 pp.
8. HB 2139, Martin-Mahar, Revenue Impact of Proposed Legislation for HB 2139-2, 3 pp.
9. HB 2139, Martin-Mahar, Revenue Impact of Proposed Legislation for HB 2139-3, 2 pp.
10. HB 2139, Hanson, Oregon State Association of County Assessors, Report to House Revenue Committee on HB 2139 ñ Assessment & Taxation Funding, 5 pp.
11. HB 2668, Martin-Mahar, Revenue Impact of Proposed Legislation for HB 2668, 2 pp.
12. SB 252, Waters, Staff Measure Summary, 1 p.
13. SB 252, Waters, Revenue Impact of Proposed Legislation for SB 252, 1 p.
14. SB 252, Waters, Fiscal Analysis of Proposed Legislation, 1 p.
15. SB 252, Browning, Oregon Department of Revenue Bill Summary SB 252, 1 p.
16. HB 2050, Manary, Category Description, Company Name, Assessed Value, etc., 16 pp.
17. HB 2050, Torrey, Mayor's Office, City of Eugene, Letter to Chair Strobeck, 1 p.
18. HB 2050, Manary, Cutter, Oregon Railroad Association, Statement in Support of HB 2050 before the House Revenue Committee, 1 p.