

WORK SESSION, INVITED TESTIMONY - HB 2048

(MEASURE 50 IMPLEMENTATION)

TAPES 100, 101 A/B

HOUSE REVENUE COMMITTEE

APRIL 4, 1997 8:30 AM HEARING ROOM A STATE CAPITOL BUILDING

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

Rep. Lee Beyer, Vice-Chair

Rep. Tony Corcoran

Rep. Randall Edwards

Rep. Leslie Lewis

Rep. Anitra Rasmussen

Rep. Lane Shetterly

Rep. Mark Simmons (Arrived 9:15 a.m.)

Rep. Ken Strobeck

WITNESSES PRESENT: Jim Manary, Dept. of Revenue

Jerry Hanson, Washington County

STAFF PRESENT: James Scherzinger, Legislative Revenue Officer

Barbara Guardino, Committee Assistant

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006 Vice Chair Beyer Called meeting to order at 8:56 a.m. Opened work session on HB 2048

WORK SESSION - HB 2048

- 008 Jim Scherzinger Directed members attention to HB 2048-1 Amendments (EXHJIBIT A) Includes material that members talked about in concept during recent meetings - timeline issues and determination of values. Dept. of Revenue work groups gave language to legislative counsel to compile this amendment. Advised not to take these amendments as the final word.
- 038 Scherzinger First 15 pages deal with determination of value under M50. Page 1 deletes current bill, 2048, which would have implemented M47.
New language begins page 2, "Assessed Value For 1997-98 Tax Year".
Section 2: Determining assessed value. Sets general rules for properties that are not subject to exceptions.
Section 3: Determines assessed value for exceptions under some other section.
Page 3, "Determination of Assessed Value and Maximum Assessed Value Generally"
- 073 Scherzinger Section 6 (1): Deals with 3 % limit. "The maximum assessed value of property shall equal 103 percent ..."
- 098 Rep. Shetterly Page 4, Section 7: Defines unit of property to be the tax account
Asked for clarification of Section 6 (1), lines 22-24 "preceding assessment year."
- 127 Scherzinger This deals with "maximum" assessed value for preceding year, not just assessed value. Blackboard presentation (Inaudible): Chart of interrelationship of concepts: Market value, real market value, maximum assessed.
- 154 Scherzinger Actual assessed value could be lower than maximum assessed if market value falls below it.
- 188 Vice Chair Beyer Requested written definition of maximum assessed value.
Questions and discussion concerning market value.

- 230 Jim Manary For income tax purposes, doing three factor formula, property comes more off of assets. Not an appraisal, rather a book value of assets.
- 241 Vice Chair Beyer Is there an assumption that assessors would continue to look at market value on ongoing basis for industrial/commercial properties?
Assumption is Dept. will continue to appraise industrials as present because they are depreciating. For residential, assessors will not reappraise, but will use ratio study to trend property values. Homeowner statements will show only assessed value.
- 245 Manary Requested committee red flag issue for later discussion (Section 6).
- 279 Rep. Shetterly
- 313 Scherzinger Identified two issues to this topic:
- 1) Reset
 - 2) Converting from a limit
- 389 Vice Chair Beyer Questions and discussion concerning assessed values, fluctuation .
Red flagged issue for later discussion
- 391 Scherzinger Returned to page 3, Section 4: Draft takes effect 1997-98 tax year. Section 4 makes it clear that July 1 assessment date still applies. Shift to Jan. 1 next year.
- 415 Rep. Simmons Asked, at what point does a new development technically exist?
- 420 Scherzinger If partially constructed, it would be taxed on whatever value it has on that current date.

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- Page 4, "Maximum Assessed Value Adjustments"
- 043 Scherzinger Section 9: Defines property class.
(2) "Area" means the county for all classes except industrial and centrally assessed properties.
(3)(a) Definition of average maximum assessed value
- 068 (3)(c) "Paragraph (b) of this subsection does not apply to calculation..."
Explained reason for this. With residences where new construction for only 2 %, easy to have good base ratio on ones that not improved. For industrial and centrally assessed, they all improve every year. This provides a base to compare.
- 089 Manary
- 101 Rep. Shetterly Questions concerning page 5, lines 11-24.
In answer to Shetterly's questions, referred to page 7, Section 11.(1) (a) and (b):

- 120 Scherzinger Defines how the calculations are made. Question is how to get ratio. When calculate ratio, value of new property is not included, only the average of existing property in entire county. Look only at property that existed before exceptions.
- 163 Rep. Corcoran Requested chart of neighborhood of new house with real market value, maximum assessed and assessed. Also, would like to see a projection of impact over time on ratios, considering fast growing and slow growing areas.
- 179 Jerry Hanson Neighborhoods with increasing values start out with real market value before they apply assessment ratio. Assessment ratio needs to be a stable number that is not susceptible to local situations. Real market value before assessment ratio is what will help recognize the differences in neighborhoods.
- 236 Rep. Corcoran Assessment ratio give basis for bringing on new construction, does not impact where people are starting out.
- 250 Manary Concerned with ongoing disconnection between real market value and assessed value.
- Slow growth areas would have a higher ratio. In booming market, lower ratio. Slow growth areas would benefit by countywide ratio.
- Resumed review of -1 Amendments:
- 270 Scherzinger Page 5: (4)(a) Definition of average real market
- Page 6: (A) Definition of new property or improvements
- Line 28: (c) If property is moved into different tax code area, it becomes new property.
- 295 Rep. Shetterly Questioned defining "minor construction" line 27.
- Issue flagged.
- 303 Rep. Rasmussen Questioned whether it is preferable to go after dollar amount or percentage of value.
- 317 Rep. Lewis Brought up issue of time frame for improving property.
- (6) Definition of lot line adjustment
- Page 7, Section 10: Adjustment for change in assessment dates
- 316 Scherzinger Section 11: Calculation of maximum assessed value on new property and improvements
- (1)(a) Maximum assessed value of preexisting property
- (3) Assessed value is still lesser of maximum assessed and real market

341 Rep. Lewis Concerned with (2) "not below zero." Refers also to retired personal property accounts.

370 Scherzinger Flagged issue for later discussion.

373 Scherzinger Section 12: Calculation applies to fiscal year 1997-98. In first year, take real market value of improvements over last two years to determine maximum assessed value.

Page 8, Section 13: Deals with exceptions other than new construction.

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Continued discussion on Section 13:

039 Scherzinger

046 Rep. Lewis Asked whether a new lot divided into two parcels are looked at together.

No, each one would be considered separately.

054 Scherzinger

Questions and discussion concerning treatment of lot divided into two parcels.

090 Scherzinger Page 8, Section 13 (b): Talks about property that may have been subject to partial exemption and no longer is.

(5) Multiplication by ratio

(2) Actual assessed value is lesser of assessed value and real market value.

098 Scherzinger Page 9, Section 14 (1): Deals with 1997-98; (2) Deals with 1998-99. Straightens out assessment date

Page 10, Section 15: Lot line adjustments

Section 16: Makes provision for two years that affect first year of measure

102 Scherzinger Section 17: Addresses what happens when more than one event occurs on a particular property

(1) If new construction occurs, determine value under Section 13.

(2) If new construction on lot line adjustment, run through new construction calculation then make lot line adjustment.

(3) Other exception

(2) If all occurring, determine value under (1)

129 Scherzinger Section 19: In first year of M50, utilities will get real market notice

Page 11, "Maximum Assessed Value of Partially Exempt or Specially Assessed Property"

139 Scherzinger Section 21: Deals with same sort of calculation on special assessed property as for real market value property.

(1) Area: Defines as same as before, except provides that if not enough similar properties, area is the state.

(2) Average maximum assessed value: Creates classes of properties under same program.

(3) Average real market value

Questions and discussion concerning "insufficient number of properties," partial exemptions under M50.

Page 12, Section 22: Reduces taxes to 10 % below 1995 tax rate.

228 Scherzinger

Section 23: 3 % limit, ongoing

235

Page 13, Section 23 (2)(a) calculation of ratio using average real market value

Section 24: Applies to 1998-99

Section 25: Rules for insufficient numbers of property

244 Scherzinger

"Additional Taxes" Section 26 - 27 bottom page 13: Deals with additional taxes imposed when property is disqualified for special assessment. This reproduces in M50, what is in the Oregon Constitution.

Page 14, "Board of Property Tax Appeals" Abolishes Board of Ratio Review and puts unfinished business into Board of Property Tax Appeals

275 Scherzinger

(Now called Board of Equalization)

Page 15 to end of draft are "Conforming Amendments Tax Administration and Appeals"

290 Scherzinger Begins with appeals process. Switching appeals process from within Dept. Of Revenue to magistrate position.

Page 15, Sections 29, 30: Change "boards of equalization" to "boards of property tax appeals."

329 Scherzinger Page 23, Section 45: Small claims procedure. Changes real market value to assessed value, but not changing dollar amount limitations on cases that can go to small claim division. Since state is going to assessed value, limitations are raised.

Page 26: Sections duplicated but not amended

345 Scherzinger Page 29, Section 55: No amendments

Page 32, Section 60 (1): Provides for exclusive remedy to determine some questions related to M5. (i.e. whether a government has properly classified a tax.) Extends sections to include M50.

(2) Notwithstanding this, if question is about the value of property, taxpayer would use Board of Property Tax Appeals

Lines 23-26 existing law. These kinds of cases have priority over all other cases pending before Oregon Tax Court.

414 Scherzinger Page 32, Section 61: Existing law requires 10 taxpayers to petition in Tax Court to determine effects of M5 limits. This changes it to "an interested taxpayer."
432 Page 33, bottom, removes obsolete language.

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039 Scherzinger page 34, Section 61: Deals with classification of a tax falling under M5 limits, or what kind of tax and how to appeal determination.
Adds Section 11 (M50) into this provision

055

Page 36, Section 62: Repeats section for magistrates division
Page 41 Section 64: Allow local governments to ask for opinion of Tax Court.

058 Scherzinger Section 65: Same for magistrates division.

Pages 42 - 43, Section 67: Extends remedy provisions of 11(b) in M5 to M50.
Page 44, Section 68: Extends authority to ask for judicial declaration.

069

Page 46, Section 69: Extends current provision of law that says if a court determines the limits don't apply, court can order assessor to impose or collect tax

076 Scherzinger Page 47, Section 71: "Conforming Amendments Department of Revenue Supervisory Authority"

Page 48, Section 71: Gives Dept. of Revenue discretion to correct tax roll. Takes out limitations in current law and transfers them over to magistrate division.

097 Manary Explained, with magistrate bill, most of supervisory authority of Dept. of Revenue shifts to Tax Court. If taxpayer fails to appeal on time, provision in law says if sufficient cause, Dept. can grant an appeal.

Page 52, Section 77: References to court of property tax appeals

119 Scherzinger Page 54, Section 79: Deals with Dept. of Revenue's authority to appraise industrial property. Lines 6-11 answers question of principal and secondary industrial property.

Page 55, lines 7-11: Appeals reappraisal requirement.

137 Scherzinger Page 55, Section 81: "Conforming Amendments Property Subject to Taxation; Exemptions"

Page 67, Section 89: Deals with cemetery property, exempt. If property is

155 Scherzinger disqualified, there is an additional tax. Simplified calculation is still subject to Constitution.

170 Vice Chair
Beyer 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, HB 2048-1, 198 pp.