

PUBLIC HEARING: HB 3575

WORK SESSION: SB 248-A

PUBLIC HEARING & WORK SESSION:

SB 246-A, SB 249-A, HB 2625

TAPES 199, 200 A/B

HOUSE REVENUE COMMITTEE

MAY 25, 1999 ñ 8:15 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

Richard Yates, Economist, Legislative Revenue Office

Barbara Guardino, Committee Assistant

Witnesses: Ray Wilkeson, Oregon Forest Industries Council

Alice Propes, Dallas, Oregon Small Woodland Association

Don Schellenberg, Oregon Farm Bureau

Karla Chambers, Corvallis

Tom Linhares, Columbia County Assessor

Gil Riddell, Association of Oregon Counties

Ron Eber, Dept. of Land Conservation and Development

Jim Manary, Oregon Dept. of Revenue

Susan Browning, Oregon Dept. of Revenue

TAPE 199, SIDE A

008 Chair Strobeck Called meeting to order at 8:25 a.m. Opened public hearing on HB 3575.

PUBLIC HEARING ñ HB 3575

020 Richard Yates Reviewed HB 3575. See Staff Measure Summary (**EXHIBIT 1**). Current law was set in 1993 before Measure 50. Bill addresses problem for forestland owners with at least 5,000 acres. Division line between industrial owners and small forestland owners. Requires those who own more than 5,000 acres to be assessed. Bill is divided into two parts, Eastern Oregon and Western Oregon.

054 Yates Principle difference between this bill and HB 3734 from 1997 session: Landowner could make a one-time election to be taxed at 100% of forestland value and thereby be exempt from privilege tax.

070 Ray Wilkeson Spoke in support of the measure. Updated committee on recent discussions about the bill and ways to resolve outstanding issues. Two most difficult issues: Revenue impact of biennium beginning July 1, 1999; elimination of privilege tax for large land owners leaves a system with high administrative costs and little revenue.

Governor made suggestions to Oregon Forest Industries Council:

1. Concern with revenue impact for upcoming biennium; suggested bill have no revenue impact. Two-year delay in implementation
2. Phase-in, phase-out process not to exceed five years
3. Land values in statute ñ questions about accuracy.
4. Small landowner program
5. Dept. of Revenue administrative issues
6. Double taxation, addressed through HB 2452, could be part of package

126 Wilkeson Reviewed written testimony, HB 3575 Draft Amendments (**EXHIBIT 2**).

- A. For those owning more than 5,000 acres
- B. For those owning less than 5,000 acres
- C. Statutory land values

201 Wilkeson

- Distribution

- Non-forestland owners would be exempt from the privilege tax

255	Rep. Shetterly	Expressed thanks to Governor's office. This is a resolution to a bill that was vetoed earlier.
271	Rep. Merkley	How will the bill handle recapture as people transition from 20% tax into 100% tax (those who didn't harvest)? Follow-up questions.
277	Wilkeson	For forestland owners over 5,000 acres, and most of smaller landowners, there would no longer be a privilege tax. Tax rate would be assessed against 100% of values. There is probably no way to recapture the "in lieu of" privilege tax. It evens out for industry as a whole.
326	Alice Propes	Spoke in support of the measure and of Wilkeson's proposed amendments. Concurred with Wilkeson's testimony.
352	Don Schellenberg	Spoke in support of the measure. Concurred with previous testimonies. Urged committee to pass this bill.
371	Chair Strobeck	Closed public hearing on HB 3575. Opened public hearing on HB 2625.

PUBLIC HEARING n HB 2625

376	Rep. Welsh	Gave overview of HB 2625. Referred to Revenue Impact statement (EXHIBIT 3). Increases square footage allowed in on-farm processing facilities from 10,000 square feet to 40,000 square feet. Water and Environment discussed this bill. Counties said there would be very little assessed value compared to a food processing facility. Upon closer look, Rep. Welsh decided to send it to revenue to confirm this. Believes food processing belongs on the property that grew the crop.
435	Karla Chambers	Spoke in support of the measure. Farmers are under a great deal of strain nationwide. Bill streamlines farming so farmers can compete in economic world today. Processing on-site would help accomplish this.

TAPE 200, SIDE A

032	Chambers	See written testimony, On Farm Processing Policy (EXHIBIT 5) pages 1 and 2 verbatim.
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070	Chambers	Page 3: Federal, State & Local Agencies That Regulate, Fine/Fee, or Interact With Agriculture (Lists 33 regulating agencies)
085	Chambers	Pages 5-7: Taxes, Fees & Fines Paid by Oregon Agriculture
097	Chambers	Page 8: 10,000-40,000 square feet ñ Why?
133	Tom Linhares	Spoke in opposition to the measure. Bill speaks to difficulty of issues that have a land use and property tax farm use assessment. This issue was dealt with during 1997 session (SB 588). SB 588 opened door to even larger facilities by allowing on-site facilities of 10,000 square feet HB 2625 would increase this to 40,000; an amendment was considered to raise it to 75,000 square feet. Concerned that in future, the larger landowners will be asking for this, and that will have significant revenue impact.
205	Gil Riddell	Spoke in opposition to the measure. Concurred with Linharesí testimony. This is the first time this concept has had a revenue impact statement. Association of Oregon Counties agrees with concept, just not the means to achieve it. Suggested the committee explore other strategies to achieve the same end.
225	Rep. Williams	Wonít the fact that it is on-site processing limit the number of facilities? Follow-up questions.
234	Linhares	Anticipates expansion from on-site processing to cooperative farms. That would take a simple amendment.
248	Riddell	Other agricultural issues have grown over time. Nothing indicates that once this bill begins to grow it wonít continue to grow.
258	Vice Chair Rasmussen	Has seen this occur many times.
272	Rep. Williams	It is the responsibility of this committee to decide on a bill based upon its merits, not possible future expansion.
282	Rep. Welsh	What would Linhares and Riddell do to address this issue?
293	Riddell	Situation changed after Measure 50. Before, it was possible to pass the burden of property taxes to other taxpayers. This bill is an incremental change from 10,000 to 40,000. This is

an example of what will occur in the future. Association of Oregon Counties supports economic development strategies that provide opportunities for value-added production. Would prefer lawmakers use other means to achieve it.

- 325 Rep. Witt Isn't there a tremendous economic benefit to state of Oregon to process food crops in Oregon? Follow-up questions.
- 331 Riddell That is a strong case for income tax or grant help. There are more adequate tools to use than the property tax system.
- 375 Rep. Merkley Was told previously that this isn't about siting commercial facilities on a farm, but it is really a tax case about whether to leave the land valued as farmland when a commercial activity is taking place on it. With the 10,000-foot provision in current law, the answer is "yes". There are two different tax issues: Valuation of the land, and valuation of building and equipment. Is it correct that the advantages between the two approaches are as follows:
1. Farmer is exempt from impact on neighbors.
 2. Land is valued at lower level.
 3. Equipment within the facility is not valued as personal equipment. This results in one process break and two tax breaks. Is this correct?
- 435 Linhares That is correct, as far as tax breaks. The building would be taxable.

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TAPE 199, SIDE B

- 028 Rep. Merkley Under current law, only 10% of processing has to come from the farm. That means the facility can be 90% commercial. Under proposed expansion, would that ratio be preserved?
- 035 Linhares Yes.
- 037 Vice Chair Rasmussen Hypothetical question about whether an individual running a mint processing plant in town would have a different tax structure than a farmer who lives on site.
- 041 Linhares Personal processing is already exempt. Buildings are always taxable. There would be a different tax structure if the individual in town was not processing 25% of his own mint. Main beneficiaries of expansion from 10,000 square feet to 40,000 are small wineries.
- 080 Ron Eber Spoke in opposition to the land use portion of the measure. Explained relationship between land use and tax impact. Concern is that the manner in which the tax is being provided significantly affects the land use side of the issue. Two ways to get processing facilities in farm zone - small facilities, or commercial activities in conjunction with farm use. Gave brief history of review of this issue. Increase in square footage is the wrong way to achieve

this. It exempts larger scale operations in farm zones from land use review.

178 Chambers Encouraged committee to take proactive stance on this measure. This practice on Chambersí farm has brought business to Oregon from other states. Keeps Oregon farmers competitive nationally and internationally.

203 Chair Strobeck Closed public hearing on HB 2625. Opened work session on HB 2625.

WORK SESSION n HB 2625

217 Rep. Witt **MOTION: MOVED HB 2625 TO THE HOUSE FLOOR WITH A DO PASS RECOMMENDATION.**

220 Rep. Merkley Will oppose bill. It eliminates good neighbor standards. Also issue of fairness with commercial facilities paying taxes where these facilities would not.

236 Rep. Witt Lawmakers provide tax breaks to large corporations. This ° - æ statute is already in statute. Will support bill.

252 Vice Chair Rasmussen Will oppose bill. Suggested interim revenue committees review how farm taxation has evolved.

266 Chair Strobeck Will support bill but reserve the right to vote "no" on the floor.

274 Martin-Mahar Commented on revenue impact. Was not aware that personal property would be exempt. Revenue impact is much larger than statement shows. Will issue a revised statement.

312 Rep. Shetterly Expressed concern with Martin-Maharis comments on "unknown" revenue impact.

344 Rep. Rosenbaum Would like to see revised revenue impact before voting.

355 Martin-Mahar Can get information by tomorrow.

399 Rep. Witt **WITHDREW MOTION.**

402 Chair Strobeck Closed work session on HB 2625. Opened work session on 248-A.

WORK SESSION n SB 248-A

- 405 Chair Strobeck **MOTION TO SUSPEND RULES IN ORDER TO RECONSIDER SB 248-A. HEARING NO OBJECTIONS, THE CHAIR SO ORDERED.**
- 411 Martin-Mahar Reviewed SB 248-A5 amendments. Incorporate conflicts that had to be resolved with another bill.
- 420 Chair Strobeck **MOVED nA5 AMENDMENTS TO SB 248-A BE ADOPTED. HEARING NO OBJECTIONS, THE CHAIR SO ORDERED.**
- 422 Chair Strobeck **MOTION: MOVED SB 248-A, AS AMENDED, TO THE HOUSE FLOOR WITH A DO PASS AS AMENDED RECOMMENDATION.**
- HEARING NO OBJECTIONS, THE CHAIR SO ORDERED. REP. SHETTERLY WILL CARRY THE BILL.**
- REPRESENTATIVES PRESENT: KAFOURY, MERKLEY, ROSENBAUM, SHETTERLY, WELSH, WILLIAMS, WITT, VICE CHAIR RASMUSSEN, CHAIR STROBECK**

TAPE 200, SIDE B

- 013 Chair Strobeck Closed work session on SB 248-A. Opened public hearing on SB 246-A

PUBLIC HEARING n SB 246-A

- 016 Jim Manary Directed members' attention to SB 246A Roll Corrections (**EXHIBIT 7**).
Sections 1-2: Error Corrections (omitted Property): Measure 50 Limit Calculations
Section 3: Exemption Disqualifications: Apply Prospectively
Questions and discussion.
- 083 Manary Section 4: Error Correction (Omitted Property): Combined Returns
- 093 Chair Strobeck Closed public hearing on SB 246-A. Opened work session on SB 246-A.

WORK SESSION n SB 246-A

094	Vice Chair Rasmussen	MOTION: MOVED SB 246-A TO THE HOUSE FLOOR WITH A DO PASS RECOMMENDATION.
096	Chair Strobeck	ASKED FOR OBJECTIONS TO MOTION. HEARING NO OBJECTIONS, THE CHAIR SO ORDERED. REP. KAFOURY WILL CARRY THE BILL. REPRESENTATIVES PRESENT: KAFOURY, MERKLEY, ROSENBAUM, SHETTERLY, WELSH, WILLIAMS, WITT, VICE CHAIR RASMUSSEN, CHAIR STROBECK
102	Chair Strobeck	Closed work session on SB 246-A. Opened public hearing on SB 249-A

PUBLIC HEARING n SB 249-A

105	Susan Browning	SB 249-A is a clean-up of Amusement Device Tax Program. See written testimony (EXHIBIT 11) . Video display terminals is the only remaining device that pays this tax. Reviewed summary section-by-section.
124	Browning	Section 1: Definition of "Amusement Device" Section 2: Clarifies tax is imposed for the privilege of operating an amusement device Section 3: No changes
133	Browning	Section 4: No changes Section 5: Pulls together collection and fee provisions Section 6: \$200 failure to pay penalty
147	Browning	Sections 7-14
167	Chair Strobeck	Closed public hearing on HB 249-A. Opened work session on SB 249-A.

WORK SESSION SB 249-A

170	Vice Chair Rasmussen	MOTION: MOVED SB 249-A TO THE HOUSE FLOOR WITH A DO PASS RECOMMENDATION.
171	Chair Strobeck	ASKED FOR OBJECTIONS TO MOTION. HEARING NO OBJECTIONS, THE CHAIR SO ORDERED. REP. ROSENBAUM WILL CARRY THE BILL.

**REPRESENTATIVES PRESENT: KAFOURY, MERKLEY, ROSENBAUM,
SHETTERLY, WELSH, WILLIAMS, WITT, VICE CHAIR RASMUSSEN, CHAIR
STROBECK**

178 Chair Strobeck

Closed work session on SB 249-A. Adjourned meeting at 10:15 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 3575, Yates, Staff Measure Summary, 1 p.
2. HB 3575, Wilkeson, HB 3575 Draft Amendments, 2 pp.
3. HB 2625, Martin-Mahar, Revenue Impact of Proposed Legislation, 1 p.
4. HB 2625, Martin-Mahar, Legislative Fiscal and Revenue no impact statements, 1 p.
5. HB 2625, Chambers, On Farm Processing Policy, 7 pp.
6. SB 248, Martin-Mahar, Proposed Amendments to A-Engrossed Senate Bill 248 (SB 248-A5), 6 pp.
7. SB 246, Manary, SB 246 A Roll Corrections, 2 pp.
8. SB 246, Martin-Mahar, Revenue Impact of Proposed Legislation for SB 246-A, 1 p.
9. SB 246, Martin-Mahar, Staff Measure Summary, 2 pp.
10. SB 246, Martin-Mahar, Legislative Fiscal Office Fiscal Impact Assessment, 1 p.
11. SB 249, Browning, SB 249 A-Engrossed Department of Revenue, 2 pp.
12. SB 249, Yates, Staff Measure Summary, 1 p.