

PUBLIC HEARING & WORK SESSION:

HB 2065, SB 624, SB 625

TAPES 158 A/B, 159 A

HOUSE REVENUE COMMITTEE

MAY 5, 1997 8:30 AM HEARING ROOM A STATE CAPITOL BUILDING

MEMBERS PRESENT: Rep. Tom Brian, Chair (Arrived 9:23 a.m.)

Rep. Lee Beyer, Vice-Chair

Rep. Tony Corcoran

Rep. Randall Edwards

Rep. Leslie Lewis

Rep. Anitra Rasmussen (Arrived 9:40 a.m.)

Rep. Lane Shetterly

Rep. Mark Simmons

Rep. Ken Strobeck

WITNESSES PRESENT: Tom Linhares, Oregon State Assoc. of County Assessors Gary Carlson,
Associated Oregon Industries

Sen. Marilyn Shannon

Russell Pearce, Arizona Motor Vehicle Division

Jim Douglas, Arizona Motor Vehicle Division

STAFF PRESENT: Jim Scherzinger, Legislative Revenue Officer

Brian Reeder, Economist

Barbara Guardino, Committee Assistant

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TAPE 158 SIDE A

007 Vice Chair Beyer Called meeting to order at 8:55 a.m.

PUBLIC HEARING -- HB 2065

011 Brian Reeder Requires candidates for office of county assessor be registered property appraisers.

016 Tom Linhares Association of County Assessors introduced HB 2065 because of problems with current requirements for filing for the office of county assessor. Currently, to be an assessor, one has to be either a registered appraiser or an appraiser trainee.

Two problems have developed:

* Nature of the trainee program has changed; test is no longer given.

043 Linhares * In current language, if a trainee or registered appraiser is not up to qualifications, Dept. of Revenue would make the recommendation as to whether the person could enter the trainee program. This put Department in the position of deciding local politics.

Currently all county assessors are registered appraisers. Most started as trainees.

Questions and discussion

090 Rep. Shetterly Referred to HB 2065 Page 2, lines 4-5; and page 1 line 31 seem to be disconnected.

101 Linhares He asked that same question of Elections Division as he prepared language for this bill. The 61st day is filing date. The person has up to the filing deadline to get certified and file.

122 Carlson Associated Oregon Industries policy advisory committee reviewed this bill and supports it. Urged committee to pass this legislation.

WORK SESSION - HB 2065

130 Rep. Shetterly **MOTION TO PASS HB 2065 TO THE FLOOR WITH A DO PASS RECOMMENDATION.**
VOTE 8 - 0 - 2

132 **VOTE** **IN A ROLL CALL VOTE, MEMBERS VOTING AYE: REPS. CORCORAN, EDWARDS, LEWIS, SHETTERLY, SIMMONS, STROBECK, BEYER.**

MEMBERS EXCUSED: REP. RASMUSSEN, CHAIR BRIAN.

144 Vice Chair Beyer **REP. STROBECK WILL CARRY THE BILL TO THE FLOOR.**

PUBLIC HEARING -- SB 625

150 Brian Reeder SB 625 is a companion bill to HB 624. It says, if a metropolitan service district acquires forest land to be used for public recreation or preservation, the deferred taxes that normally would be payable when land comes out forest assessment program would not have to be paid. Under current law, that land would be condemned in order to avoid paying taxes. Bill treats Portland metropolitan area same as counties.

Questions and discussion

212 Vice Chair Beyer Temporarily closed public hearing on SB 625 to allow Sen. Marilyn Shannon and guests to speak on weight mile tax.

218 Sen. Shannon Three weeks ago, Shannon and husband attended international conference on privatizing the Department of Motor Vehicles. 42 states moving in this direction, plus Alberta, Canada. Alberta had \$2 billion deficit. They downsized government and now have a \$1 billion surplus. Arizona has privatized without laying off one employee. Arizona also got rid of weight mile tax, and cut taxes six consecutive years. Arizona has solved its Year 2000 computer problem in-house.

257 Sen. Shannon One barrier of moving ahead in Oregon is, DMV is demoralized because of compute failure. This happened in Arizona too, and they overcame it.

267 Russell Pearce Summarized, motor vehicle departments are looking for "better, faster, cheaper" delivery of service -doing business differently.

185 Jim Douglas Discussed weight distance tax in Arizona. Process to change this took seven years. Arizona MVD believed administrative cost of this tax was high. Administrative cost to collect tax was 3 - 5 %. Other issue is evasion. Weight mile tax had highest evasion rate of any revenue system. Registration fees and fuel tax fees are internationally called "a base state" revenue stream. Weight distance tax is not base state, since only six states in U.S. have it. Each state that has this tax has to administer and audit it wherever it occurred throughout the country. Under base state system, the base state would take on the responsibility of administering.

339 Douglas Secret to success in Arizona was to bring all interested parties together: Governor, legislature, all segments of motor carrier industry. Everyone listed their assumptions and expectations, resolved assumptions. Had to set guidelines, minimum requirements for discussion.

- 1) Assure revenue neutrality.
- 2) All had to agree that no other citizen group or population segment would bear burden of weight distance tax replacement.
- 3) Assured no burden transfer from one segment to another.
- 4) All interested parties agreed to simplify administration and collection of revenue.
- 5) Reduce evasion.

395 Douglas Arizona has tried various methods of collections. Found consistently, a 25 % change in collections, either increase or decrease, based on where tax is collected. Weight distance tax is voluntary, and is extremely expensive to enforce. Costs millions of dollars of infrastructure to reduce evasion. Nothing will come as close to reducing evasion as occurs in registration and fuel taxes.

TAPE 159 SIDE A

041 Douglas Once all parties involved in Arizona came to agreement, it was a matter of doing the math. Believes state will collect more taxes now, and system is considered revenue neutral. There is a significant increase in revenue because state cleaned up evasion problem. Arizona will have a three-month period to share the one-time acceleration with motor carriers, so they will have no weight mile tax for three months.

Summarized: lawmakers have to sit down with everyone, get expectation out, then work on the math. Most people involved will agree on end goal -- to abolish weight distance tax and build highways.

091 Vice Chair Beyer Asked Douglas to talk about what state shifted to in terms of registration increases and diesel tax.

Started one year ago to work out the change. Change was enacted effective Oct. 1, 1997. Prior revenue stream was 4.4 cents per mile weight distance tax, down from 8 cents in 1993. Registration fees totaled \$2,200 per interstate vehicle. Fuel tax was 18 cents.

096 Douglas Now, there is no weight distance tax, no license, no reporting, etc. There is a registration fee of about \$3,900 per interstate vehicle, proportional to size. Also, implemented an \$800 per year motor carrier fee, weight driven. Also, added 8 cent surcharge onto 18 cent excise tax plus one additional penny for two years (total 27 cents).

130 Rep. Concerning planning: Last week, someone claimed the Mafia is involved in diesel fuel

- Shetterly tax evasion.
- 139 Douglas Concept of Mafia is not new. Largest opportunity for this kind of fraud is more in gasoline than in diesel. These changes would not change state's enforcement efforts.
- 151 Rep. Corcoran Asked, were there any critics in putting the process together.
- 156 Douglas One group--truck stops--was not convinced. Fuel in Arizona would cost more than in surrounding states. Truck stops were concerned trucks would not purchase fuel in Arizona. State passed a 2 cent credit for motor carriers who purchase fuel in Arizona and use it in a surrounding state.
- 195 Rep. Corcoran Because Arizona's vehicle registration fees are higher than Oregon's, does that mean it is a higher percentage of motor vehicle's revenue stream than in Oregon?
- 198 Douglas This is correct. Oregon's weight mile tax is vast majority of motor carrier revenues. In Arizona, much more of a balance.
- 204 Rep. Corcoran Asked, who funded Arizona MVD's trip to Oregon.
- 214 Douglas They were invited by group of representatives from Oregon.
- 224 Vice Chair Beyer Asked whether Arizona's vehicle registration fee works much like Oregon's - fees based on proportion of miles driven in Arizona.
- Also, what do cars pay?
Correct, fees are apportioned.
- 238 Douglas Passenger vehicle in Arizona pays registration fee of \$8. Also, 18 cent state fuel tax. In Arizona, there is an in lieu personal property tax that is collected through Motor Vehicle Division. Typical new car would pay about \$500. This decreases yearly until it reaches \$10.
- 278 Rep. Edwards Asked, what is percentage of taxes collected by autos and trucks.
- 285 Douglas Not sure of percentage, but study done in Arizona 5 years ago was that heavy motor carriers were paying 5 % over their cost responsibility, while passenger vehicles were paying slightly under.
- 311 Rep. Edwards While technology changing, Arizona still abandoned weight mile approach. Wondered, why not keep weight mile approach?
- 325 Douglas This has to do with auditing. Arizona's auditors would be responsible for auditing weight miles for trucks all over the continent. Oregon is ahead of Arizona as far as technology (mobile ports). Arizona would have had to invest a significant amount of money to increase intrastate compliance.
- 398 Douglas Privatization in Arizona is seen as competitive government. Arizona uses third-party method. A third party (private or public) performs services previously performed by Motor Vehicle Division. The state pays nothing to compete against state. The third party method is about five years old. There was lots of skepticism at first.

040 Douglas More explanation of third party method. Cost to consumers has not increased under this system. Customers can register through Internet, ATM, telephone company, car dealers, title services, AAA.

090 Rep Strobeck Asked, one of concerns in Oregon is in-state only increase in registration fees, which is proportioned based on miles driven. How does Arizona address concern that intrastate operations shouldered only a portion of increase?

101 Douglas Arizona is unique in that as an offset to in lieu personal property tax, state enacted alternative highway use fee that is only paid by interstate carriers. Most significant portion of registration increase was on interstate use fee. Intrastate motor carriers are not subject to this fee.

111 Jim Scherzinger Interim committee produced a report comparing cost responsibilities of Oregon to other states, one state studied was Arizona. In Arizona 1992 study, heavy vehicle share was about 28 % of total costs. Reasons for this were:

1) Arizona funds highway patrol out of highway fund and Oregon doesn't

2) Arizona has substantial amount of debt service, with bonded highway improvement

3) Heavy vehicle travel share is much higher in Arizona than in Oregon. 13.8 % of travel was heavy vehicles compared to 9.2 % in Oregon. They can raise same revenue with lower rates. This is about a 50 % higher travel share than in Oregon.

151 Scherzinger Interim Revenue committee computed travel adjusted cost responsibility share. Found that if Oregon had Arizona's travel share, its cost responsibility estimate would be 42 % compared to 28 % in Arizona. This difference would lead to substantial difference in tax rate.

162 Douglas Added, Arizona's cost responsibility study did not include revenue that goes for debt service. That is sales tax, not transportation fee.

183 Rep. Simmons Asked, did Arizona look at possibility of using electronically collected tolls, or other methods of collecting user fees.

192 Douglas Arizona was only looking at motor carrier commercial traffic for this analysis. Last summer Arizona did analysis for alternatives. Toll roads would be two words he would never utter, but there are eight different ways to collect revenue. Expects vehicle license tax will be lowered again next year.

212 Rep. Edwards Seems to be shortfall in Oregon relative to needs. Concerning Arizona's revenue neutrality, was Arizona considering its future needs?

224 Douglas Arizona purposely separated additional revenue needs from discussion. Did look at revenue neutrality into future. Found, registration based fees are much more secure when economy is uncertain. Per mile tax is effected by economies, not registration fees. Registration fees stabilizes future revenue stream.

271 Chair Brian Asked, what is Arizona's state sales tax.

273 Douglas State sales tax is 5 %, but local jurisdictions can add to it. Sales tax applies to any purchase of a motor vehicle from licensed dealer.

303 Chair Brian Thanked Pearce and Douglas for their input.

WORK SESSION -- SB 625

Vice
323 Chair **MOVED SB 625 TO THE FLOOR WITH A DO PASS RECOMMENDATION.**
Beyer
9 - 0

325 VOTE **IN A ROLL CALL VOTE, ALL MEMBERS VOTED AYE: REPS. CORCORAN, EDWARDS, LEWIS, RASMUSSEN, SHETTERLY, SIMMONS, STROBECK, VICE CHAIR BEYERS, CHAIR BRIAN.**

337 Chair **MOTION CARRIED. REP. RASMUSSEN WILL LEAD DISCUSSION ON THE**
Brian **FLOOR.**

PUBLIC HEARING -- SB 624

353 Brian Explained, SB 624 says if a metropolitan service district requires farmland, back taxes
Reeder typically paid when farmland is dropped from special assessment, need not be paid.
When metro acquires land to be used for recreation or historic purposes, back taxes don't
need to be paid.

Vice Summed, bill simply extends provision to metropolitan service districts to the list of
Chair governmental entities.

Beyer Questions and discussion

WORK SESSION - SB 624

Vice
409 Chair **MOVED SB 624 TO THE FLOOR WITH A DO PASS RECOMMENDATION.**
Beyer
9 - 0

411 VOTE **IN A ROLL CALL VOTE, ALL MEMBERS VOTED AYE: REPS. CORCORAN, EDWARDS, LEWIS, RASMUSSEN, SHETTERLY, SIMMONS, STROBECK, VICE CHAIR BEYER, CHAIR BRIAN.**

328 Chair **MOTION CARRIED. REP. EDWARDS WILL LEAD DISCUSSION ON THE**
Brian **FLOOR.**

450 Chair Adjourned at 10:14 a.m.
Brian

Submitted by, Reviewed by,

Barbara Guardino Kim James

Committee Assistant Revenue Office Manager

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EXHIBIT SUMMARY:

A. HB 2065, Reeder, Revenue No Impact Statement, 1 p.

B. SB 625, Reeder, Revenue Impact of Proposed Legislation, 1 p.

C. SB 624, Reeder, Revenue Impact of Proposed Legislation, 1 p.