

SENATE REVENUE COMMITTEE

January 18, 1999 - 3:00 P.M. - HEARING ROOM A - STATE CAPITOL BUILDING

Members Present: Senator Randy Miller, Chair

Senator Thomas Wilde, Vice Chair

Senator Lee Beyer

Senator Tom Hartung

Senator Charles Starr

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

Richard Yates, Economist, Legislative Revenue Office

Joan Green, Committee Assistant

Invited Testimony: Jim Manary, Division Administrator, Department of Revenue

TAPE 004, SIDE A

- | | | |
|-----|---------------|---|
| 005 | Chair Miller | Meeting called to order at 3:02 p.m. as a subcommittee for the purpose of orientation. Chair Miller and Sen. Starr present. |
| 011 | Lizbeth Mahar | Martin- Presented overview of Oregon Property Taxes, the key characteristics of the system and important issues this session. (Exhibit 1) |

Vice Chair Wilde joined committee at 3:05 p.m. making a quorum. Continued as full committee.

- 035 Martin-Mahar Discussed the impact Measure 5 had on total State taxes since implementation.
- 045 Martin-Mahar Reviewed the types of districts that impose taxes.

Discussion and questions interspersed.
- 119 Martin-Mahar Discussed what types of property are taxable and why.
- 145 Martin-Mahar Reviewed how districts levy taxes and code areas. There are currently about 23,000 different code areas throughout the State.
- 200 Martin-Mahar Discussed the property tax system, based on the combination of Measures 5 and 50.

Outlined key elements of Measure 5. Measure 5 would have continued to grow at the real market rate, which would have grown more quickly than Measure 50 would allow.
- 250 Martin-Mahar Discussed components of Measure 50, which has both a value and rate limit. Measure 50 distinguishes between assessed value and real market value. Assessed value is currently growing at 3% with some exemptions
- 278 Martin-Mahar Discussed in detail the effects of Measure 50 on property taxes.

Discussion and questions interspersed.

TAPE 005, SIDE A

- 006 Continued with interspersed discussion and questions.
- 021 Martin-Mahar Discussed value limit exceptions and how they are applied.

Measure 50 established different types of property values, as well as establishing the maximum assessed value. Assessed value cannot exceed the real market value.

071 Martin-Mahar Discussed in detail levy cuts and the permanent rate.

115 Martin-Mahar Discussed Measure 50 and voter approved levies.

When compression (taxes extended on a property that are greater than the Measure 5 limit) occurs to a property or code area then the local option levy must be reduced to come into compliance.

187 Martin-Mahar Continued with discussion of other changes under Measure 50.

Permanent rate, gap and pension bonds comprise approximately 81% of property taxes. Local options will increase along with Measure 5 exempt bonds as Measure 50 continues.

234 Martin-Mahar Briefed Committee on Measure 50 and Urban Renewal, providing a history of Urban Renewal.

Discussion and questions interspersed.

273 Martin-Mahar Continued with review of Urban Renewal basics, (Page 19, Exhibit 1).

Once an Urban Renewal agency is formed the area in the Urban Renewal district is frozen, freezing the assessed value.

325 Martin-Mahar Continued with discussion of Urban Renewal revenue and the two taxes generated by Urban Renewal.

342 Martin-Mahar Under Measure 50 each Urban Renewal District was required to choose one of three options. Most of the districts chose Option 1.

TAPE 004, SIDE B

- 014 Martin-Mahar Continued with discussion of options for Urban Renewal Districts, as mandated by Measure 50. Explained the differences between the options, beginning with option 1.
- 033 Martin-Mahar Urban Renewal use of the compressed rate puts them under the \$5 school limit, but they are not classified as non-school taxes that are then subject to the \$10 limit under non-schools has created controversy and confusion.
- 072 Martin-Mahar Taxes off incremental value represented 80% of 1997-98 Urban Renewal revenues, with the remaining 20% coming from special levies.
- Discussion and questions interspersed.
- 150 Martin-Mahar Continued with presentation of existing plans for Urban Renewal.
- 189 Martin-Mahar Discussed the three main questions for this legislature and possible options, (Pages 25-26, Exhibit 1).
- 236 Martin-Mahar Proceeded to intangible personal property taxes, (Page 27, Exhibit 1).
- 396 Martin-Mahar Centrally assessed businesses (utilities) intangibles are taxable whereas locally assessed businesses intangibles are not taxed. This is an area of controversy.
- 412 Discussion and questions interspersed.

-

TAPE 005, SIDE B

- 013 Continued with interspersed discussion and questions.
- 021 Vice Chair Wilde Is the structure of our law such that companies (utilities) will be encouraged to form a primary company for office staff, etc. to avoid an intangible tax, while listing their transmission and generating facilities under another company on which they do pay intangibles?

- 034 Jim Manary Uses an example of a railroad to illustrate how it is valued for tax purposes. If deregulation drives generating facilities to separate ownership it will look more like a manufacturing plant and in fact may sell on the market more like a manufacturing plant.
- Discussion and questions interspersed.
- 072 Martin-Mahar Discussed the two major issues that need clarification, (Page 30, Exhibit 1).
- 125 Martin-Mahar Discussed current and possible valuation methods, (Page 32, Exhibit 1).
- Electric (39%) and communication (28%) comprise the largest pieces of the pie for total assessed value of utilities for 1997-98. Overall the utilities share of assessed value has decreased since the implementation of Measure 5.
- 183 Martin-Mahar Discussed HB 2062 and what the bill would have done.
- Reviewed the Governor's veto letter for HB 2062.
- Briefed the Committee on the work group discussions and participants positions to resolve issues in HB 2062.
- 266 Chair Miller Meeting adjourned at 4:20 p.m.

Submitted by, Reviewed by,

Joan Green Kim T. James

Committee Assistant Revenue Office Manager

Exhibit Summary:

1. Orientation, Martin-Mahar, Oregon Property Taxes, 37 pages