

**WORK SESSION: HB 3710**

**(MEASURE 50 IMPLEMENTATION)**

**TAPES 120 A/B, 121 A**

**HOUSE REVENUE COMMITTEE**

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**APRIL 17, 1997 8:30 AM HEARING ROOM A STATE CAPITOL BUILDING**

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**MEMBERS PRESENT:** Rep. Tom Brian, Chair (Arrived 9:02 a.m.)

Rep. Lee Beyer, Vice-Chair (Arrived 9:20 a.m.)

Rep. Tony Corcoran (Excused)

Rep. Randall Edwards

Rep. Leslie Lewis (Excused)

Rep. Anitra Rasmussen

Rep. Lane Shetterly

Rep. Mark Simmons

Rep. Ken Strobeck

**WITNESSES PRESENT:** Jerry Hanson, Washington County Assessor

Bob Ellis, Multnomah County Assessor

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

Barbara Guardino, Committee Assistant

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**TAPE 120 SIDE A**

- 007 Rep. Strobeck Called meeting to order at 8:55 a.m.
- Refer to "Effect of Personal Property Tax Exemption Or Cancellation" (EXHIBIT A)
- Refer to HB 3710, Section 148 concerning \$3,000 cancellation (previously flagged issue). Committee has discussed either increasing amount of this cancellation; putting in a provision that a taxpayer does not have to file if below cancellation amount; or exempting the first few thousand dollars value of an account.
- 015 Jim Scherzinger
- Table 1: Cancellation
- Table 2: Exemption
- 065 Rep. Edwards Concerning \$3,000 threshold under current law, what is the tax effect? Scherzinger does not know. Also, assessors dealt with \$25,000 in their cancellation example, asked for clarification of what percent of value of personal property this represents.
- 075 Jerry Hanson Assessors' survey indicates 75 % accounts are under \$25,000. That represents 7.5 to 10 % of total value.
- 102 Rep. Simmons Asked, what are potential administrative cost savings.
- 106 Hanson Cost savings would be about \$12 per account. Changing the filing system plus changing penalties will allow for auditing marginal accounts. Approximately 100,000 accounts.
- 135 Rep. Strobeck Asked for explanation of verifying that a claim is \$3,000 or under.
- 137 Hanson Assessor will calculate value based on depreciation schedules to figure total value of personal property. If under \$3,000, assessors would notify them, but they would still have to file.
- Refer to testimony, "Multnomah County Oregon" (EXHIBIT B)
- 60 % of Multnomah County assessors' work load involves processing 20 % of accounts that either file late or don't file. That represents 10 % of value. Currently, no penalty for omitting property. Believes significant portion of work load could be reduced if people did not have to file annually if they fall below the limit. Alternative might be, assessor could request updated filing on occasional basis.
- Problem: If business owner doesn't know how to count assets, he may believe he is

under the limits and not file.

Proposed Solutions: Distribute forms that show depreciation schedule so businesses can calculate depreciation same as on income tax.

140 Robert Ellis

If business owners calculated their values and submitted to county, it would save money.

Another problem: No penalty for not filing.

213 Ellis

Proposed Solutions: Current penalty for not filing is \$1 per \$1,000 of value, minimum of \$10, maximum of \$250. Suggested removing \$250 maximum. Also removing the phrase from ORS statute, "with the intent to evade taxation" might give assessors ability to persuade companies to file.

Purpose of these proposals is to look at process as reinvention of personal property system. Canceling value gives assessors opportunity to restructure administration.

248 Hanson

Believes assessors can focus on businesses that they should be focusing on.

Suggested sending annual compliance post cards so businesses will have to check in with assessors every year.

305 Rep.  
Rasmussen

Expressed concern that people will lie and Dept. of Revenue won't catch them.

318 Rep.  
Shetterly

Concerned with tax impact. Asked, to what extent can tax effect be offset by better enforcement. What will be the cost in staff before diminishing returns?

336 Rep.  
Edwards

Expressed concern with overall revenue impact.

Higher the number, more unfair it seems. Is there a crossover point when a property is totally exempt and saves administrative cost equivalent to revenue loss?

369 Chair Brian

(Cancellation) No taxes due on personal property up to a certain level.

416 Hanson

From county's perspective, different from total collections picture. Original analysis based on assessors' costs. Looking for crossover point that relates to an estimated \$1 million, the cost to process these accounts at \$12 each.

## **TAPE 121 SIDE A**

044 Hanson

Example: Figuring accounts based on \$10,000 threshold (55 % of total accounts) 65,000 accounts times \$12 would cost \$780,000.

050 Rep.  
Strobeck

Collection costs should not be the sole determination of who pays taxes. Also, prefers exemption to cancellation, although problem is, after first \$10,000, the next dollar is taxed as \$1, and taxpayer is back to small account.

072 Rep.  
Simmons

Suggesting blending two ideas, and providing an exemption of say, \$15,000. If taxpayer exceeded that figure, he would be taxed at 50 % of the value below it. If below \$15,000 pay tax on half the value below threshold and all of the value above.

- That would solve question of small accounts.
- 089 Scherzinger Raised question whether this would work under M50. It would be a partial exemption 3 %.
- Committee needs to address streamlining for reporting and collection. Suggested raising threshold above \$3,000, and placing penalties on those who fail to report.
- 112 Chair Brian Concluded that exemption approach gets into revenue loss too quickly.
- 144 Hanson Suggested using \$10,000 as cutoff figure -- 55 % of accounts are under \$10,000. The remaining 45 % of accounts equates to 50,000 accounts. Pointed out, it costs taxpayers more than is collected to pay staff to implement this.
- 191 Chair Brian Asked, if members stay with cancellation method, why does Hanson suggest a \$10,000 cutoff.
- Explained, 55 % of accounts are under \$10,000. Next category, \$15,000, has 7 % of accounts. \$10,000 figure seems to be natural break.
- 195 Hanson Costs average of \$12 per account for smaller accounts. County receives only about 10 cents on the dollar.
- 251 Chair Brian Turned attention to issue of reporting and penalties, and what needs to be done in HB 3710 to affect these changes.
- Penalty maximum is \$250, regardless of amount of personal property. People who have no intent to file need penalties.
- 318 Vice Chair Beyer Suggested differentiating between people who are a day or two and those who are over 60 days late.
- 332 Chair Brian Asked for volunteers to work with assessors on enforcement of late payers and other issues. Rep. Rasmussen volunteered.
- Summed up committee's preferences:
- 387 Chair Brian Cancellation at \$10,000: Asked if committee wants to keep \$10,000 exemption limit or higher.

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**TAPE 120 SIDE B**

- 034 All Questions and discussion concerning exemption figures.
- 103 Chair Brian Suggested amendment be written to reflect \$10,000 cancellation.
- 118 All Questions and discussion.
- 145 Chair Brian 10 a.m., recessed until 3 p.m.

Submitted by, Reviewed by,

Barbara Guardino Kim James

Committee Assistant Revenue Office Manager

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**EXHIBIT SUMMARY:**

A. HB 3710, Scherzinger, Effect of Personal Property Tax Exemption or Cancellation, 1 p.

B. HB 3710, Ellis, Multnomah County Oregon, 2 pp.

C. HB 3710, Scherzinger, HB 3710-1, 71 pp.

**PUBLIC HEARING & WORK SESSION**

**HB 2355, HB 2533, HB 3495, SB 171A**

**TAPES 122, 123 A/B**

**TAPE 124 (BLANK)**

**HOUSE REVENUE COMMITTEE**

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**APRIL 17, 1997 3:00 PM HEARING ROOM 50 STATE CAPITOL BUILDING**

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

Rep. Lee Beyer, Vice-Chair

Rep. Tony Corcoran (arrived at 3:35 p.m.)

Rep. Randall Edwards

Rep. Leslie Lewis (arrived at 3:40 p.m.)

Rep. Anitra Rasmussen (arrived at 3:30 p.m.)

Rep. Lane Shetterly (arrived at 3:20 p.m.)

Rep. Mark Simmons

Rep. Ken Strobeck

**WITNESSES PRESENT:** HB 2533 - Paul Lasner

HB 2533 - Gil Riddell

HB 2355 - Carol Samuels

SB 171A - Jim Manary

HB 3495 - Rep. Jim Welsh

HB 3495 - Tim Nesbitt

HB 3495 - Gil Riddell

**STAFF PRESENT:** Brian Reeder, Economist

Steve Wermuth, Committee Clerk

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**TAPE 122 SIDE A**

008 Chair Brian Calls meeting to order at 3:15 PM. Opens public hearing on HB 2533.

**HB 2533 -  
PUBLIC  
HEARING**

Oregon State Representative, District 10.

015 Rep. Snodgrass \* She is currently a board member of Specialized Housing as a disclaimer.

\* Specialized Housing owns many homes across the state that are specifically for developmentally disabled.

Executive Director, Specialized Housing Incorporated (SHI)

**[EXHIBIT A].**

\* Support HB 2533 and -2 amendments.

031 Paul Lasner \* SHI is a non-profit organization that has been in business for 16 years.

\* Asks that five of SHI's homes be retroactively tax exempt.

\* In each of the two non-profit properties SHI leases, the Oregon statutes state that the lessee is required to file for property tax exemption.

\* SHI learned of delinquencies on two properties in summer of 1993, and learned of delinquencies on balance of properties in summer of 1995. At

that time, SHI informed lessees that property tax needed to be paid, and were able to pay in full on three of those five properties.

\* All properties in question are entitled to tax exemption under the law.

\* SHI is currently seeking relief from taxes and interest paid, and also relief from taxes and interest on properties that still have one year remaining to be paid.

081	Lasner	* Explains figures from written testimony.
088	Chair Brian	Asks if this is a matter where someone should have filed with the county but did not.
094	Lasner	Answers affirmatively. Explains that the lessees were not aware of the requirement under the statutes to file.
102	Rep. Edwards	Asks Brian Reeder how revenue impact figures were come upon.
105	Brian Reeder	Explains that the intent of HB 2533 was to limit it to these five properties.
115	Rep. Edwards	Comments that HB 2533 appears to be broadly written.
116	Reeder	Comments that if aware, someone else in Oregon with the same circumstances could apply to qualify for a refund.
120	Rep. Edwards	Asks if there could be a sunset placed on HB 2533.
131	Chair Brian	Asks what ORS 307.166 covers.
133	Reeder	Explains that ORS 307.166 states that if you are tax-exempt entity and leasing property from another entity, then the property is tax-exempt.
137	Rep. Shetterly	Asks what the precedent is for this bill.
140	Chair Brian	States that almost every session there are organizations that fail to file. Gives examples.
170	Chair Brian	Asks what reasonable time frame is needed to ask the legislature to act upon and for a county to be liable for returns. Asks if in 1991-92 the properties mentioned were tax-exempted, and asks why someone from SHI didn't come in to legislature for representation in 1991, '93 or '95.
198	Lasner	States that the reason no one from SHI came in last session was because they feared they would be unsuccessful. Believes SHI was filling their obligations under statute for property tax exemptions. Executive Assistant, Association of Oregon Counties.
223	Gil Riddell	* States that 1986 legislative session amended ORS 307.162 to provide for a late filing process.
260	Vice-Chair Beyer	Asks where operation funding for SHI homes comes from.
269	Lasner	Comments that services are funded through the state. Mortgages are paid through almost exclusively through SSI payments made to residents.



279 Vice-Chair Beyer Comments that if the legislature were to deny SHI's request, then the monies would come out of payments from the state and SSI, and force SHI to raise their rents.

283 Lasner States that annual restrictions on SSI prohibit raising the rents.

302 Chair Brian Asks fellow committee members for input on passage of HB 2533 -2.

309 Vice-Chair Beyer Asks what the late fees are as of this point.

312 Riddell Responds, \$200 or 1/10 of 1% of real market value (RMV), whichever is greater.

324 Chair Brian Recommends that committee verify what they want for amendments, and reschedule the bill.

328 Rep. Strobeck Comments on ORS 307.162.

332 Chair Brian Asks at what point ORS 307.162 is brought into HB 2533.

334 Rep. Shetterly Quotes from HB 2533 and ORS 307.162.

348 Chair Brian Explains the intent of -2 amendments. Comments that -2 amendments pertain to SHI's "T" and "R" Street property delinquencies.

394 Vice-Chair Beyer Asks Mr. Lasner if it was his intent after the original bill was drafted, to go back to 1989.

397 Lasner Responds negatively.

398 Vice-Chair Beyer Asks where the -2 amendment originated.

399 Lasner Responds that amendment originated when the "T" and "R" Street properties had experienced the problem, subsequent to drafting of original bill.

404 Vice-Chair Beyer Asks if advised of SHI's situation, would they have drafted the bill accordingly.

406 Lasner Responds affirmatively.

407 Rep. Edwards Asks if it is typical to have a one year sunset.

**TAPE 123 SIDE A**

005 Chair Brian States that it is typical.

006 Vice-Chair Beyer Comments that the sunset has been effective.

009 Chair Brian Comments that committee would like -3 amendments. States that Rep. Edwards moves the -2 amendments to HB 2533, and asks if there are any objections.

018 Rep. Lewis Comments that she hopes to have better understanding after -3 amendments are made to HB 2533.

021 Rep. Strobeck Reiterates that the last two legislative sessions were chances for SHI to file for retroactive exemption.

050 Rep. Edwards **MOTION: Moves to ADOPT HB 2533-2 amendments dated 04/17/97.**  
**VOTE: 4-5**

056 **AYE: 4 - Beyer, Corcoran, Edwards, Shetterly**  
**NAY: 5 - Lewis, Rasmussen, Simmons, Strobeck, Brian**

057 Chair Brian **The motion FAILS.**  
Explains the proposed -3 amendments to HB 2533. Closes work session on HB 2533 [EXHIBITS B, C, D]. Opens public hearing on

058 Chair Brian HB 2355

[EXHIBIT E].

**HB 2355 -  
PUBLIC  
HEARING**

State Representative, District 42.

094 Rep. Lee Beyer \* HB 2355 exempts property leased by fraternal organization from property taxation.  
\* Support HB 2355.

114 Rep. Rasmussen Asks if fraternal organization has exemption from property tax when they own the property, do they also have exemption when leasing.

118 Rep. Beyer Responds that is not necessarily true, it adds to list of non-profits that are exempt from taxation when leasing property.

124 Reeder Comments that most non-profits are on the list, and that most non-profits are exempt whether owning property or leasing.

131 Chair Brian Assumes that ORS 307.136 has same requirement that tax exemption would have to inure to the benefit to the organization, not the property owner.

133 Rep. Beyer Responds affirmatively.

135 Rep. Corcoran Asks if HB 2355 could apply to property leased out by a fraternal organization.

137 Rep. Beyer Responds negatively.  
Representing League of Oregon Cities. [EXHIBIT F].

156 Carol Samuels \* Reads from written testimony.  
\* Opposes HB 2355.

201 Rep. Beyer Comments that committee should not take tax exemptions on a one by one basis. Suggests that they pursue all non-profit organizations such as governmental units and churches.

206 Rep. Strobeck States that the same principle as given by Rep. Beyer applies to tax credits as well.

232 Chair Brian Closes public hearing on HB 2355. Opens work session on HB 2355.

**HB 2355 -  
WORK  
SESSION**

233 Rep. Rasmussen Asks if anyone has a sense of impact on the rest of Oregon. Asks if Brian Reeder has a list of all fraternal organizations on a database.

239 Reeder Comments that he has no information on how many fraternal organizations lease versus those who own their buildings.

247 **Rep. Corcoran** **MOTION: Moves HB 2355 be sent to the floor with a DO PASS recommendation.**

252 Rep. Lewis States that if Oregon were to bring on all exempt properties, in this tax year, rates would be small.

**VOTE: 6-2-1**

291 **AYE: 6 - Beyer, Corcoran, Edwards, Rasmussen, Strobeck, Brian**

**NAY: 2 - Lewis, Simmons**

**EXCUSED: 1 - Shetterly**

**The motion CARRIES.**

296 **Chair Brian**

**REP. BEYER will lead discussion on the floor.**

299 Chair Brian Closes work session on HB 2355. Opens public hearing on SB 171A.

**SB 171A -  
PUBLIC  
HEARING**

Department of Revenue. **[EXHIBIT G].**

310 Jim Manary \* Supports SB 171A.

\* SB 171A deals with six different programs to increase efficiency.

\* Section 1 deals with exemptions.

\* Section 2 deals with small rail car tax.

356 Manary

\* Sections 4-6 deal with local budget laws.

\* Proposed that two copies of budget documents be eliminated.

404 Manary

\* District would keep a copy, and one copy would go to Clerk's office.

**TAPE 122,B**

019 Chair Brian Closes public hearing on SB 171A. Opens public hearing on HB 3495.

**HB 3495 -  
PUBLIC  
HEARING**

State Representative, District 43.

\* Representing small unincorporated community of Mapleton.

\* Intent of HB 3495 is to amend ORS 307.162, relating to taxation.

- 020 Rep. Jim Welsh \* All wastewater treatment facilities, sewage treatment facilities and all other property used for these facilities, including property underneath, shall be exempt from taxation, if owned by a non-profit corporation.
- 053 Rep. Welsh \* Public health hazard which exists in commercial center of an unincorporated community in a coastal zone along a navigable river.  
\* Economic liability of the community and region depended on the retaining of the commercial area as a central part of the regional recovery from changes in the timber industry.  
\* States that this is a special problem in an unincorporated area without a municipality taking charge.
- 086 Vice-Chair Beyer Asks if Mapleton area considered establishing a special service district.
- 089 Rep. Welsh Responds that he doesn't know.
- 090 Vice-Chair Beyer Comments that his only reservation is that planned unit developments can be set up, and all of a sudden, their facilities are tax-exempt corporations.
- 097 Rep. Welsh Comments that it is his concern to keep it strictly for sewer service.
- 102 Rep. Corcoran Asks to add an amendment to say how the non-profit was developed as a municipal consideration.
- 123 Rep. Lewis Comments that Oregon's fixed rates from property taxes would be much smaller this first year if Oregon didn't have all of these exemptions.
- 147 Chair Brian Asks for committee's input on changing line 7 of HB 3495.
- 169 Vice-Chair Beyer Gives input to the committee about HB 3495.
- 190 Vice-Chair Beyer Asks if corporation existed in 1996.
- 193 Rep. Welsh Comments that he doesn't know.
- 204 Chair Brian Continues discussing proposed amendment(s) to HB 3495.
- 225 Chair Brian Closes public hearing on HB 3495. Opens work session on HB 3495.

**HB 3495 -  
WORK  
SESSION**

- 227 Chair Brian Comments about specific amendments adding date limitations to lines

9, 10, 11.

Oregon Public Employees Union (OPEU).

\* Opposes HB 3495.

- 242 Tim Nesbitt \* Property tax expenditures are the largest group of tax expenditures currently listed in tax expenditure report.
- \* Voters care most about services supported by property taxes such as, schools, police, fire departments, parks and libraries.
- 280 Rep. Corcoran Asks if tax expenditures represent twice the current properties that are not exempt, then can we reduce property taxes by 2/3 if they were all on.
- 290 Nesbitt "\$10 billion forgone, \$4 billion collected., probably computes that way."
- 293 Rep. Rasmussen Asks how much of that is federal land.
- 330 Nesbitt Responds that the federal land is \$2.2 billion.
- 331 Rep. Rasmussen Asks the total overall land value.
- 335 Nesbitt Responds \$10 billion.
- 341 Riddell States that county assessor was following law by taxing this property and that special treatment creates administrative costs.
- 353 Chair Brian Makes suggested changes to HB 3495.
- 364 Vice-Chair Beyer Comments about how Lane County should have made the area of Mapleton into a special service district.
- 395 Chair Brian Comments that HB 3495 will not be moved today because there is language to be looked at further. Closes work session on HB 3495. Opens public hearing on SB 171A.

### **SB 171A - PUBLIC HEARING**

- 405 Manary \* Section 11 deals with changing the statutes to allow electronic filing.
- TAPE  
123,B**
- \* County boards are now accepting faxes, and Department of Revenue would like to see taxpayers be able to file electronically.
- 005 Manary \* Sections 12-24 deal with senior citizen special assessment.
- \* If someone is over age 62, and has household income of \$17,500 or less, the state will make payments, under this program.
- 040 Rep. Shetterly Asks about section 18, line 35, and asks what taxpayers representative means.
- 048 Manary Comments that it means someone who has power of attorney.

- 064 Rep. Strobeck Recalls from last session, who could indeed represent a taxpayer.
- 069 Manary States that there was a bill last session that mentioned who could represent taxpayers, and that CPA's wanted to be able to do that. Comments that this section of SB 171A is not intended to create personal liability to a taxpayer's representative.
- 083 Chair Brian Asks if Department of Revenue could define taxpayer's representative in administrative rule.
- 088 Manary States that Department of Revenue would be happy to do that. States that the last part of SB 171A deals with rural telephone exchanges.
- 110 Chair Brian Closes public hearing on SB 171A. Opens work session on SB 171A.
- 123 Vice-Chair Beyer **MOTION: Moves SB 171A to the floor with a DO PASS recommendation.**
- VOTE: 8-0-1**
- 126 **AYE: 8 - Beyer, Corcoran, Lewis, Rasmussen, Shetterly, Simmons, Strobeck, Brian**
- EXCUSED: 1 - Edwards**
- The motion CARRIES.**
- 131 Chair Brian
- REP. CORCORAN will lead discussion on the floor.**
- 133 Chair Brian Closes work session on SB 171A. Adjourns meeting at 4:45 PM.

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Submitted by, Reviewed by,

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Steve Wermuth Kim James

Committee Clerk Revenue Office Manager

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**EXHIBIT SUMMARY:**

**A - HB 2533, written testimony, Paul Lasner, 2 pp.**

**B - HB 2533, written material, Staff, 1 p.**

**C - HB 2533, written material, Staff, 1 p.**

**D - HB 2533, written material, Staff, 1 p.**

**E - HB 2355, written material, Staff, 1 p.**

**F - HB 2355, written testimony, Carol Samuels, 1 p.**

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**EXHIBIT SUMMARY (CONT.)**

**G - SB 171A, written material, Jim Manary, 17 pp.**

**H - HB 3495, written material, Rep. Jim Welsh, 1 p.**

**I - HB 3495, written material, Staff, 1 p.**

**J - HB 3495, written material, Staff, 1 p.**

**K - SB 171A, written material, Staff, 1 p.**

**L - SB 171A, written material, Staff, 2 pp.**

**M - SB 171A, written material, Staff, 1 p.**