

PUBLIC HEARING: HB 2090, HB 2375, HB 2765,

HB 3002, HB 3157, HB 3200, HB 3330,

HB 3338, HB 3412, HB 3510, HB 3588

PUBLIC HEARING AND WORK SESSION: HB 3428

WORK SESSION: HB 2299, HB 2300, HB 2982

TAPES 135 A/B

136 A

HOUSE REVENUE COMMITTEE

APRIL 16, 1999 - 8:00 A.M. - HEARING ROOM A - STATE CAPITOL BUILDING

Members Present: Rep. Ken Strobeck, Chair

Rep. Anitra Rasmussen, Vice Chair

Members Absent: 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

Steve Meyer, Economist, Legislative Revenue Office

Ed Waters, Economist, Legislative Revenue Office

Joan Green, Committee Assistant

Witnesses: Walter Crews, Retired Master Sergeant, United States Air Force

Mike Caldwell, Colonel Oregon National Guard

Chuck Smith, Treasurer's Office

Rollie Wisbrock, Treasurer's Office

Cynthia Byrnes, Attorney General's Office

Scot Sideras, Oregon Tax Court

TAPE 135, SIDE A

010 Chair Strobeck Meeting called to order at 8:35 p.m.

011 Chair Strobeck The Chair's intent for all of the bills listed on today's agenda, as "public hearing" is simply to gavel the measures in. Testimony on the measures will not be received today; with the exception of HB 3338. All the measures will be rescheduled for testimony at a later date.

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018 No testimony presented.

PUBLIC HEARING ON HB 3338

034 Walter Crews Presented testimony in support of measure. (Exhibit 1)

098 Chair Strobeck Wouldn't it make more sense to parallel the federal tax law language of "combat zones" instead of the proposed language in the measure of "a period of combatant activities"? Is there a definition for "combatant activities"?

107 Mike Caldwell Currently the Oregon National Guard has had troops deployed to Germany, which is not in the combat zone, but it is in support of the activity occurring in the Balkan States.

121	Chair Strobeck	Does the definition for the federal exemption on the taxes also include "a period of combatant activities"?
126	Caldwell	Uncertain will need to research and report back.
138	Chair Strobeck	Is there currently a deferral of taxes or exception for people called up to active duty?
141	Caldwell	The first \$3,000 is exempt, if you are on federal active duty outside the State of Oregon.
140	Rep. Williams	Does that particular exemption protect guard members?
145	Caldwell	Yes. Spoke in support of the measure.
166	Chair Strobeck	Would the area in Germany be considered a qualified hazardous duty area, under the public law, as requested by the amendment?
169	Caldwell	Uncertain will need to research and report back.
184	Rep. Shetterly	The bill, as drafted, is very broad, couldn't the language in lines 5-6 of the measure refer to someone based in Idaho?
191	Crews	Cited an example; the language "in support of" are the key words to qualify for the exemption.
211	Chair Strobeck	Requested that the witnesses research the "combat zone" language and the language in lines 5-6, as referred to by Rep. Shetterly.
207	Caldwell	Will review both phrases and report back.

227	Rollie Wisbrock	Spoke in support of the measure.
256	Chuck Smith	Presented testimony in support of measure. (Exhibit 2) Requested adoption of the (-2) amendment. (Exhibit 3)
288	Cynthia Byrnes	Reviewed the (-2) amendment, (Exhibit 3).
349	Chair Strobeck	For the record does anything in the bill change the intent of what the voters approved at the ballot box?
353	Byrnes	There are no substantive changes, in terms of intent or to the working of the bill. It is clarification and housekeeping strictly.
343	Vice Chair Rasmussen	Why was the emergency clause requested?
362	Smith	An emergency clause will allow school districts to actively refund their bonds with a state guarantee earlier this year.
377	Chair Strobeck	Will this measure change the status of any of the five districts that already have bonds through this program?
379	Smith	No.
385	Staff	Distributed staff measure summary, revenue and fiscal impact statements. (Exhibit 4)

WORK SESSION ON HB 3428

391	Vice Chair Rasmussen	MOTION: MOVED (-2) AMENDMENT TO HB 3428 BE ADOPTED. HEARING NO OBJECTION, THE CHAIR SO ORDERED.
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396 Vice Chair Rasmussen MOTION: MOVED HB 3428, AS AMENDED, TO THE HOUSE FLOOR WITH A DO PASS AS AMENDED RECOMMENDATION.

396 VOTE ROLL CALL VOTE: MOTION PASSES 8-0-1
REPRESENTATIVES VOTING AYE: Kafoury, Rosenbaum, Shetterly, Welsh, Williams, Witt, Rasmussen, Chair Strobeck
REPRESENTATIVES EXCUSED: Merkley
Rep. Williams will carry the bill.

WORK SESSION ON 2982

422 Steve Meyer HB 2982 dealt with the "new value" in school districts, the tax on that value and whether that tax would be included in the school distribution formula as local revenue. Reviewed testimony from previous hearings.

Reviewed measure and the (-4) amendment section by section. (Exhibit 5)

TAPE 136, SIDE A

002 Chair Strobeck Does the (-4) amendment address urban renewal areas?

003 Meyer Depending on whether tax on the exception value goes to the school district or somewhere else would determine how the exception value in an urban renewal area would be handled.

The original impact statement was too low, with more complete data for 1998-99 from the Department of Revenue the impact will increase by approximately \$27 million.

031 Chair Strobeck Under current law the increased value would be considered local revenue and the dollars would not need to be back-filled by State funds, correct?

036 Meyer Yes.

044	Rep. Rosenbaum	School districts with new construction would get significantly more revenue under this proposal than those school districts without a lot of exception value, correct?
050	Meyer	Explained the process at it would relate to the formula; school districts could receive less combined total from the formula, but to compensate they would have the capital project money from property taxes. The two must be netted out to determine whether schools gain or lose from this process.
066	Chair Strobeck	This measure would limit growth in local tax revenue that would go to operations, which would not have to be offset by State funds. All other growth would be captured and sent to local districts for capital projects. "That is a lot of money."
072		Discussion and questions regarding "high-growth" or "growth" in value not related to student growth. Student growth does not build capacity and creates its own set of problems; there could conceivably be student growth without property value growth.
114	Rep. Shetterly	Spoke to the measure assisting in capital expenditure, but it reduces funds for operation in districts that don't benefit on the capital side. That can increase the States burden to backfill those operational losses statewide. Spoke to property tax local option layered on top of this; the local option probably would more likely to be adopted in high-growth districts. If the impact of local option plus the capture of this exception value tax were aggregated would there be disparity between districts around the State.
135	Rep. Witt	Spoke to his support of the direction that this bill goes in; cited example of where the current equalization formula is not fair to all districts and this bill moves in a direction to correct that inequity.
155	Rep. Welsh	Spoke to how the measure would affect the varied school districts within his district, some of which are high growth student population and some as high growth property value, but stable student population. Believes the measure moves in the right direction if the State is willing to work on the equity issues and perception.
171	Chair Strobeck	Spoke in support of the concept, however some issues have been identified. Requested the measure be rescheduled to begin the work on amendments to address the concerns raised.
187	Rep. Rosenbaum	What is the status of data for the counties that did not previously have data available?

190 Meyer More county data is available, the original run used the exception value as reported, which is too high.

WORK SESSION ON HB 2299

208 Ed Waters Reviewed HB 2299, which clarifies in the statutes certain references to the tax court and clarifies which division is being referred to.

215 Chair Strobeck Was the mailing or entry issue ever resolved?

217 Waters No.

220 Vice Chair Rasmussen MOTION: MOVED HB 2299 TO THE HOUSE FLOOR WITH A DO PASS RECOMMENDATION.

303 Rep. Merkley Spoke to concerns, which could be allayed with the following language on page 1, lines 21-22:

All written magistrate decisions shall be mailed to the parties to the appeal and to the Department of Revenue within five days of the date of entry of the written decision.

334 Scot Sideras The Tax Court would not have any objection to the conceptual amendment; the Court has every confidence that the mailing would occur well within the five-day limit suggested.

269 Vice Chair Rasmussen Would that need to be five working days?

272 Rep. Merkley Would leave to the discretion of the Tax Court.

274 Sideras There is no problem with 5 days.

279 Chair Strobeck Restarted amendment.

- 283 Rep. Merkley Confirmed.
- 288 Vice Chair Rasmussen MOTION: REQUESTED UNANIMOUS CONSENT TO WITHDRAW MOTION WHEREBY HB 2299 WAS MOVED TO THE HOUSE FLOOR WITH A DO PASS RECOMMENDATION. HEARING NO OBJECTION, THE CHAIR SO ORDERED.
- 290 Vice Chair Rasmussen MOTION: MOVED BY CONCEPTUAL AMENDMENT TO DELETE THE PERIOD (.) AFTER THE WORD "REVENUE" AND ADD THE FOLLOWING LANGUAGE "WITHIN FIVE DAYS OF THE DATE OF ENTRY OF THE WRITTEN DECISION." ON LINE 22, PAGE 1 OF HB 2299. HEARING NO OBJECTION, THE CHAIR SO ORDERED.
- 301 Vice Chair Rasmussen MOTION: MOVED HB 2299, AS AMENDED, TO THE HOUSE FLOOR WITH A DO PASS AS AMENDED RECOMMENDATION. HEARING NO OBJECTION, THE CHAIR SO ORDERED. (EXCUSED: REP. WILLIAMS)
- Rep. Merkley will carry the bill.

WORK SESSION ON HB 2300

- 310 Ed Waters Reviewed HB 2300, which extends the period for appealing tax assessments in certain cases and in those cases it allows appeal of tax exemption to be filed within three years from the date the tax is actually paid. By paying your tax you can extend the period to file an appeal and receive a possible refund.
- 323 Rep. Shetterly MOTION: MOVED HB 2300 TO THE HOUSE FLOOR WITH A DO PASS RECOMMENDATION. HEARING NO OBJECTION, THE CHAIR SO ORDERED. (ALL MEMBERS PRESENT)
- Rep. Merkley will carry the bill.
- 336 Chair Strobeck Reviewed the schedule for next week. Discussed the Chair's intent for the work session on tax credits, which is scheduled for Monday.
- Chair Strobeck Meeting adjourned at 9:32 a.m.

Joan Green Kim T. James

Committee Assistant Revenue Office Manager

Exhibit Summary:

1. HB 3338, Crew, Written testimony, 25 pages
2. HB 3428, Smith, Written testimony, 1 page
3. HB 3428, Byrnes, (-2) amendment, (CH/ps) 04/15/99, 1 page
4. HB 3428, Meyer, Staff measure summary, revenue and fiscal impact statements, 3 pages
5. HB 2982, Meyer, (-4) amendment, (Dj/ps) 04/15/99, 6 pages