

**INFORMATIONAL HEARING: LC 4246, LC 4246-1**

**PROPERTY TAX REWRITE, INVITED TESTIMONY**

**TAPES 65, 66 A/B**

**HOUSE REVENUE COMMITTEE**

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**MARCH 5, 1997 8:30 AM HEARING ROOM A STATE CAPITOL BUILDING**

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**MEMBERS PRESENT:** Rep. Tom Brian, Chair

Rep. Lee Beyer, Vice-Chair

Rep. Tony Corcoran

Rep. Randall Edwards

Rep. Leslie Lewis

Rep. Anitra Rasmussen

Rep. Lane Shetterly

Rep. Mark Simmons

Rep. Ken Strobeck

**MEMBERS PRESENT:** Sen. Ken Baker, Chair

Sen. Neil Bryant, Vice Chair

Sen. Joan Dukes

Sen. Vern Duncan

Sen. Tom Hartung

Sen. Randy Leonard

**STAFF PRESENT:** James Scherzinger, Legislative Revenue Officer

Barbara Guardino, Committee Assistant

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**TAPE 065 SIDE A**

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**OVERVIEW OF BILL DRAFTS LC 4246 (HJR 85) AND LC 4246 -1 (HB 3511)**

Called meeting to order at 8:47 a.m.

007 Chair Brian Purpose of meeting is overview of drafts relating to JHR 85 and HB 3511. Groups who plan to testify have requested more review time.

Emphasized bills are still in draft form.

036 Jim Scherzinger Called attention to LC 4246 (HJR 85) and LC 4246-1 (HB 3511). Refer to March 4, Exhibits B and C.

Will work from bills, but because of 24-hour notice requirement, committee is technically hearing the drafts today.

038 Scherzinger Discussed revised summary, Property Tax Rewrite (EXHIBIT A).

**LC 4246 (HJR 85)**

Working from HJR 85, see paragraph 1: Repeals Article XI Section 11 (a) through (j). Enacts new sections in their place.

057 Scherzinger New sections begin with Section 11 (1): Sets up a value limit on residential property. Rolls back assessed value to 1995 less 10 % limit for residential property. This mimics M47.

Section 11 (1) (b): For tax years beginning after July 1, 1997, maximum assessed value is limited to a 3 % limit on the growth of value. Applies on a property-by-property basis.

- Discussed example of property valued at \$1 million, market value and assessed value.  
(Refer to Exhibit A, page 2)
- 084 Scherzinger
- Section 11 (1) (c): "Property shall be valued at average ratio of the maximum assessed value to real market value ..."
- 105 Scherzinger This also applies if property is subject to partition or subdivision, change of use from business to residential.
- Section 11 (1) (d): "The Legislative Assembly shall enact laws that permit the ..."
- Section 11 (1) (e): "Each property's maximum assessed value shall not exceed the property's real market value."
- 139 Scherzinger Section 11 (1) (f): Needs to be rewritten. It means to say it is not possible to re-value property for purposes of the limitation.
- Pointed out a change that needs to be made: New properties that went on the roll in 1996-97 need to be run through average ratio test.
- Section 11 (2) (a): Limits the average assessed value of existing taxable property to 3 % per year.
- 167 Scherzinger Section 11 (2) (b): "In order to achieve the purpose of paragraph (a), ..."
- This means all business property would be valued at market, 98 % ratio would be multiplied by market value, assessed value would be 2 % less than market value.
- 203 Scherzinger Section 11 (2) (c): Uniform ratio shall be applied to improvements. This eliminates a need for exceptions as in M47.
- Page 2, lines 9-10 have been changed.
- 223 Scherzinger
- Section 11 (2) (d): "Average assessed value used to compute the uniform ratio ..."
- Section 11 (3) (a): Resolution adds a tax cut into 1997-98. (Committee needs to add "ad valorem tax" to this section.) This refers to taxes that would have been imposed under M5 and cut them 17%. Can allocate by statute how those cuts will be made by district. Cut applies to operating levies only, not to bonded debt.
- 237 Scherzinger
- Section 11 (3) (b): This says the 1997 rate of ad valorem property tax is a limit for future years for a district.
- 277 Scherzinger
- Districts will no longer have tax bases.
- Section 11 (3) (c): "A new taxing district formed on or after July 1, 1997 ... shall establish a limit on the rate of ad valorem property tax to be imposed by the district."
- 296 Scherzinger Section 11 (3) (d): An election must have at least a 50 % turnout of eligible, registered voters, or the election must be a general election.
- Section 11 (4) (a): Allows a local option for property tax outside the rate limit by

submitting a question to the voters.

321 Scherzinger Section 11 (4) (b): "A levy ... may be imposed for no more than five years ... "

These do not have to be rate-based levies.

369 All Questions and discussion on levy elections.

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Section 11 (5): Refers to residential property that is subject to a special assessment (Ex: historic property, farm use, forest land).

028 Scherzinger

Section 11 (6): Refers to non-residential property that is subject to a special assessment. Uniform ratio will apply to this value.

055 All

Questions and discussion concerning Subsection (5): Losing a special assessment, deferrals, exemptions.

Section 11 (7): In M47 there was a question about what bonds are exempt from the cut and cap. This section mimics M47, saying that, in this circumstance, bonds that would have been outside cut and cap but inside M5 could be exempted from the 17 % cut. If this is done, those bonds do not enter into the permanent rate calculation.

111 Scherzinger Mimics Attorney General opinion concerning what bonds are exempt from cut and cap but not outside M5.

Language in this section needs to be reworked.

174 Scherzinger Section 11 (8): Defines residential property. Limits residential property to units of 4 or less. For classification purposes, 4 or fewer dwelling units are classified as residential property.

Section 11 (9) (a): Deals with shift restrictions, similar to M47. Limits ability of local government to impose new or additional fees to make up for losses. Must be approved by voters.

202 Scherzinger

Section 11 (9) (b): Subsection shall not apply to new or additional fees, taxes, assessments or other charges ..." that can be obtained from a source other than government.

239 Rep. Corcoran Concerning shift restrictions: Do (9) (a) and (b) apply only to local government or to schools too?

260 Scherzinger This was intended to apply to schools as well.

265 All Questions and discussion concerning schools and shift restrictions.

317 Scherzinger Section 11a. (1): Notwithstanding rate limits and taxes outside the rate limits, the ad valorem taxes shall not exceed M5 limits.

Section 11a. (2): Urban renewal section of Constitution. Returns urban renewal to the

original structure (before M5).

370 Reduces total amount of authority that districts can use.

419 Scherzinger Section 11a. (3): Reduces the capacity of urban renewal by half or more. Some districts will not have enough authority to impose taxes to pay their existing indebtedness. This grandfather clause allows them to pay off existing debt.

### **TAPE 065 SIDE B**

044 Scherzinger More explanation of Section 11a. (3)

074 Scherzinger Section 11a. (4): Defines a public school system, as defined in M5.

081 Rep. Shetterly Noted "public school system" is not used in Section 11. Reference in subsection (4) (a) is not necessary.

094 All Questions and discussion concerning language in subsection (4) (a).

104 Scherzinger Section 11a (4) (b): Definition of real market value. Existing definition in M5 states real market value is minimum amount during tax year. Section allows lawmakers to move assessment date back from July 1 to January 1. Board of ratio review set up under M5 would be unnecessary.

142 All Discussion on p. 4 line 3 word "compulsion" versus use of the word "coercion." Committee will discuss alternative wording later.

Questions and discussion concerning moving the assessment date.

Section 11b. (1): This is the exception to Sections 11 and 11a of this Article. It does not apply to bonded indebtedness or to ad valorem property taxes imposed to pay principal and interest. Defines bonded indebtedness. Definition is the same as M5 as amended by M47.

163 Scherzinger It does not include maintenance and repairs which could reasonably be anticipated; supplies and equipment that are not intrinsic to the structure, public safety vehicles with a use for less than five years.

Not included is a double majority provision.

207 All Questions and discussion concerning the meaning of "intrinsic to the structure," bonded indebtedness.

276 Rep. Brian Flagged the issue of "intrinsic to the structure" ( supplies, equipment, furnishing, police cars) for further discussion.

291 Rep. Strobeck Questioned whether exemption of business personal property has been addressed in the bill.

That is not in the bill.

294 Chair Brian

Rep. The measure is silent as to whether schools are included in local option. Will the

- 312 Shetterly committee address that?
- 316 Chair Brian Within the next few days, the committee will discuss issues surrounding local options for schools with regard to equity issues and the \$5 cap, in the next day or two.  
Section 11c. (1): Temporary section that says implementing legislation for HJR 85 will not be subject to emergency clause provision.
- 326 Scherzinger Section 11c. (2) 1c: Urban renewal, deletes words "true cash."  
  
PARAGRAPH 2: Amendment will be submitted to the people at a special election held throughout the state on date specified in HB 3511.

**LC 4246 - 1 (HB 3511)**

LC 4246 -1, or HB 3511, is the elections bill.

Section 1: Makes exceptions to election statutes.

Section 2: States that HJR 85 will be submitted May 20.

- 363 Scherzinger Section 3: Specifies ballot title for Measure in order to meet timelines. Bill must be in the hands of the Secretary of State by March 21, 1997, to meet the election deadline.

Section 4: Estimates the financial effects of HJR 85.

Section 5: Explains what goes into the voters pamphlets.

Section 6: Provides for expedited method of putting arguments into voters pamphlet.

- 444 Scherzinger Section 7: Tells Secretary of State provisions for printing of voters pamphlet.

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Section 8: Gives directions to deliver voters pamphlets to county clerks.

Section 9 (2): Says the election will be a mail-in ballot.

- 022 Scherzinger

Section 10: Appropriation to cover the cost of the May 20 election.

Section 11: Emergency clause.

- 066 Chair Brian Invited members of audience from out of town who cannot be back tomorrow to step forward.

Nobody testified.

- 076 Chair Brian Adjourned meeting at 10:12 a.m.

Barbara Guardino Kim James

Committee Assistant Revenue Office Manager

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**EXHIBIT SUMMARY:**

A. LC 4246, Scherzinger, Property Tax Rewrite, 3 pp.