

**WORK SESSION, HB 3710**

**(MEASURE 50 IMPLEMENTATION)**

**TAPES 113, 114 A/B**

**HOUSE REVENUE COMMITTEE**

---

**APRIL 14, 1997 8:30 AM HEARING ROOM A STATE CAPITOL BUILDING**

---

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

Rep. Lee Beyer, Vice-Chair (Arrived 9:35 a.m.)

Rep. Tony Corcoran

Rep. Randall Edwards

Rep. Leslie Lewis

Rep. Anitra Rasmussen

Rep. Lane Shetterly

Rep. Mark Simmons (Arrived 9:25 a.m.)

Rep. Ken Strobeck

**WITNESSES PRESENT:** Tom Linhares, Oregon State Assn. of County Assessors

Carol Samuels, League of Oregon Cities

Gary Carlson, Associated Oregon Industries

Jerry Hanson, Washington County Assessor

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

Barbara Guardino, Committee Assistant

-

**TAPE 113 SIDE A**

- 007 Rep. Strobeck Called meeting to order at 8:55 a.m.  
Called members' attention to "Measure 50 Implementing Draft" (EXHIBIT A). Committee will discuss flagged issues.
- 009 Jim Scherzinger Anticipates a working LC draft amending these issues will be ready by Tuesday, April 15.  
Noted, committee is behind schedule on implementation draft. Will talk to Chair Brian about possibility of holding double sessions.  
  
Directed members' attention to "FLAGGED ISSUES"  
  
First flagged issue:  
  
Assessed value -- Other exemptions for rezoning , etc. (Sections 13-14)
- 049 Scherzinger Question is whether to an addition for rezoning or loss of exemption only consider the affected property, or is entire account revalued? Currently, entire account is revalued.  
  
Directed members' attention to "JTAG Issues" (EXHIBIT B). JTAG (Joint Technical Advisory Group) committee recommended to only change affected portion of property when making exceptions.  
Discussed variations of types of exceptions and their ratios. Exceptions are many and varied. A property may have portions under different assessments. All kinds of variations exist. Would prefer exception to be added to roll at maximum assessed value using ratio for just that portion of property that is undergoing a change.
- 078 Tom Linhares Under new system, ratio would be calculated countywide, but different ratios would be calculated for properties under special assessment.

**ASKED FOR ANY OBJECTIONS FROM MEMBERS TO USING COUNTYWIDE APPROACH TO CALCULATING RATIOS, AND FOR**

**USING DIFFERENT RATIOS TO CALCULATE PROPERTIES UNDER SPECIAL ASSESSMENTS. HEARING NO OBJECTION, CHAIR SO ORDERED.**

127 Rep.  
Strobeck

Returned to flagged issues on list: Additional taxes

Should additional taxes be converted into simpler formula?

131 Scherzinger

Recommendation is to simplify calculation into one that multiplies 1 % times market value times number of years for rollback, in order to calculate additional tax.

Two issues arise:

1) How does calculation compare with what would occur under current law?

2) The way M50 is written, additional tax cannot exceed tax that would have been imposed had property not been under special assessment.

Directed members' attention to "Additional Taxes" (EXHIBIT C) Additional Tax - additional tax calculation study for 1998-99 disqualifications

154 Scherzinger Biggest issues in relation to additional tax are in column titled "M50, HB2063 Method Additional Tax"; and "Ratio HB 2063 to Current"

JTAG recommends returning draft to original calculations.

194 All

Questions and discussion concerning Exhibit C.

219 Scherzinger

Explained, current method requires going back each year that is on special assessment and calculating difference between payment under special assessment and market.

In answer to how many accounts are disqualified each year - Thousands, including properties that are developed, farm use, home site. One assessor spends approximately 25 % of time annually on this issue. The simplified method should reduce the work load. Currently, it takes about two weeks to produce an estimate. On percent method would take minutes.

229 Linhares

1 % of market value came from average rural tax rate.

Questions and discussion concerning proposed calculation method.

307 Linhares

Suggested returning to current formula in statute. Current method is more complex but is the fairest.

345 Rep.  
Strobeck

**ASKED FOR ANY OBJECTIONS TO RETAINING PROPERTY BY PROPERTY METHOD. HEARING NO OBJECTION, CHAIR SO ORDERED.**

Next flagged issue:

350 Scherzinger Ethanol production exemption (Sections 128-129)

Referred members to "Ethanol Production Facility" (EXHIBIT D) in regard to

exemption for a facility to blend alcohol to gasoline. Not an issue in regard to M50 because no facility exists in Oregon.

374 Rep.  
Corcoran Recommended keeping it in due to volatility of gasoline market.

Next flagged issue:

Exemption sunset dates (Sections 111, 113, 116, 182, 184): Refer to "New Housing for Low Income Rental (EXHIBIT E); and "Rehabilitated Housing" (EXHIBIT F)

402 Scherzinger

Refer to HB 3710, Page 46, lines 27-28. Moves deadline for applications from July 1, 2000 to Jan. 1, 2000.

Section 182: Page 87, line 13: Moves date from July 1, 1998 to Jan. 1, 1998.

### TAPE 114 SIDE A

056 Rep.  
Shetterly Expressed concern in regard to changing dates (HB 3710, pages 88-89), that change from July 1998 to January 1998 is short notice. Construction projects currently being planned may be affected. Date change could have an impact on these projects. Particularly wants to look at rehabilitated rental housing sunset.

110 Scherzinger Reminded members, this bill will not go into effect unless M50 passes.

126 Vice Chair  
Beyer **ASKED IF ANY OBJECTIONS FROM MEMBERS TO LEAVING DATE 2000 ON LOW INCOME HOUSING SECTION AND TO CHANGING RENTAL DATE TO 1999. HEARING NO OBJECTION, CHAIR SO ORDERED.**

Next flagged issue: Bond limits (Section 137)

133 Scherzinger Should they be adjusted to assessed value?

Two issues:

1) Under M50, taxing power is no longer relevant. Question, is are these limitations relevant.

2) Is it necessary to have conversion at all?

172 Carol  
Samuels With respect to bond section of bill, League of Oregon Cities advocates leaving bond limits on real market value in same way as M5 limits are judged against real market value. For smaller jurisdictions, this can be a significant limit. Moving to lower assessed valuation decreases their abilities to take care of needed improvements.

Concerning HB 3710, Section 137, advocated removing (1)(b) altogether and not modifying (a). It is confusing.

220 Samuels Advocates leaving (a) as is, based on real market value.

235 Scherzinger Two types of limitations:

1) Limitations on taxing power of a district.

2) Bonding limits - total amount of outstanding debt cannot exceed a certain percentage of market value.

If these are handled in sense of bonding power based on real market value, adjustments must be made on taxing power. Committee may need to return to this section after it figures out how real market value will be determined, and make reference changes.

271 Rep. Edwards Asked, if moving away from real market value could threaten outstanding bonds.

275 Samuels This could be a problem.

280 All Questions and discussion concerning real market value, conversion to assessed value.

318 Vice Chair Summarized: Options are to stay with current law, based on real market value, or  
Beyer shift to assessed value.

In terms of bonding, does not see any great gain in shifting to assessed value. This would not add any extra work onto assessors.

322 Scherzinger

Questions and discussion concerning Section 137.

432 Rep. Strobeck **MOVED THAT MEMBERS RETAIN CURRENT LAW, "REAL MARKET VALUE," REFERENCES AND STRIKE SECTION 137 (1)(b).**

### **TAPE 113 SIDE B**

037 Vice Chair **ASKED FOR ANY OBJECTIONS FROM MEMBERS TO RETAIN  
Beyer CURRENT LAW AND RETURN TO "REAL MARKET VALUE"  
LIMITATION IN SECTION 137. HEARING NO OBJECTION,**

**CHAIR SO ORDERED.**

Next flagged issue: Personal property (Section 148)

Should the \$3,000 cancellation limit be increased?

043 Scherzinger

Should the filing requirement be eased?

JTAG recommended a \$25,000 limit.

053 Linhares JTAG determined that if business personal property accounts under \$25,000 are canceled, that would eliminate 75 % of total number of accounts would be eliminated, but only 10 % of value. This assists small business owners, decreases work load of county assessors, and makes property tax system more efficient to administer.

A \$25,000 threshold would not require a filing.

It is the obligation of business owners to be aware of business owner tax. Would prefer not to have directive in statute.

Questions and discussions interspersed.

121 Rep. Shetterly In regard to whether this should be handled as a cancellation or exemption - with \$3,000 this does not seem to be a big issue; with \$25,000 it does.,

129 Gary Carlson The \$25,000 figure would create a serious equity question. Recommended making this figure an exemption rather than filing threshold. Also, suggested requiring businesses to demonstrate in a return, what their value is, and an exemption for the first \$25,000.

Everyone should file, even though they get an exemption. Otherwise, they might be unaware that they still have an obligation to pay.

Questions and discussion interspersed.

194 Rep. Strobeck Expressed concern that \$3,000 to \$25,000 is a substantial jump. Asked for revenue impact listing these levels, as well as \$10,000 and \$15,000.

212 Linhares Has estimates for administrative cost savings for eliminating personal property taxes.

233 Rep. Rasmussen Asked for explanation of audit process.

237 Jerry Hanson Explained, Washington County auditors go through a couple weeks of field audit. They find out what new businesses exist, send them a request to file a return.

278 Vice Chair Beyer Flagged issue to await revenue impact information.

Next flagged issue:

Casualty loss (HB 3710 Section 181).

Issue is what time period to permit reduction in value. (Blackboard presentation EXHIBIT G) Measure 50 says legislature will include provision to ensure relief when casualty loss. Question is, what period of time to cover under this measure.

Example: If property is destroyed on March 1, 2001 and rebuilt on Sept. 1, 2001

280 Scherzinger Under current law before court decision: Lower value placed on roll through end of year (June 30, 2001) and all of next year (because lower value existed on July 1 assessment date)

Under current court decision: Lower value placed on roll for all of current year and next year

Under this draft: Lower value placed on roll through end of year (June 30, 2001) but higher value for all of next year (because higher value existed on January 1 assessment year)

Lowest value is M5 decision. M50 took out requirement of lowest value during year.

- 343 Scherzinger Now the question is, what period of time to make this adjustment?
- 370 Vice Chair Concerning the tax year of 2001, if a piece of property were expanded before January  
Beyer 1, how would it be treated under current law?
- 377 Scherzinger A house wouldn't go on tax roll until July 1. Its value would be figured from January  
2000.

**TAPE 114 SIDE B**

- 021 Rep. Asked, if her house burned down during tax year, would she pay 9/12 of normal  
Rasmussen payment? Believes casualty loss should be pulled through full year property is rebuilt.
- 045 Scherzinger PORTIONS INAUDIBLE - Commercial and industrial properties are treated  
differently in more complicated situations.
- 047 Vice Chair Summed: Begin with the current law, proportionate reduction to the time when it  
Beyer occurred in current tax year, and maintain through subsequent tax year.
- 052 Linhares Would this be a problem to administer?  
This method would create more work, but unless there is an earthquake or a flood like  
1996, it wouldn't be problem to administer.
- 059 Vice Chair **ASKED FOR OBJECTIONS FROM MEMBERS TO PROPOSED METHOD  
Beyer OF FIGURING CASUALTY LOSS. HEARING NO OBJECTIONS, CHAIR SO  
ORDERED.**  
Next flagged issue:  
  
Adjudicated Value (Sections 219-221)  
  
Is there a need for this under assessed value system?
- 064 Scherzinger Deals with a situation when a taxpayer has won an appeal. Under current law, value  
determined from that appeal cannot be changed for the next five assessment years  
unless one of the events in Section 219 (2) occurs: Reappraisal, annual trending or  
indexing, annual depreciation, etc. Question is, under new limitation, whether this  
section is needed anymore. JTAG committee made a recommendation: (Refer to  
Exhibit B, # 7)
- 092 Linhares The five-year provision is tied to system of six-year reappraisal cycle. No longer will  
have this cycle. Under envisioned system, there will be no reappraisal at all. Does not  
believe a statute saying the property can't be bumped back up to high market value is  
needed.
- 108 Jim Manary This is true for residential, if six-year cycle for industrial property is eliminated, they  
will have a regular appraisal cycle. Same for centrally assessed value.
- 111 Gary Occasionally, a situation occurred where the value of large facility was adjudicated.  
Carlson In some instances, taxpayer found value pushed up next year. Dept. of Revenue  
director agreed this should not happen. Said if an adjudicated value is not appealed, it  
stands five years. Would prefer adjudicated value remains in law.

- 159 Rep. Edwards Favored keeping adjudicated process intact.
- 169 Rep. Shetterly Suggested, in Subsection 2, add "expressly the authorization for the 3 % growth permitted under measure."
- 182 Linhares Agreed with Carlson that members must deal with issue of maximum assessed value and whether it is allowed to continue to grow or gets lowered to real market value. Cannot decide on adjudicated value question until the other question is addressed.
- 189 Vice Chair Committee will return to this question.
- 201 Vice Chair Adjourned meeting at 10:29 a.m.

Submitted by, Reviewed by,

Barbara Guardino Kim James

Committee Assistant Revenue Office Manager

-

**EXHIBIT SUMMARY:**

- A. HB 3710, Scherzinger, Measure 50 Implementing Draft, 3 pp.
- B. HB 3710, Scherzinger, JTAG Issues, 1 p.
- C. HB 3710, Scherzinger, Additional Taxes chart, 3 pp.
- D. HB 3710, Scherzinger, Ethanol Production Facility, 1 p.
- E. HB 3710, Scherzinger, New Housing For Low Income Rental, 2 pp.
- F. HB 3710, Scherzinger, Rehabilitated Housing, 3 pp.
- G. HB 3710, Scherzinger, Blackboard presentation, 1 p.
- H. HB 3710, Scherzinger, 311.807 Refund reserve account, 1 p.