

WORK SESSION:

HJR 85, HB 3511

TAPES 67, 68 A/B, 69 A

HOUSE REVENUE COMMITTEE

MARCH 7, 1997 8:30 AM HEARING ROOM A STATE CAPITOL BUILDING

MEMBERS PRESENT: Rep. Tom Brian, Chair

Rep. Lee Beyer, Vice-Chair

Rep. Tony Corcoran (Absent 9:25 - 10:05 a.m.)

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 (Excused)

Sen. Joan Dukes

Sen. Vern Duncan

Sen. Tom Hartung (Absent 9:15 - 9:57 a.m.)

Sen. Randy Leonard (Absent 9:20 - 9:50 a.m.)

WITNESSES PRESENT: Clyde Brummell, Oregon Homeowners Association

Jerry Hanson, Washington County Assessor

Tom Linhares, Columbia County Assessor

STAFF PRESENT: James Scherzinger, Legislative Revenue Officer

Barbara Guardino, Committee Assistant

-

TAPE 067 SIDE A

-

SENATE REVENUE COMMITTEE

REFER TO MINUTES OF SENATE REVENUE COMMITTEE, MARCH 7, 1997 - LC 3398, LC 3853

019 Chair Sen. Baker Opened the House Revenue Committee meeting.

WORK SESSION - HJR 85 AND HB 3511 (INCLUDING INVITED TESTIMONY)

Refer to testimony (EXHIBIT A) paraphrased.

025 Clyde
Brummell

Small businesses are taking brunt of assessment taxation. Large businesses in Multnomah County are paying 35 % of property taxes; small businesses are paying 65 %. One problem is apartment buildings of four or less units are paying taxes as single occupancy dwellings.

Spread sheet on increases in percentages of values (EXHIBIT B).

Has taken case to Oregon tax court, will take it to U.S. Supreme Court if necessary. This is first time since 1966 that he has been encouraged from a legislative body to repair property tax problem. Urged committee to come out with a tax bill that small business owners can support.

- 153 Chair Brian Entered into record, written testimony from Marion County Oregon Assessor's Office (EXHIBIT C).
Introduced summary of HJR 85 Issues (EXHIBIT D).

Value Limits: Section II Subsections (1), (2), (5), (6), and (8)
- 170 Jim Scherzinger Overall: Major issue is testimony of AOI not to split the tax roll. If committee chooses not to split the roll, it would make moot some of other issues listed below.

Legally there is not a split roll.
- 210 All Questions and discussion concerning splitting the tax roll.
Three approaches to market value:
- 229 Jerry Hanson Direct or market approach; income approach; and cost approach.

There is no law to say these three approaches must be used, it is the market that dictates this.
- 313 All Questions and discussion concerning market value.
No one has argued that there is a shift as to who bears the tax burden toward residential property in regard to public services. Maybe property taxes are not the appropriate way to fund education and public services. Committee should look for a more equitable way to fund public services.
- 354 Vice Chair Beyer Committee will commit to look at the possibility of removing schools from the property tax equation.
- 373 Chair Brian Questions and discussion.
- 442 Scherzinger Returning to Exhibit D -- Overall: Whether or not to delay or exempt personal property.

TAPE 068 SIDE A

- 039 All Questions and discussion concerning exemption of personal property.
Testimony concerning small business property depreciation, exemptions.
- 075 Tom Linhares Cost of processing burdens small business owner the most.
Would like to see ramifications of impact exempting personal property before committee makes a decision.
- 102 Sen. Dukes HJR 85 provides almost no relief to non-residential property.
- 136 Scherzinger
- 148 All Questions and discussion.
- 172 Chair Brian Not making changes to personal property tax returns the laws to the original effects of M47.
- 190 Chair Brian Summed up the issue: Rather than have a split roll as indicated in HJR 85, return to assessment value system.

Questions and discussion concerning split roll system.

- 287 Scherzinger Will provide more information on this topic for afternoon continued session.
- 326 Rep. Rasmussen Questioned Scherzinger concerning office rental market and homeowner property taxes. Individuals with limited incomes have seen equity growth in their homes, but can no longer afford to pay their property taxes. There is no longer a connection between the ability to pay and what an individual property owner owes.

TAPE 067 SIDE B

- 010 All Questions and discussion on market value, forcing jurisdictions into compression. Referred to HJR 85, page 3, Section 11a. lines 33, 34, concerning real market value.
- 032 Scherzinger Questions and discussion interspersed. Referred to Exhibit D, page 2, Subsection (3) -- 17 % cut:
- 103 Scherzinger Amount, Distribution
- 131 Chair Brian Reminded committee its job is to deliver a measure similar to M47 after repairing unintended consequences. This subsection takes care of many of the major problems.
- 152 Chair Baker Urged House and Senate Revenue committees to stay true to M47.
- 160 All Questions and discussion concerning percentage of cuts as related to the intent/effect of M47, bond exception to cut. See Exhibit D, Subsections (3) and (7)
- 266 Chair Brian Observed, committee talked about preventing homeowners from being taxed out of their homes, then discussed giving them a smaller tax break. That makes no sense. They should get the maximum tax break that is reasonable under M47.
- 286 All Questions and discussion concerning tax cuts, affordability of taxes, allocation.
- 316 Chair Brian Gave notice at 10:05 a.m. that House and Senate Revenue Committees will convene at 10:30 a.m. Saturday, March 8, 1997.
- 382 Sen. Dukes Committees must become clear as to whether they are going to put out a bill of what voters thought they were getting or what M47 gave them.

- 424 Scherzinger HJR 85 only mandates a 17 % cut statewide. It does not say how that cut would be allocated within the state. Notion of M47 was to figure this out in the statutes. Committee has heard testimony on two ways to figure this:

1) Make the cut a proportional 17 % across the board;

2) Reallocate it to reflect how M47 would affect it.

Committee will ultimately have to decide on one method.

TAPE 068 SIDE B

- 043 Rep. Lewis Requested that Scherzinger produce examples of the results of these two methods.
- 055 All Questions and discussion concerning two methods, fairness and inequalities in implementing them.
Exhibit D, Subsection (3) -- Distribution: HJR 85 would make the cut from 1997-98. However this is allocated, lawmakers would recognize any elections or levying authority that applied to that tax year. Currently, elections are planned for March and
- 129 Scherzinger May 1997 under the double majority provisions of M47. Will lawmakers recognize those levy elections if a double majority is not achieved, or if it is a continuing levy?
- 173 Chair Brian Distribution: If it validates elections prior to the effective date of the act, then elections from the effective date to July 1, 1997 that meet the double majority, would count. If they fail to meet double majority, they would not count.
- 185 Chair Brian House committee earlier reached a consensus that elections occurring this spring that are within 3 % cap for a continuing levy will only require a simple majority.
ASKED IF ANY OBJECTIONS TO RECOGNIZING THE RESULTS OF UPCOMING ELECTIONS THAT DO NOT MEET THE DOUBLE MAJORITY PROVISION IF THE ELECTION IS A CONTINUING LEVY. HEARING NO OBJECTION, THE CHAIR SO ORDERED.
Subsection (3) -- New District:
- 211 Scherzinger Require rate base only if district wants to impose property taxes.
- 225 All Questions and discussion concerning whether to retain a double majority requirement.
Questions and discussion concerning forming new districts and the double majority requirement.
- 255 Chair Brian **ASKED FOR ANY OBJECTIONS TO RETAINING A DOUBLE MAJORITY IN ELECTIONS INVOLVING IN THE FORMATION OF NEW TAXING DISTRICTS. HEARING NO OBJECTION, THE CHAIR SO ORDERED.**
- 274 Scherzinger Issue that is not on the list: In HJR 85 there is no statement that requires prioritization in distribution. Question is, does the committee want to prioritize schools or public safety?
- 284 All Questions and discussion concerning prioritization and voter expectation.
- 405 Chair Brian **ASKED FOR ANY OBJECTIONS TO INCLUDE LANGUAGE SIMILAR TO M47 REFERENCES THAT LOSS ALLOCATION WOULD BE DISTRIBUTED IN A WAY THAT WILL PRIORITIZE PUBLIC EDUCATION AND PUBLIC SAFETY. HEARING NO OBJECTION, THE CHAIR SO ORDERED.**

TAPE 69 SIDE A

034 Scherzinger Subsection (7) -- Bond exception to the cut: There are two types of bond exceptions:

- 1) Bonds that are outside rate limits of M47 and M5 limits
- 2) Bonds outside rate limits of M7 but inside M5 limits.

Copied language out of HB 2047 that defines what bonds are eligible for this treatment. Three issues:

1) The language is broader now than attorney general's opinion of what is eligible under M47.

057 Scherzinger 2) Although it creates an exception to the 17 % cut, when excluded from calculations, levies don't end up in rate base, and there is no clear authority to impose taxes.

3) Because of the language picked up from implementation bill on M47, there is an urban renewal section: Section 11a (3). Relationship is unclear in the measure.

Revenue estimates in the measure that calculate the 17 % cut do not include exceptions except support of school district bonds. This will reduce the amount of tax cut.

087 Scherzinger

Refer to HJR 85, Section 11 (7), page 3.

Refer to Section 11 b, page 4.

Noted diagram (EXHIBIT E) Determining Project Eligibility.

127 Chair Brian

Recessed meeting at 10:44 a.m.

SEE 3-7-97 3:00 P.M. SENATE REVENUE COMMITTEE MINUTES FOR RECORD OF CONTINUATION OF MEETING.

Submitted by, Reviewed by,

Barbara Guardino Kim James

Committee Assistant Revenue Office Manager

-

EXHIBIT SUMMARY:

- A. HJR 85, Brummell, Home Builders Service Center, 7 pp.
- B. HJR 85, Brummell, Multnomah County value assessment chart, 2 pp.
- C. HJR 85, Brian, Marion County Oregon Assessor's Office, 3 pp.
- D. HJR 85, Scherzinger, HJR 85 Issues, 4 pp.
- E. HJR 85, Brian, Determining Project Eligibility, 1 p.