

WORK SESSION - HB 2048

(MEASURE 50 IMPLEMENTATION)

TAPES 92 A/B , 93 A

HOUSE REVENUE COMMITTEE

MARCH 31, 1997 8:30 AM HEARING ROOM A STATE CAPITOL BUILDING

MEMBERS PRESENT: Rep. Tom Brian, Chair

Rep. Lee Beyer, Vice-Chair (Arrived 9:30 a.m.)

Rep. Tony Corcoran

Rep. Randall Edwards (Absent 10 - 10:25 a.m.)

Rep. Leslie Lewis

Rep. Anitra Rasmussen

Rep. Lane Shetterly (Absent 10:20 - 10:25 a.m.)

Rep. Mark Simmons

Rep. Ken Strobeck (Absent 10 - 10:25 a.m.)

WITNESSES PRESENT: Jim Manary, Department of Revenue

STAFF PRESENT: James Scherzinger, Legislative Revenue Officer

Barbara Guardino, Committee Assistant

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TAPE 092 SIDE A

Called meeting to order at 9:09 a.m.

010 Chair Brian Committee will begin rewrite of implementing statutes for M50.

Will cover introductory information, schedule.

017 Jim Scherzinger Committee will make HB 2047 the implementing bill for M47. That means, members will take material in HB 2048 that is relevant to M47, insert it into HB 2047 to make HB 2048 the implementation bill for M50. Potential problem with relating clause. Takes too long to introduce new bill. Will bring amendments to committee as they become ready.

Directed members' attention to preliminary schedule for next three weeks, Planning Calendar for Committee Members & Staff (EXHIBIT A):

Will address

Tuesday, April 1: Calculation of assessed values

Wednesday April 2: Timeline issues

Friday, April 4: Draft on value and timeline

Monday and Tuesday, April 7 - 8: Special hearing on tax proposals

041 Scherzinger Wednesday, April 9: Election and process questions

Thursday, April 10: Bonding and Measure 5

Friday, April 11 and Monday, April 14: Urban renewal

Tuesday and Wednesday, April 16-17: Distribution

Thursday, April 17: Other issues

Friday, April 18: Shifts

112 Scherzinger Leadership has instructions to end committee meetings by mid- to late May.

122 Scherzinger Example on taxes on a typical home, as related to calculation in an Oregonian article. Numbers were misleading. Refer to Taxes on Average House, City of Portland (EXHIBIT B). This is a consistent set of assumptions to clarify the misconceptions:

147 Scherzinger Worked from average value of a home of \$119,200, assumed 8 % increase in 1997-98. Under M47, market value remains same; under M50 market value declines. Tax calculations, run into problems with assumptions about Portland police and pension funds, and urban renewal.

Discussed assumptions listed in Exhibit B:

240 Scherzinger (Bonds excluded from base under M47 calculation.

(Urban renewal levy of \$28 million under M50, \$18 million under M47

Reviewed calculation of amount limited within M47 and M50.

314 Scherzinger

340 Scherzinger * Taxes to repay police and fire pension bonds are imposed under M47 limits. By 1997-98 one third of pension funds will be gap bonds, exempt from M47. Problem will be similar to bonds in the base argument. Creates higher limit for which all districts can share. Benefit of this treatment is a \$53 increase in tax that can go to other districts.

TAPE 093 SIDE A

040 All Questions and discussion concerning police and fire pension bonds.

058 Scherzinger Summed, example shows relationship between M 47and M50; shows difficulties in interpretation of M47.

Questions and discussion on Exhibit B.

087 Scherzinger Summed, main issues are urban renewal, distribution

Questions, discussion on comparison between M47 and M50, Exhibit B.

089 All

110 MICROPHONES CUT OUT, PORTIONS INAUDIBLE THROUGHOUT REMAINDER.

Directed members' attention to outline, Measure 50 Implementing Draft (EXHIBIT C)

Goals for Tuesday, April 1:

Assessed value:

161 Scherzinger Definitions

Unit of property

Classes of property

Areas

Improvements and new property
 Ratio of average assessed to average market
 210 Scherzinger Other exceptions
 Specially assessed property
 Goals for Wednesday, April 2:
 Timelines / January 1 assessment date
 Goals for Friday, April 4:
 Review implementing draft
 Goals for Monday and Tuesday, April 7, 8: Special hearings
 Wednesday, April, 9:
 Elections
 Levy process
 250 Scherzinger Bonding
 Measure 5
 Goals for Friday, April 11:
 Urban renewal
 Goals for week of April 14:
 1997-98 levy calculations
 284 Scherzinger Other tax calculation
 Replacement obligation
 Shift restrictions
 Believes major issues are: Discussion of unit, classes and areas of property, definitions
 318 Scherzinger of improvements, timeline, urban renewal, 1997-98 distribution
 332 Rep. Lewis In cases where committee is required to mimic M47 taxes, will this be under 1997-98
 calculation.
 334 Scherzinger Affirmative. Work groups are working on this, as well as implementation difficulties.
 355 Jim
 Manary Slide show: Measure 47 & 50 Applications (EXHIBIT D)

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TAPE 092 SIDE B

Residential Home:

- 030 Manary Increasing Market Assuming 10 % per Year for Five Years
- 052 Rep. M47 was created to deal with residential property during implementation of M5.
Corcoran Designed to give relief, but housing boom caused prices to rise and erased it.
- 055 Manary Asked Manary about claim in newspaper that M47 would be deemed unconstitutional
 due to variation in shift of tax savings.
- 055 Manary Did not see article. Cannot comment on it.
- Commercial:
- 062 Manary Example of Commercial Office Building, Stable Market For Five Years
- 084 Manary Example of Commercial Buildings in Portland Taxable Values 1990-96
 Example of Commercial Buildings in Portland M5 Tax Limit Compared to M47 Tax
 Limit Excluding Bonds
- 144 Manary Questions and discussion on values rising and decreasing due to trending
 Example: 1100 S.W. 65th Office Building in Portland - Value Changes Since 1990-91.
- 153 Manary Personal Property:
 Personal Property Example: Assumptions -- Additions, depreciation, retirements
 Questions and discussion concerning personal property issues
 Personal Property: Downward Value Trend Assuming 5 % Per Year For Five Years
- 214 Manary Personal Property Compare M5 taxes to M47 Taxes (no bonds) First year relief,
 second year no relief. This limit will not help property that is decreasing in value.
 Industrial Property:
- 232 Manary Heavy Industry Model Zero Annual Improvements -- Maximum assessed value will be
 policy question since it can be interpreted a number of ways.
- 362 Manary Heavy Industry Model Moderate Annual Additions -- Gradual growth pattern, little or
 no relief for these properties
 Questions and discussion
- 323 Manary Interstate:
 Utility Without Improvements -- Slow value growth, similar to industrials

Utility With Improvements -- Similar to industrials
364 Chair Brian Adjourned meeting at 10:25 a.m.

Submitted by, Reviewed by,

Barbara Guardino Kim James

Committee Assistant Revenue Office Manager

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EXHIBIT SUMMARY:

- A. HB 2048, Scherzinger, House Committee on Revenue Planning Calendar, 1 p.
- B. HB 2048, Scherzinger, Taxes On Average House, 1 p.
- C. HB 2048, Scherzinger, Measure 50 Implementing Draft, 3 pp.
- D. HB 2048, Manary, Measures 47 & 50 Applications, 24 pp.