

## HOUSE REVENUE COMMITTEE

JUNE 10, 1999 ñ 8:15 A.M. ñ HEARING ROOM A ñ STATE CAPITOL BUILDING

Members Present: Rep. Ken Strobeck, Chair

Rep. Anitra Rasmussen, Vice Chair

Rep. Deborah Kafoury

Rep. Diane Rosenbaum

Rep. Max Williams

Rep. Bill Witt

Members Excused: Rep. Jeff Merkley

Rep. Lane Shetterly

Rep. Jim Welsh

Staff: Paul Warner, Legislative Revenue Officer

Richard Yates, Economist, Legislative Revenue Office

Barbara Guardino, Committee Assistant

Witnesses: Ray Wilkeson, Oregon Forest Industries Council

### TAPE 209, SIDE A

005 Chair Strobeck

Called meeting to order at 8:25 a.m. Opened work session on HB 3575.

Committee will not move HB 3575 today.

**WORK SESSION # HB 3575**

020	Richard Yates	Directed members' attention to:  Staff Measure Summary ( <b>EXHIBIT 1</b> ), description of HB 3575-4 amendments.  Section-by-section summary ( <b>EXHIBIT 2</b> ).  Summary page ( <b>EXHIBIT 3</b> ) for #4 amendments.
051	Yates	Began review of section-by-section summary, comparison of changes that apply to Eastern Oregon and Western Oregon. Dark lines in each section underline application date.  Sections 1 and 34: Adds sections to Relevant Statutes  Sections 2(2) and 35(1): DOR (Dept. of Revenue) to identify ownership groups.  Sections 2(2) and 35(2) Defines SAV (specially assessed value) as 75% of indexed statutory values.  Etc.
103	Yates	Sections 3 and 36: Defines MAV (maximum assessed value) (2000) as 75% of SAV (specially assessed value) (1995)  Sections 4(1) and 37(1): Disqualifies affected properties from 20% assessment.
143	Yates	Sections 5(3) and 38(3): Small ownership election for Section (2, 35) assessment.
171	Yates	Sections 7 and 40: Amends Section (2, 35) of this Act.  7(2) and 40(2): Defines SAV as 100% of indexed statutory values.
180	Yates	Sections 9(1) and 42(1): Disqualifies small ownerships from 20% assessment.
229	Yates	Sections 12 and 45: Amends ORS (321.257, 321.805): Definitions  New indexes: Average Pacific Northwest Coast Lumber Price Index (Western Oregon); and Average Pacific Northwest Inland Lumber Price Index (Eastern Oregon).
248	Yates	Page 2  Section 46: Amends ORS 321.811 Forestland value per acre  Section 14(3)(a)(A-E): Freezes current law through 6/30/01

286	Yates	Sections 17 and 49: Amends ORS 321.267, 321.415 Exemptions from privilege tax
304	Yates	Sections 19 and 51: Amends ORS 321.272, 321.420 Imposition of privilege tax
314	Yates	Sections 21 and 53: Amends ORS 321.273, 321.421 Privilege tax rates
322	Yates	Section 23: Amends ORS 321.272 Privilege tax rates (again)  Section 25: Amends ORS 321.282 Value areas
354	Yates	Section 27: Amends ORS 321.379 Information reports
362	Yates	Page 3 (distribution)  Sections 29 and 55: Amends ORS 321.307, 321.485 WOTTA (Western Oregon Timber Tax Account) and EOTTA (Eastern Oregon Timber Tax Account)  Sections 29(1) and 55(1) Add "other expenses associated with forest taxation" as fundable

**TAPE 210, SIDE A**

031	Yates	Continued sections 29 and 55: Monies currently on reserve  Sections 29(5) and 55(5): DOR to determine, by 8/31, \$ for prior fiscal year and remit to counties  Sections 56 and 57: Assessor to offset county levies for Privilege tax
081	Yates	Section 30: Amending ORS 321.312 Offsets
088	Yates	Sections 32(1) and 58a(1): No "normal" distributions from WOTTA or EOTTA after 7/1/00  Section 32(2): By 8/31/00 30% of balance in WOTTRA (Western Oregon Timber Tax Reserve Account)
132	Yates	Section 59: Interim Study and Report  59(1): DOR to convene group to review and recommend forestland values by 1/1/01

174	Yates	<p>Page 4</p> <p>Summarized clean-up provisions: Deletes WOTTA, substitutes immediate harvest value for stumpage value, repeals a number of ORS sections.</p>
201	Yates	<p>Directed members' attention to HB 3575-5 amendments (<b>EXHIBIT 4</b>).</p> <p>HB 3575 changes the rate for the privilege tax for a phase-in period of two years. Amendments change the phase-in period to three years and allow a different rate in each phase-in period.</p>
211	Chair Strobeck	<p>There is disagreement over two or three years, which would determine the rate. It is time to reach an agreement.</p>
224	Yates	<p>Summary for HB 3575-5 (exhibit 3) addresses this. Began review: Current Law, Privilege Tax, Property Tax</p> <p>Discussed Current Law (first box): Forecast of what total privilege taxes would be for both Eastern and Western Oregon. Distributed to school districts or non-school districts.</p>
269	Yates	<p>Discussed HB 3575-5 Privilege Tax (second box): Forestland Ownership Groups, % decision factors. Dept. of Revenue and the Oregon Forest Industries Council (OFIC) have accepted this model.</p>
355	Yates	<p>Discussed Property Tax (third box): Deals with total value on roll. Value of forest land on the tax roll increases as it moves into the new program. Impacts school and non-school districts.</p>
415	All	<p>Questions and discussion on the difference in impact between two years and three years.</p>
440	Yates	<p>Would prefer that representatives from forest industry explain this.</p>

#### **TAPE 209, SIDE B**

018	Ray Wilkeson	<p>Oregon Forest Industries Council has had discussions with Governor's office concerning revenue impact in the 2001-03 biennium. Either way would be acceptable to the Governor. It is a matter of administration rather than winners and losers or fiscal impact.</p>
027	Chair Strobeck	<p>A three-year phase-in allows an extra year to collect revenue that might not be collected otherwise.</p>

032	Yates	A two-year phase-in would require creation of a surplus in first biennium that would fill a larger than acceptable reduction in the second year. That problem can be avoided by phasing in over three years.
040	Rep. Shetterly	HB 3575 addresses an inequity caused by Measure 50. Need to keep this in mind when discussing length of phase-in.
051	Wilkeson	Believes bill will be ready for movement June 11.
080	Chair Strobeck	Closed work session on HB 3575. Adjourned meeting at 9:25 a.m.

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Submitted by, Reviewed by,

Barbara J. Guardino Kim T. James

Committee Assistant Revenue Office Manager

Exhibit Summary:

1. HB 3575, Yates, Staff Measure Summary, 1 p.
2. HB 3575, Yates, section-by-section review of HB 3575-4, 4 pp.
3. HB 3575, Yates, review of HB 3575-5, 1 p.
4. HB 3575, Yates, Proposed Amendments to House Bill 3575 (HB 3575-5), 2 pp.
5. HB 3575, Yates, Proposed Amendments to House Bill 3575 (HB 3575-4), 64 pp.