

HOUSE REVENUE COMMITTEE

MARCH 31, 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

Ed Waters, Economist, Legislative Revenue Office

Barbara Guardino, Committee Assistant

Witnesses: Rep. Jason Atkinson, District 51

Rep. Betsy Close, District 36

Rep. Richard Devlin, District 24

Rep. Gary Hansen, District 17

Rep. Kathy Lowe, District 26

Rep. Vicki Walker, District 41

Rep. Tim Knopp, District 54

Rep. Vic Backlund, District 33

Tom Ruedy, Clackamas

John Roach, Portland

Shirley Leiper, Oregon Dept. of Revenue Senior Deferral Program

Jim Manary, Oregon Dept. of Revenue

Gil Riddell, Association of Oregon Counties

Gary Carlson, Associated Oregon Industries

Debbie Huggins, Washington County Assessor

Gary Bartholomew, Multnomah County Assessor

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012 Chair Strobeck Called meeting to order at 8:40 a.m. Opened public hearing on HB 2792.

PUBLIC HEARING on HB 2972

020 Rep. Atkinson Spoke in support of the measure. Intent of HB 2792 is to honor senior citizens by "freezing" property taxes of principle residence of a senior citizen age 65 or older. Fixed income does not mean fixed expenses.

Proposed Amendments to House Bill 2792-1 (**EXHIBIT 1**). Amends bill to exclude residents with frozen value over \$300,000.

046 Rep. Close Spoke in support of the measure. Is sponsoring an almost identical bill, HB 3567.

056 Chair Strobeck Asked Reps. Atkinson and Close to describe process for seniors applying for this freeze.

062 Rep. Atkinson First, establish what is a primary residence. Drafters struggled with \$300,000 amount in amendment. Drafters are open to help in creating the process.

Would be open to working on a means test in order to disqualify seniors who do not need this credit. Does not want to create a hurdle to make it difficult for seniors to take advantage of this bill.

099 Rep. Close Commented, the intent of this bill is not just to save seniors money, it is also to honor their standing in the community, their years of service.

102	Rep. Witt	Bill would cost local governments \$76 million in revenue. Can state sustain loss of \$76 million? Figure came from Legislative Revenue Office.
113	Rep. Atkinson	Drafters don't have that information, but wrestled with issue of loss of local revenues. Whether this revenue can be made up depends upon the county.
133	Rep. Witt	Would Atkinson support an amendment requiring state to make up lost revenues to the county?
137	Rep. Atkinson	Depends on if it is a loss or a lack of growth.
153	Vice Chair Rasmussen	Oregon has been a popular retirement destination for last 10 years. Are drafters comfortable with people moving here to immediately take advantage of it?
164	Rep. Close	Drafters tried to include five-year residency limit and were told it was unconstitutional.
173	Lizbeth Martin-Mahar	Reviewed Revenue Impact of Proposed Legislation (EXHIBIT 2), how LRO arrived at figures. Assumed an average assessed value of \$93,000. Number of elderly homeowners is over 350,000. Impact would continue to escalate as the number of seniors increases.
202	Chair Strobeck	Simultaneously opened public hearing on HB 3022.

PUBLIC HEARING ñ HB 3022

203	Rep. Devlin	<p>Gave overview of HB 3022. Oregon Senior Property Tax Deferral Program is unique in that only a few states have it. It allows taxpayers over age 62 to defer their property taxes if they meet certain requirements. It is self-supporting. Property taxes are deferred, paid with 6% interest. Bill would adjust income levels from \$24,500 to \$27,500 for maximum for entry into program; and from \$29,000 to \$32,000 for disqualification.</p> <p>Bill indexes so legislature doesn't have to deal with this bill every session.</p> <p>In Oregon, 13,000 Oregon households benefit from this program. In Multnomah County, 2,800 households benefit from it.</p>
255	Rep. Hansen	<p>Purpose of bill is to keep seniors in their homes as long as possible. This is particularly important in neighborhoods where there are significant increases in property values. Many seniors are reluctant to take advantage of this program, because they are reluctant to go into debt.</p> <p>Will support Rep. Witt's bill to include disabled individuals in this program.</p>

- 310 Rep. Hansen Seniors are sometimes afraid to incur debt against their homes because they could lose their property. These loans are very secure because they are on property that is appreciating in value. Interest accrues at 6%, but property values are increasing by 10%.
- 336 Rep. Devlin Gave examples of homes appreciating. These elderly homeowners have to meet ever-increasing tax bills.
- 356 Lizbeth Martin-Mahar Reviewed House Bill 3022. Directed members' attention to Revenue Impact of Proposed Legislation (**EXHIBIT 3**). Anticipated additional 1,300 households would participate with increased property value limit. Senior Tax Deferral Program has no general fund appropriations, program is self-sufficient, although repayment has been declining.
- 387 Chair Strobeck Simultaneously opened public hearing on HB 2901.

PUBLIC HEARING -- 2901

- 394 Rep. Lowe Spoke in support of HB 2901. Extends this tax break to help disabled homeowners to remain in their homes. It is a small tax break, but it helps where it is needed the most. Encouraged committee to pass this bill.
- 445 Rep. Walker Spoke in support of the measure. HB 2901 is reasonable and compassionate. Rep. Walker's father-in-law is disabled; if something happens to him it will wipe out his savings. Independent living is very important to people, especially disabled individuals and seniors. This bill would more folks to stay in their homes and feel that they are contributing to society. Urged committee to pass this bill.

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- 041 Rep. Witt This bill will not cost local government any money, and will pay for itself over time because state takes a lien on the property, and lien is repaid.
- 051 Rep. Knopp Spoke in support of HB 2901. Key aspects are, this doesn't cost state government any money, and it helps people who truly need it. Urged committee to pass this bill.
- 076 Rep. Backlund Spoke in support of HB 2901. Feels strongly that government should support most vulnerable citizens. This is a group of vulnerable citizens that government could feel good about helping.
- 090 Rep. Kafoury Asked if Knopp and Backlund would support raising minimum income to \$27,500, as in

HB 3022.

Both would support this.

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| 114 | Rep. Knopp | When first saw this bill, wondered if there would be any interest in it. Has heard from constituents who would use it. |
| 133 | John Roach | Spoke in support of HB 2901. Has been working with Rep. Witt on tax relief for disabled homeowners. Has experienced major health problems, had to file for disability. Is in danger of losing his home. When he built his home in 1974, the property taxes were \$400. Last year they were \$2,850. Roach's sole income is his disability benefits. He has spent all of his savings, including \$8,000 in back property taxes. He is 51 and can no longer work. Has been in his home 25 years. Would like to stay there. |
| 215 | Roach | Expressed appreciation for Rep. Witt and others who have sponsored this bill. Supports higher income figure. Urged committee to pass bill. |
| 235 | Tom Ruedy | Spoke in support of HB 2901. Gave account of how passage would impact him personally. Had diving accident in 1984 and is in wheelchair now. In hospital, social worker told him he would have to spend every dime he had in order to qualify for Social Security. Was able to continue house payments while waiting to qualify. Property taxes were at affordable level at that time. Now, he pays \$2,500 per year in property taxes. His housing allowance has decreased since 1990. Now he needs assistance. He is employed, and is at a point where he could succeed or lose his home. |
| 294 | Ruedy | <p>Suggested amendments: Correct spelling of his name is "R-u-e-d-y."</p> <p>Second, require disabled recipients to be on Social Security. This would wipe out income requirements.</p> <p>Third, currently disabled people who become "not disabled" have to immediately pay their back taxes. Urged committee to modify this in order to avoid huge tax bills.</p> |
| 339 | Rep. Witt | Thanked Mr. Roach and Mr. Ruedy for their help with this bill. |
| 348 | Roach | Changes were made on taxation to create a two-year limit for collecting arrearages. If that was the process when Roach was applying for disability, he would have lost his home. Getting disability can be a long process. |
| 372 | Rep. Shetterly | Commented on revenue impacts of HB 3022 and HB 2901. They show loss of revenue followed by a recovery. Bill would make money with deferred payment with interest. |
| 409 | Roach | Concerning July 1, 2000 effective date, he will not have the money to pay his taxes in |

November 1999. Requested committee to consider changing this date.

431 Martin-Mahar Bill would have accumulative effect over time since there is no age requirement or time limit for qualification.

See Revenue Impact of Proposed Legislation (**EXHIBIT 4**).

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028 Shirley Leiper Responded to Rep. Shetterly's question whether Senior Deferral Program is breaking even or making money. Last biennium, program had excess amount and returned it to the general fund. This biennium, excess won't be as large due to Y2K bug. Some payments are coming in higher than original projections.

Seniors can take property taxes as itemized deduction in the year the state pays their taxes. They can also take itemized deduction for interest. They cannot save up the years of deferred taxes and take it all at one time; they can only take the year it is deferred.

055 Rep. Merkley Asked Leiper to explain comment about Y2K.

057 Leiper Dept. of Revenue had to divert money to make the Senior Deferral Program Y2K compliant. This is only a small amount of money.

072 Jim Manary Expenses for Senior Deferral Program are paid out of program revenues. Payments coming in have exceeded payments going out. In this one time period, expenses are larger due to Y2K.

089 Leiper Y2K money for senior deferral is program-specific. Money is used to move process into accounting agency.

101 Rep. Rosenbaum Asked how Department informs seniors about this program.

105 Leiper Department does two news releases, also distributes information circulars. Information is available in Oregon tax booklets and at senior centers. Works with AARP, Dept. of Veterans Affairs, etc. to get information out.

137 Rep. Witt Will draft some amendments for HB 2901 in regard to today's testimony.

140 Chair Strobeck Closed public hearing on HB 2792, HB 3022, and HB 2901. Opened work session on SB 125.

WORK SESSION ñ SB 125

- 151 Lizbeth Martin-Mahar Gave brief review of to SB 125-A Engrossed bill. See SB125 ñ Main Points (**EXHIBIT 5**). Reviewed Sections 1-4 (Makes the following changes and applies to all counties statewide)
- Section 1: Makes distinction between real and personal property in terms of number of years a county assessor's office can correct roll for a clerical error. Five years are currently allowed for personal property; bill would allow only three years on real property account.
- 166 Martin-Mahar Section 3: Applies same time period for clerical errors due to omitted property.
- 172 Chair Strobeck Why the difference between real and personal property?
- 177 Jim Manary Problem came out of discussion about Laura Atterberry's situation. Tried to limit focus of relief on real property. Concept was to limit the scope of the bill.
- If this bill passes, counties could only go back three years to correct errors.
- Thought was to limit it to three to provide more stability for system.
- 217 Martin-Mahar Section 2: Deals with delinquent interest changes. Corrections will now go on the next year's tax roll. Changes the time of delinquency to begin in year when corrections are put on the tax roll.
- Section 4: Does same thing with omitted property.
- 242 Martin-Mahar Sections 5-7: Sections With a Revenue Impact
- Section 5: Date of implementation of sections 1-4 is January 1, 1998.
- Section 6: Outlines how counties should implement changes of corrections on the roll.
- 295 Martin-Mahar Section 7: Waives five years in taxes and delinquent interest (\$7,000) for Laura Atterberry.
- 318 Gil Riddell Spoke against changing relief time from five years to three years for real property. Gave example of diligent taxpayers who pay on taxable property the last five years; and taxpayers who choose not to pay. With this change, both cases of taxpayers get out of paying taxes for two years.
- Asked committee to consider granting tax relief to Ms. Atterberry separately from changing the relief time in general.

374	Rep. Witt	Discussed whether to consider Ms. Atterberry's situation separately. Riddell: Legislature does this from time to time.
410	Rep. Witt	Does not believe point of legislation is to make exceptions for individuals. Is disturbed that Riddell wants to maintain the standard for everyone but one person.
426	Chair Strobeck	Legislature is a place where both these things happen. This is not an unusual request.
441	Vice Chair Rasmussen	Understands committee is attempting to describe a circumstance with three properties, two were able to pay their back taxes. Ms. Atterberry was unable to pay. Legislative Revenue Office has searched for other cases with similar situations, has not found anyone.

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030	Chair Strobeck	Asked Rep. Witt why he has a problem with this. If law were left as is, corrections could be made to roll for five years.
038	Rep. Witt	Concern is that lawmakers are creating a double standard. Standard should be consistent ñ three years. Therefore, two years would be waived, not five years.
062	Rep. Merkley	Believes there is an even broader problem if law is left at three years: Taxpayers who alert counties of problems and pay their taxes will pay for all five years, while those who hid errors would only go back three years. Two issues: Current policy, exceptional circumstance.
081	Vice Chair Rasmussen	1995 legislature made a mistake which forced Ms. Atterberry into near foreclosure. Legislature has a responsibility to make good that error.
092	Gary Carlson	Interim task force worked on 10 issues, and all but one has been dealt with. One issue that Associated Oregon Industries is concerned with is "adjudicated value" under ORS 309.115. In early 1980s, AOI drafted a bill calling for carry-forward or "freeze" of final adjudicated value. When six-year reappraisal cycle was eliminated, the regularly scheduled physical reappraisal cycle went away for all property. The five-year hold on an adjudicated value disappeared. AOI asked Dept. of Revenue to re-implement five-year figure. Department preferred three years. SB 125 deals with half of the equation ñ three years for real property, but five years for personal property.
139	Carlson	AOI has drafted amendments to HB 2129. Has discussed issue with counties. Would like to resolve adjudicated value issue. Would support five years as an alternative to the one AOI is advocating.

164	Rep. Kafoury	Asked Vice Chair Rasmussen to elaborate on "mistake" that the 1997 legislature made in Measure 50.
169	Vice Chair Rasmussen	Before 1997 session, Ms. Atterberry would have had a number of payment options. Legislature eliminated those options.
175	Debbie Huggins	Concerning Rasmussen's comments. Prior to law change, when assessor discovered a clerical error, property owner had same number of years to repay taxes as the error. That was removed in 1995.
203	Gary Bartholomew	That bill came from Dept. of Revenue with the intention of uniformity.
216	Manary	Dept. of Revenue was attempting to bring uniformity to three different kinds of corrections: clerical errors, errors of another kind, omitted property.
228	Chair Strobeck	Committee is not ready to move this bill. Would like more discussion on correcting mistakes and time period. Does not believe it is a good idea to make major policy change because of one anomaly. Would do a one-time fix. Asked committee to consider how to preserve five-year policy while being fair to Ms. Atterberry.
268	Rep. Witt	Suggested an interest-free deferral for as long as she owns the home rather than writing off her taxes.
284	Vice Chair Rasmussen	Repayment for income tax is three years. Five-year standard has to do with tradition. Three years would bring this into alignment with income taxes.
306	Rep. Merkley	Is it worth the cost for reprogramming?
306	Vice Chair Rasmussen	Stood by language in the bill in regard to Ms. Atterberry.
369	Rep. Witt	Suggested dealing with Ms. Adderberry separate from the bill.
371	Manary	Suggested changing foreclosure section of bill.
385	Chair Strobeck	Adjourned meeting at 10:30 a.m.

Submitted by, Reviewed by,

Barbara J. Guardino Kim T. James

Committee Assistant Revenue Office Manager

Exhibit Summary:

1. HB 2792, Close, Proposed Amendments to House Bill 2792, 1 p.
2. HB 2792, Martin-Mahar, Revenue Impact of Proposed Legislation, 2 pp.
3. HB 3022, Martin-Mahar, Revenue Impact of Proposed Legislation, 1 p.
4. HB 2901, Martin-Mahar, Revenue Impact of Proposed Legislation, 2 pp.
5. SB 125, Martin-Mahar, SB125 ñ Main Points, 2 pp.