

PUBLIC HEARING & WORK SESSION: SB 286-A, SB 287

WORK SESSION: HB 2062

TAPES 223, 224 A/B; 225, 226 A

HOUSE REVENUE COMMITTEE

JUNE 17, 1997 8:30 AM HEARING ROOM A STATE CAPITOL BUILDING

MEMBERS PRESENT: Rep. Tom Brian, Chair (Excused for a.m.)

Rep. Lee Beyer, Vice-Chair (Excused for a.m.)

Rep. Tony Corcoran

Rep. Randall Edwards (Excused for a.m.)

Rep. Leslie Lewis (Arrived 9:00 a.m.)

Rep. Anitra Rasmussen (Arrived 9:05 a.m.)

Rep. Lane Shetterly

Rep. Mark Simmons

Rep. Ken Strobeck

WITNESSES PRESENT: Jerry Bieberle, Assoc. of Oregon Community Development Orgs. Anne Williams, Assoc. of Oregon Community Development Orgs.

Tom Linhares, Columbia County Assessor

Jim Manary, Department of Revenue

Marilyn Harbur, Department of Justice

David Canary, Consultant, Utilities and centrally assessed properties Gary Carlson, Associated Oregon Industries

Larry Capinan, Appraiser, Consilium

Denise McPhail, Portland General Electric Company

STAFF PRESENT: Jim Scherzinger, Legislative Revenue Officer

Brian Reeder, Economist

Barbara Guardino, Committee Assistant

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PUBLIC HEARING SB 286-A, SB 287

- 010 Rep. Strobeck Called meeting to order at 8:55 a.m. as a subcommittee to hear public testimony. Opened public hearing for SB 286-A and SB 287.
- 017 Brian Reeder Reviewed SB 286. Explained, SB 286 -A3 (EXHIBIT A) is a combination of SB 286 and SB 287. SB 286 allows cancellation of delinquent taxes when counties transfer tax foreclosed properties to nonprofit organizations. SB 287 creates property tax exemption for property held for future development of low income housing by nonprofits.
- 043 Jerry Bieberle Refer to "Problems addressed by SB 286" (EXHIBIT C); and "Problems addressed by SB 287" (EXHIBIT D). Noted, in bills, it is up to jurisdictions' options.
- 057 Anne Williams HB 286A empowers local jurisdictions to grant properties with commercial base to nonprofit corporations to create economic development and to create economic base for community development corporations. Responds to challenges influenced by welfare reform, tax cuts and other community needs.
- 084 All Questions and discussion concerning SB 286A.
- 198 Rep. Lewis Expressed concern that bill would provide an unfair advantage against other small downtown businesses.
- 216 Williams Addressed Lewis' concerns. Bill requests local jurisdictions have choice to donate foreclosed commercial properties to nonprofits. That means everyone who is impacted will have to reach a consensus. These businesses serve a public purpose, act as a magnet for other businesses.
- 255 All Questions and discussion.

308 Williams Commented on SB 287. Would extend nonprofit tax exemption to vacant land. Problem with scarcity of land, escalating land prices. Grant competition has become intense. Nonprofits face two-fold barrier:

1) When they acquire a site with intention to apply, fund development campaign takes three years. Once a nonprofit owns bare land, it pays taxes. Asking same benefit extended to housing authorities be extended to nonprofits for development of affordable housing.

2) Nonprofits are scrambling to coincide site acquisition with funding cycles. This often precludes their ability to take advantage of bargains.

359 Williams Safety feature in bill, if housing is not developed by 2001, nonprofit will owe back taxes on property.

392 All Questions and discussion concerning SB 286A language, sunset.

451 Williams Intent of bill was to create two-year window that would be in effect from time of application or exemption. Bill gives rolling two-year window in which to develop affordable housing after purchase of land. 2001 date given earlier is incorrect.

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061 Williams Noted, two-year window was developed during a discussion at a strategic planning session of Association of Oregon Community Development Organizations, they identified common barriers.

069 Reeder Original language had two years or July 1, 2000, whichever is earlier.

091 Tom Testified in support of SB 287. Suggested committee reinstate two-year period for properties purchased in late 1999.

120 Rep. Suggested take out date July 1, 2000 and leave in reference to two years.

141 Rep. Recessed meeting at 9:30 a.m.

AFTERNOON, CONTINUED SESSION

145 Chair Brian Reconvened meeting at 4:00 p.m. Opened work session on SB 286A, 287.

WORK SESSION -- SB 286A, 287

185 Rep. **MOTION TO MOVE SB 286 -A3 AMENDMENTS INTO SB 286A.**

286 Chair **ASKED MEMBERS FOR ANY OBJECTIONS TO MOVING SB 286 -A3 AMENDMENTS INTO SB 286A. HEARING NO OBJECTIONS, CHAIR SO ORDERED.**

MOTION TO MOVE SB 286-A AS AMENDED TO THE FLOOR WITH A DO

190 Rep.
Strobeck

PASS RECOMMENDATION.

191 Rep.
Simmons

Expressed concern for page 2, line 7, law could be used by organizations outside intended scope of bill.

Questions and discussion.

6 - 1 - 2

292 VOTE

IN A ROLL CALL VOTE, MEMBERS VOTING AYE: REPS. EDWARDS, RASMUSSEN, SHETTERLY, STROBECK; VICE CHAIR BEYER, CHAIR BRIAN.

MEMBERS VOTING NO: REP. SIMMONS.

MEMBERS EXCUSED: REPS. CORCORAN, LEWIS.

MOTION CARRIED. REP. RASMUSSEN WILL LEAD DISCUSSION ON THE FLOOR.

WORK SESSION -- HB 2062 (INVITED TESTIMONY)

Explained, HB 2062 extends exemption for intangibles to utility properties. Adds two items to list of things that, by definition are intangibles, for purposes of exemption. Bill begins July 1, 1998 tax year.

336 Jim
Scherzinger

HB 2062 -3 amendments created separate exemption for FCC licenses.

HB 2062 -8 amendments (EXHIBIT F) replace this. HB 2062 -9 amendments (EXHIBIT G) replace HB 2062 -6 amendments (EXHIBIT E), which reflect items in study to determine revenue effect.

406 Scherzinger

Pointed out differences between -6 and -9 amendments.

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TAPE 223 SIDE B

036 Scherzinger

HB 2062 -10 amendments (EXHIBIT H) reflect earlier set of amendments intended to include statement that nuclear plants (Trojan) would remain on tax roll as long as PUC includes it as net value.

050 Chair Brian

Invited testimony.

058 Jim Manary

Corrected, HB 2062 -6 origin, drafted at attorney general office at request of Department of Revenue. Department's position on modifications: makes it clear what intangibles are exempt. Does not change what Department of Revenue proposes in terms of methodology.

- 6 and -9 amendments are the same in this case. Recommended, Department will appraise property with bill as is, or with changes.
- 118 Rep. Shetterly Questions concerning -9 amendments, lines 13-18.
- 131 Rep. Edwards Question concerning "may" "shall" page 2, line 17.
- 141 Marilyn Harbur In answer to Rep. Edwards' question, "may" is reflection of fact that not all properties have each of these characteristics.
- 180 Harbur Noted, -6 and -9 amendments reflect what is currently being done for industrial commercial properties. Change would be to centrally assessed properties.
- 299 Manary Questions and discussion.
Noted, the reason for HB 2062 -9 amendments, and narrow definition, is the uncertainty of litigation.
- 353 Vice Chair Beyer Questions and discussion.
This issue of intangibles is most hotly contested across country. Has heard from some that this is to stop litigation; has heard the opposite from others.
- 365 Harbur Not aware of identical statutes in other states. Believes other states have worked through lot of questions concerning intangibles, and have taken approach of making it more certain as to what is to be included and excluded.
- 390 Manary Oregon has very little history in this area. Issues have been negligible. Other states have done little.
- 423 Scherzinger HB 2062 -6 and -9 amendments reflect Washington state statute that was just adopted. Also, California had constitutional provision that made intangibles exempt.

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- 034 David Canary Voiced opposition to HB 2062 -6 and HB 2062 -9. There will be more litigation; amendments apply not only to centrally assessed property, but to industrial, commercial and residential properties.
- 058 Canary Gave brief history of assessing intangibles.
- 091 Canary Disagreed that this reflects Washington state law. Most states, including Washington and Idaho, define intangibles similar to Oregon. They are exempt from taxation.
- 154 Canary Noted issues relating to bill, Page 2, Section 4a: Obsolete equipment, ambiguities, proximity to work force and raw materials. These issues will lead to litigation.
- 189 Vice Chair Beyer Asked for explanation of effect of taking intangibles off or leaving them in.
- 192 Canary For telecommunication companies there would be an applied cost approach in which only costs that relate to physical, tangible assets would be included in value. Excluded would be software, FCC licenses. Excluded from utility companies would

be unit value and certain accounts. HB 2062 -6 amendments create confusion as to what is in and what is out.

- 233 Canary Presented letters to committee from PGE (EXHIBIT I), PacifiCorp (EXHIBIT J), and Oregon Railroad Association (EXHIBIT K). Give assurance that they will not ask for more. Letters probably have no legal binding, but they become part of legislative history. When Washington state adopted its intangible, it received similar letters.
- 291 Rep. Edwards Asked Scherzinger about impact of M50 on centrally assessed properties.
- 299 Scherzinger M50 effect on utilities depends upon legislation that is adopted. House has not discussed this yet. Senate Revenue heard proposed amendment to put narrow definition on what new construction is for utilities. Would give them relief under M50, would probably be assessed close to 100 % of market value.
- 345 Rep. Edwards Expressed discomfort with adopting amendments without understanding M50 implications.
- 359 Canary Department of Revenue has run computer studies to see effect of M50 on industrial and utilities. General consensus is, no effect, no tax reduction for utilities.
- 450 Larry Capinan Appraiser. Gave example of difference between bill with and without amendments.

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- 059 Capinan Warned, going back to same type of methodology that was voted down is not unacceptable. There will be a great deal of litigation.
- 067 Gary Carlson Concurred with testimony of Canary and Capinan against -6 and -9 amendments.
- 073 Canary Recommended committee pass out original bill as drafted with Trojan amendment and 1997 date.
- 096 Manary Commented against changing date to 1997. Department of Revenue suggested 1998 because has already issued values for 1997.
- 123 Canary Stated, proponents of HB 2062 initially said 1998. Recommendation to move it to 1997 was to accommodate concerns that if it is delayed, it will result in greater revenue loss.
- 146 Manary Rates as they apply to all properties in a taxing district would be increased. Tax shift.
- 159 Canary Pointed out, utility taxpayers rates would increase as well.
- 169 Chair Brian Committee stood at ease to find members for purposes of voting.
- 191 Chair Brian Called committee back into session.
- 193 Rep. Rasmussen **MOTION TO MOVE HB 2062 -8 AMENDMENTS INTO HB 2062.**
- 209 All Questions and discussion on HB 2062 -8 amendments.
- 222 Chair Brian **ASKED MEMBERS FOR ANY OBJECTIONS TO MOVING HB 2062 -8 AMENDMENTS INTO HB 2062. REPS. SIMMONS AND SHETTERLY OBJECTED.**

3 - 5 - 1

IN A ROLL CALL VOTE, MEMBERS VOTING AYE: REPS. CORCORAN,

EDWARDS, RASMUSSEN.

MEMBERS VOTING NO: REPS. LEWIS, SHETTERLY, SIMMONS, STROBECK; CHAIR BRIAN.

233 VOTE

MEMBERS EXCUSED: VICE CHAIR BEYER.

MOTION FAILED.

249 Rep.
Shetterly

MOTION TO AMEND HB 2062, PAGE 3 LINE 12, BY DELETING "1998" AND INSERTING "1997".

250 Chair Brian

ASKED MEMBERS FOR ANY OBJECTIONS TO AMENDING HB 2062, PAGE 3 LINE 12 BY DELEGING "1998" AND INSERTING "1997." REPS. CORCORAN AND RASMUSSEN OBJECTED.

256

Questions and discussion.

6 - 2 - 1

IN A ROLL CALL VOTE, MEMBERS VOTING AYE: REPS. EDWARDS, LEWIS, SHETTERLY, SIMMONS, STROBECK; CHAIR BRIAN.

316 VOTE

MEMBERS VOTING NO: REPS, CORCORAN, RASMUSSEN.

MEMBERS ECCUSED: VICE CHAIR BEYER.

MOTION CARRIED.

331 Rep.
Edwards

MOTION TO MOVE HB 2062 -9 AMENDMENTS INTO HB 2062.

350 Chair Brian

ASKED MEMBERS FOR ANY OBJECTIONS TO MOVING HB 2062 -9 INTO HB 2062. REPS. LEWIS AND SIMMONS OBJECTED.

3 - 5 - 1

IN A ROLL CALL VOTE, MEMBERS VOTING AYE: REPS. CORCORAN, EDWARDS, RASMUSSEN.

352 VOTE

MEMBERS VOTING NO: REPS. LEWIS, SHETTERLY, SIMMONS, STROBECK; CHAIR BRIAN.

MEMBERS EXCUSED: VICE CHAIR BEYER.

MOTION FAILED.

- 386 Scherzinger Noted, HB 2062 -4 amendments dealing with FCC licenses were replaced by -8 amendments.
- 401 Rep. Rasmussen **MOTION TO MOVE HB 2062 -10 AMENDMENTS INTO HB 2062.**
- 404 Chair Brian **ASKED MEMBERS FOR ANY OBJECTIONS TO MOVING HB 2062 -10 AMENDMENTS INTO HB 2062.**
- 406 Rep. Lewis Asked for explanation of HB 2062 -10 amendments.
- 413 Scherzinger Effect is to specify that as long as Trojan Nuclear Power Plant is included in rate base, is not an intangible so would be taxed.
- 422 Denise McPhail PGE asked for this amendment because of concern that Trojan might be considered intangible which would have \$300 million effect, most of which would fall mostly on Columbia County.
- 446 Chair Brian **HEARING NO OBJECTIONS to HB 2062 -10 AMENDMENTS, CHAIR SO ORDERED.**

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- 020 Scherzinger Clarified concerning revenue effect, not all of licenses will go on rolls in 1997-98. There will be lost revenue in sense that, since rates will be set in 1997-98, property that would have come in 1998-99 will not come on.
- 040 Chair Brian Hard to predict how many licenses and other intangibles will be created over next few years.
- 052 Scherzinger First year, no revenue effect for local districts. Once those rates are set, there will be revenue effect. Long-run uncertainty about what might be exempt under language.
- 061 Rep. Simmons **MOTION TO MOVE HB 2062 AS AMENDED TO THE FLOOR WITH A DO PASS RECOMMENDATION.**
5 - 3 - 1
- IN A ROLL CALL VOTE, MEMBERS VOTING AYE: REPS. LEWIS, SHETTERLY, SIMMONS, STROBECK; CHAIR BRIAN.**
- 063 **VOTE** **MEMBERS VOTING NO: REPS. CORCORAN, EDWARDS, RASMUSSEN.**
- MEMBERS EXCUSED: VICE CHAIR BEYER.**
- MOTION CARRIED.**
- 078 Reps. Rasmussen, Edwards Notice of possible intent to file minority reports.
- 082 Chair Brian Closed work session on HB 2062. Adjourned meeting at 5:50 p.m.

Submitted by, Reviewed by,

Barbara Guardino Kim James

Committee Assistant Revenue Office Manager

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EXHIBIT SUMMARY:

- A. SB 286, Reeder, Proposed Amendments: SB 286 -A3, 9 pp.
- B. SB 286, Reeder, Revenue Impact of Proposed Legislation, 1 p.
- C. SB 286, Bieberle, Problems addressed by SB 286:, 1 p.
- D. SB 287, Bieberle, Problems addressed by SB 287:, 1 p.
- E. HB 2062, Scherzinger, Proposed Amendments: HB 2062 -6, 3 pp.
- F. HB 2062, Rasmussen, Proposed Amendments: HB 2062 -8, 1 p.
- G. HB 2062, Rasmussen, Proposed Amendments: HB 2062 -9, 3 pp.
- H. HB 2062, Scherzinger, Proposed Amendments: HB 2062 -10, 1 p.
- I. HB 2062, Canary, PGE Portland General Electric Company letter, 1 p.
- J. HB 2062, Canary, PacifiCorp letter, 1 p.
- K. HB 2062, Canary, Oregon Railroad Association letter, 1 p.