

SENATE REVENUE COMMITTEE

JUNE 30, 1999 ñ 8:30 A.M. - HEARING ROOM A - STATE CAPITOL BUILDING

Members Present: Senator Randy Miller, Chair

Senator Lee Beyer

Senator Tom Hartung

Senator Charles Starr

Members Excused: Senator Thomas Wilde, Vice Chair

Staff: Paul Warner, Legislative Revenue Officer

Lizbeth Martin-Mahar, Economist, Legislative Revenue Office

Ed Waters, Economist, Legislative Revenue Office

Richard Yates, Economist, Legislative Revenue Office

Joan Green, Committee Assistant

Witnesses: Dexter Johnson, Legislative Counsel

Keith Burns, Federal Retirees

Gary Bauer, Oregon Telecommunications Association

Roger Martin, Alaska Airlines and Air Transportation Association

Lynn McNamara, League of Oregon Cities

Gil Riddell, Association of Oregon Counties

Hasina Squires, Special Districts Association of Oregon

Eugene Phillips, Attorney

John Rumpakis, Citizen

Rep. Bill Witt, House District 7

TAPE 127, SIDE A

005 Chair Miller Meeting called to order at 8:35 a.m., as a sub-Committee, for purposes of hearing invited testimony only. (Chair Miller and Sen. Starr in attendance)

WORK SESSION ON HB 2461

018 Chair Miller Described HB 2461, which eliminates the sunset date on the cigarette tax, dedicated to the Oregon Health Plan. There are amendments to reestablish a sunset date. (Exhibit 3)

026 Rep. Bill Witt Spoke in support of the (-5) amendment, which would amend the bill to include changes in the way cigars are taxed in the Oregon, specifically on lines 16-17, page 3 of the (-5) amendment. (Exhibit 1)

HB 3371 dealt with this issue and passed the House Revenue Committee and the House Floor and is now in the Ways and Means Committee.

075 Chair Miller Would the (-6) amendment reattach the sunset? (Exhibit 3)

078 Richard Yates Concurred.

WORK SESSION ON SB 1136

087 Keith Burns Spoke in support of the (-1) amendment, which addresses the concerns that Governor had with SB 259, leading to his veto of that measure. Requested that §4 of SB 259 (the emergency clause) be adopted by conceptual amendment. (Exhibit 2)

111 Sen. Starr MOTION: MOVED (-1) AMENDMENT TO SB 1136 BE ADOPTED. HEARING NO OBJECTION, THE CHAIR SO ORDERED.

119 Chair Miller MOTION: MOVED BY CONCEPTUAL AMENDMENT THAT AN EMERGENCY CLAUSE BE ADOPTED. HEARING NO OBJECTION, THE CHAIR SO ORDERED.

123 Sen. Starr MOTION: MOVED SB 1136, AS AMENDED, TO THE SENATE FLOOR WITH A DO PASS AS AMENDED RECOMMENDATION.

125 VOTE
ROLL CALL VOTE: MOTION PASSED 3-0-2
SENATORS VOTING AYE: Hartung, Starr, Chair Miller
SENATORS EXCUSED: Beyer, Wilde
Sen. Starr will carry the bill.

REOPENED WORK SESSION ON HB 2461

133 Chair Miller Reviewed, for Sen. Hartung's benefit testimony by Rep. Witt and the effect of the (-5 and -6) amendments. (Exhibits 1 and 3)

148 Richard Yates The House took the sunset out and the (-6) amendment would reinstate and extend the sunset date for the \$0.10 per pack cigarette tax to January 1, 2002. (Exhibit 3)

Distributed the staff measure summary and revenue impact statement for the (-6) amendment. (Exhibit 4)

Distributed the Ways and Means Committee staff measure summary and revenue and fiscal impact statements and the House Revenue Committee staff measure summary and fiscal and revenue impact statements. (Exhibit 5)

152 Staff Distributed submitted testimony from Lee Hazelwood on behalf of Governor's Commission on Senior Services. (Exhibit 6)

153 Chair Miller MOTION: MOVED (-6) AMENDMENT TO HB 2461 BE ADOPTED. HEARING NO OBJECTION, THE CHAIR SO ORDERED.

155 Chair Miller MOTION: MOVED (-5) AMENDMENT TO HB 2461 BE ADOPTED.

157	Sen. Hartung	Requested that the effect of the (-5) amendment be explained. (Exhibit 1)
153	Chair Miller	Read lines 14-19, page 3, of the (-5) amendment, (Exhibit 1). Reviewed Rep. Wittis testimony, which stated that this tax has not had the effect of reducing the amount of cigars being smoked, but has simply transferred the business from Oregon to other states that do not impose such a high tax.
181	Sen. Hartung	What is the current status of the cigar tax bill?
182	Chair Miller	HB 3371 passed the House floor and is now in the Ways and Means Committee. Explained that HB 2461 dealt exclusively with cigarette tax; the (-1) amendment incorporates HB 3371, which is currently in Ways and Means Committee, (Exhibit 1).
195	Sen. Hartung	Would HB 2461, as amended, go to Ways and Means?
196	Chair Miller	No.
197	Sen. Hartung	The rate of tax in the (-5) amendment is the same as is reflected in HB 3371, (Page 3, Exhibit 1)?
199	Yates	No, as I recall it was \$0.75 in HB 3371. Rep. Witt may be able to respond that.
205	Rep. Witt	The rate of tax, capping at \$0.50 per cigar, is the same as is in HB 3371. The (-5) amendment simply takes the provisions in HB 3371 and incorporates it into HB 2461, (Exhibit 1).
219	VOTE	HEARING NO OBJECTION, THE CHAIR SO ORDERED ADOPTION OF THE (-5) AMENDMENT.
220	Chair Miller	MOTION: MOVED HB 2461, AS AMENDED, TO THE SENATE FLOOR WITH A DO PASS AS AMENDED RECOMMENDATION.
224	VOTE	ROLL CALL VOTE: MOTION PASSED 3-0-2

SENATORS VOTING AYE: Hartung, Starr, Chair Miller

SENATORS EXCUSED: Beyer, Wilde

Chair Miller will carry the bill.

WORK SESSION ON HB 2050 A-ENG.

231 Lizbeth Martin-Mahar Described the bill, which exempts intangible personal property from taxation for centrally assessed utility companies. Discussed additions to the list of intangible personal property. Clarified that when looking at intangibles, the value of intangibles is being taken off the real market value of centrally assessed utilities. (Exhibit 9)

Reviewed section by section House Committee action on the measure, as reflected in the staff measure summary from the Revenue Committee. (Exhibit 10)

311 Martin-Mahar Reviewed the range of differences in property tax revenue declines based on the Department of Revenue vs. the industries estimates of intangibles, as reflected in the table on page 2 of the revenue impact. (Exhibit 9)

341 Martin-Mahar Reviewed the discussions and outcome of the work group, which was comprised of representatives from the Department of Revenue, local governments and industry representatives, and highlighted the differences. (Exhibit 7)

Distributed chart of revenue impact with a 3-year phase-in period. (Exhibit 8)

REOPENED WORK SESSION ON SB 1136

395 Chair Miller MOTION: MOVED TO RECONSIDER THE VOTE BY WHICH THE COMMITTEE PASSED SB 1136, AS AMENDED.

398 Chair Miller Would request reconsideration of the vote in order to discuss the conceptual amendment adding the emergency clause to the measure.

403 Dexter Johnson Discussed the Oregon Constitution, Article 9, Section 1, prohibition of an emergency clause being allowed in legislation relating to taxation or exemption. SB 1136 has a relating clause to taxation that prohibits it from carrying an emergency clause. SB 259 had a relating clause of federal retiree claim procedures. Substantively the bills are not

different, but spoke of the conclusions the court would have to draw with the relating clause in SB 1136.

445 VOTE HEARING NO OBJECTION, THE CHAIR SO ORDERED RECONSIDERATION OF THE VOTE ON SB 1136, AS AMENDED.

450 Chair Miller AMENDED MOTION: MOVED TO RESCIND THE CONCEPTUAL AMENDMENT BY WHICH THE COMMITTEE ADOPTED AN EMERGENCY CLAUSE. HEARING NO OBJECTION, THE CHAIR SO ORDERED.

459 Chair Miller AMENDED MOTION: MOVED SB 1136, AS AMENDED BY THE (-1) AMENDMENT, TO THE SENATE FLOOR WITH A DO PASS AS AMENDED RECOMMENDATION.

462 VOTE ROLL CALL VOTE: MOTION PASSED 3-0-2
SENATORS VOTING AYE: Hartung, Starr, Chair Miller
SENATORS EXCUSED: Beyer, Wilde
Sen. Starr will carry the bill.

TAPE 128, SIDE A

REOPENED WORK SESSION ON HB 2050 A-ENG.

032 Staff Distributed submitted testimony from John Brenneman on behalf of Idaho Power Company. (Exhibit 11)

033 Gary Bauer Spoke in support of the measure.

081 Roger Martin Spoke in support of the measure.

137 Lynn McNamara Presented testimony in opposition to measure. (Exhibit 12)

178 Gil Riddell Spoke in opposition to the measure.

194	Hasina Squires	Spoke in opposition to the measure and presented charts illustrating the impact of the fully implemented intangible exemption on special districts, county by county. (Exhibit 13)
219	Tom Linhares	Spoke in support of the (-A6) amendment. (Exhibits 14-15)
275	Linhares	Continued with testimony in support of the (-A6) amendment, (Page 2, Paragraph 3, Exhibit 14).
343	Chair Miller	Would you support the bill, if the (-A6) amendment were adopted, (Exhibit 15)?
346	Linhares	"Would not support the bill, for some of the same reasons that the local government representatives identified. The Association of County Assessors does not have an official position."
351	Chair Miller	Is the proposal in HB 2050 fair tax policy, aside from the negative revenue effects on counties?
355	Linhares	"My concern, in terms of policy, is the identification of the intangible value and the potential appeals, which could stretch out for years and subsequent refunds once the appeals are decided."
368	Chair Miller	How have other states that have eliminated the intangible tax overcome the objections raised to this sort of procedure?
376	Linhares	Acknowledged the Chair's point, but does not have an answer.
395	Chair Miller	MOTION: MOVED HB 2050 A-ENG. TO THE SENATE FLOOR WITH A DO PASS RECOMMENDATION.
405	VOTE	ROLL CALL VOTE: MOTION PASSED 4-0-1 SENATORS VOTING AYE: Beyer, Hartung, Starr, Chair Miller SENATORS EXCUSED: Wilde

Sen. Beyer will carry the bill.

TAPE 127, SIDE B

WORK SESSION ON HB 2043

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| 004 | Lizbeth Martin-Mahar | <p>Described HB 2043, which would allow the maximum assessed value to be adjusted for a portion of the property that is removed or destroyed in a given assessment year. Discussed what happens under current law and how the measure would change current law. (Exhibit 21)</p> <p>Described the (-1) amendment, which would eliminated "removed property" and further narrow the scope of property that will have the maximum assessed value adjusted. (Exhibits 16-17)</p> <p>Described the (-4) amendment, which would incorporate everything from the (-1) amendment and adds a section that would allow adjustments in the 1997-98 maximum assessed value to reflect destroyed or damaged property during 1996 and 1997. (Exhibits 19-20)</p> <p>The revenue impact for the (-4) amendment is not large, as there is not there much damaged property each year, overall. (Exhibit 18)</p> |
| 067 | Sen. Beyer | <p>Discussed Measure 50 and how this measure would tie into that. The value of the land does not change, but Measure 50 did not separate maximum assessed value between lands and buildings.</p> <p>Cited an example of a \$200,000 house that burns; would the maximum assessed value be reduced to the land price?</p> |
| 076 | Martin-Mahar | <p>The maximum assessed value would be reduced by the same reduction that the Real Market Value is reduced by. If the real market value is reduced by 50% than the maximum assessed value is reduced by the same percentage.</p> |
| 079 | Sen. Beyer | <p>If the house was rebuilt the value would be treated as any new addition to the property?</p> |

081	Martin-Mahar	Concurred, under current law the maximum assessed value never moved, even if property was destroyed. The assessed value wasn't a function of the maximum assessed value it became the real market value.
088	Chair Miller	Requested Mr. Linhares speak to the measure.
089	Tom Linhares	Began comments with disclaimer that he is not the best assessor to speak to the measure, as he was in opposition to the measure's introduction. Reviewed Measure 50 and how the maximum assessed value was simply a value limit and not an ad valorem value.
107	Sen. Beyer	Recalled the examples used in the discussion of drafting Measure 50; does not remember discussion where the property was destroyed.
111	Linhares	<p>Concurred, that is why the (-1) amendment takes the original concept in HB 2050 and addresses reductions for damaged or destroyed property; this is a radical departure from Measure 50. Under HB 2050, if the property is damaged and the repairs are made in the same year then the exception value is netted.</p> <p>Spoke to concerns property being repaired within the same year, if the maximum assessed value is reduced and the exception is netted it may result in a double reduction.</p>
129	Sen. Beyer	How is the adjustment made for damage vs. destruction? Existing law probably better addresses damage.
140	Linhares	<p>Concurred. Spoke to a case in Polk County where damage occurred in one year and the property owner waited a year to repair so that the maximum assessed value did not go down. The full amount of the rebuild was added as an exception, and essentially the maximum assessed value is double the market value, however, taxes are paid on the market value.</p> <p>The (-01) amendment is an absolute necessity, if the bill is to move forward, (Exhibit 17).</p>
176	Sen. Beyer	Requested Mr. Linhares response to the (-4) amendment, (Exhibit 19).
177	Linhares	The (-4) amendment looks very much like the (-2) amendment except it runs from July 1, 1995 to July 1, 1997 and the (-2) amendment goes from July 1, 1995 to July 1, 1996.

184	Martin-Mahar	The Committee members do not have the (-2) amendment; the (-4) amendment incorporates the (-1) amendment and another year was added because of one particular case.
188	Linhares	Essentially the (-4) amendment makes the change retroactive.
189	Sen. Beyer	The tax year was frozen in Measure 50; does the (-4) amendment take it beyond the tax year?
194	Linhares	Referenced a tax court ruling; Measure 50 skipped 1996 when the maximum assessed value was developed in 1997. Essentially the difference is that the (-1) amendment starts July 1, 1999 and the (-4) amendment make it retroactive back to the 1997 original calculation of the maximum assessed value.
224	Sen. Beyer	"Wants the record to be clear; if a property is destroyed under the current law the property owner, if they did nothing, would not be paying taxes on the maximum assessed value. Taxes would be paid only on the real market value, which for all practical purposes the assessors look at as 'what is the value of the land, correct.'"
230	Linhares	Concurred
231	Sen. Beyer	"The difference is that nothing would change in that until they rebuilt something, if they did and then it would be moved back to whatever the market value, like making an addition onto the house?"
235	Linhares	Concurred, unless they wait more than one year, cited an example.
252	Sen. Beyer	If this were in place and a standard 2,000 square foot home with a value of \$250,000 burnt, and the home was rebuilt 2 years later and was substantially changed, would that still have the maximum assessed value limitation?
260	Linhares	I believe so.
279	Chair Miller	MOTION: MOVED (-4) AMENDMENT TO HB 2043 BE ADOPTED.
281	Eugene Phillips	Spoke to the (-2) amendment; it does not address our concern.

313	Martin-Mahar	The (-4) amendment addresses your concern.
325	Phillips	Spoke to a case before the tax court and that land needs to be looked at separate from the building. Spoke to the (-4) amendment and how it would affect his case.
342	John Rumpakis	Referenced the (-4) amendment and asked why in lines 4-5 is the language confined to a "portion" of property, (Exhibit 19)? Submitted letter for the record. (Exhibit 22)
363	Martin-Mahar	Does not know why Legislative Counsel put "portion" into the amendment; the important thing is that the maximum assessed value will be reduced by the same percentage that the real market value is reduced by.
374	Rumpakis	Spoke to concerns with the (-4) amendment and questioned how the amendment would affect destruction of property at owners request vs. an act of God, (Page 1, Line 5, Exhibit 19).
388		Discussion and questions to clarify intent of amendment and property destroyed at the request of the owner vs. an act of God.
425	Rumpakis	Requested clarification as to when relief would be effective; if the property were destroyed by January 1 would the relief be effective the following July 1.
442	Martin-Mahar	The assessment date is January 1 of each year, if the property were destroyed after that assessment date than it would not be considered in that particular year.
448	Rumpakis	Relief would not be granted in the ensuing tax year?
451	Martin-Mahar	No, not on January 1.
452	Rumpakis	Spoke to confusion.

463 Martin-Mahar HB 2044 would allow for a change, due to damaged property, during the assessment year.

474 Chair Miller Due to time constraints I'm going to proceed with the bill, as written. Concerns can be addressed in a conference committee, if necessary.

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TAPE 128, SIDE B

042 Chair Miller Restated motion moving the (-4) amendment to HB 2043.

043 VOTE HEARING NO OBJECTION, THE CHAIR SO ORDERED.

044 Chair Miller MOTION: MOVED HB 2043, AS AMENDED, TO THE SENATE FLOOR WITH A DO PASS AS AMENDED RECOMMENDATION.

045 Sen. Beyer "This is probably a fine bill, I just don't feel comfortable that I have had the chance to look at it and don't feel comfortable voting for it because of the changes it would make."

048 VOTE
ROLL CALL VOTE: MOTION PASSED 3-1-1
SENATORS VOTING AYE: Hartung, Starr, Chair Miller
SENATORS VOTING NAY: Beyer
SENATORS EXCUSED: Wilde
Vice Chair Wilde will carry the bill.

054 Chair Miller Meeting adjourned at 9:58 a.m.

Submitted by, Reviewed by,

Joan Green Kim T. James

Committee Assistant Revenue Office Manager

Exhibit Summary:

1. HB 2461, Rep. Witt, (-5) amendment, (DJ/ps) 06/18/99, 4 pages
2. SB 1136, Waters, (-1) amendment, (DJ/ps) 06/29/99, 2 pages
3. HB 2461, Yates, (-6) amendment, (DJ/ps) 06/29/99, 1 page
4. HB 2461, Yates, Staff measure summary and HB 2461-6 Revenue impact statement, 2 pages
5. HB 2461, Yates, Ways and Means Committee staff measure summary and fiscal and revenue impact statements, House Revenue Committee staff measure summary and fiscal and revenue impact statements, 6 pages
6. HB 2461, Hazelwood, Submitted testimony, 1 page
7. HB 2050, Martin-Mahar, Handout outlining areas of agreement/disagreement, 1 page
8. HB 2050, Martin-Mahar, Table of 3-year phase-in, 1 page
9. HB 2050, Martin-Mahar, Revenue impact statement, 2 pages
10. HB 2050, Martin-Mahar, Ways and Means Committee staff measure summary and fiscal impact statement, House Revenue Committee staff measure summary and fiscal impact statement, 5 pages
11. HB 2050, Brennaman, Submitted testimony, 1 page
12. HB 2050, McNamara, Written testimony, 4 pages
13. HB 2050, Squires, Charts of fully implemented intangible exemption, 10 pages
14. HB 2050, Linhares, Written testimony, 4 pages
15. HB 2050, Linhares, (-A6) amendment, (DJ/ps) 04/28/99, 11 pages
16. HB 2043, Martin-Mahar, Staff measure summary and HB 2043-1 Revenue impact statement, 2 pages
17. HB 2043, Martin-Mahar, (-1) amendment, (DJ/ps) 05/07/99, 1 page
18. HB 2043, Martin-Mahar, HB 2043-4 Revenue impact statement, 1 page
19. HB 2043, Martin-Mahar, (-4) amendment, (DJ/ps) 06/29/99, 2 pages
20. HB 2043, Martin-Mahar, Handout describing (-1) and (-4) amendments, 1 page
21. HB 2043, Martin-Mahar, House staff measure summary, revenue and fiscal impact statement, 3 pages
22. HB 2043, Rumpakis, Written testimony, 1 page