

PUBLIC HEARING AND WORK

SESSION ON HB 2855 A

WORK SESSION ON HB 2192A TAPE 228 A

**SENATE REVENUE COMMITTEE**

---

**JUNE 30, 1997 - 1:00 P.M. - HEARING ROOM B - STATE CAPITOL BUILDING**

---

Members Present: Sen. Ken Baker, Chair

Sen. Neil Bryant, Vice Chair

Sen. Joan Dukes

Sen. Verne Duncan

Sen. Tom Hartung

Sen. Randy Leonard

Testimony: Jeanne Arana, Oregon Winegrowers Association

Gil Riddell, Association of Oregon Counties

Jim Manary, Department of Revenue

Ozzie Rose, Confederation of Oregon School Administrators

Jim Markee, Representing Equity Steering Committee

Staff: Steve Meyer, Economist

Carol Phillips, Committee Assistant

-

**TAPE 228, SIDE A**

005 Chair Baker Opened meeting at 1:00 p.m. and recessed until 3:25 p.m.

OPENED WORK SESSION ON HB 2192

020 Chair Baker MOVES TO RECONSIDER VOTE WHEREBY HB 2192 WAS PASSED TO THE SENATE FLOOR WITH DO PASS RECOMMENDATION. HEARING NO OBJECTION, THE CHAIR SO ORDERED.

024 Steve Meyer Exhibit D - (-B20) Amendments. Began discussion about removal of local option from the previously passed HB 2192. The local option language has been removed from B-engrossed bill, but all else the same. One other change regarding the Department of Education classroom grant was made to make the payment "on or before August 15" so it could be done together with the normal August 15 payment.

046 Chair Baker MOVES THE (-B20) AMENDMENTS TO HB 2192 BE ADOPTED.

050 All Questions and discussion difference between this Amendment and Facility Grant Amendment.

065 Chair Baker HEARING NO OBJECTION, THE CHAIR SO ORDERED.

MOVES HB 2192 AS AMENDED TO THE SENATE FLOOR WITH DO PASS RECOMMENDATION.

ROLL CALL VOTE: MOTION PASSES: 5 - 0 - 1

065 Chair Baker SENATORS VOTING AYE: DUKES, DUNCAN, HARTUNG, LEONARD, BAKER.

SENATORS ABSENT: BRYANT

Sen. Baker will carry the bill on the Senate Floor.

CLOSED WORK SESSION ON HB 2192

OPENED PUBLIC HEARING ON HB 2855

083 Jeanne Exhibit H - Written testimony. Talked about why this bill should be passed. HB 2855 makes clear that the production of wine is an agricultural use. Machinery and equipment used primarily in agricultural or horticultural uses are exempt from personal property

Arana taxation under statute. Recent Supreme Court cases have held that wineries are accepted farm practices and eligible for farm use special assessment for real property tax purposes.

095 Arana Despite these cases and the clear message sent by the courts that the production and sale of wine is an agricultural use, the counties have declined to remove wine machinery and equipment from the tax roles. HB 2855 removes confusion and provides for consistent application of tax law on Oregon's wineries.

098 Arana Wine grapes can be used only for one thing and that is to produce wine. They cannot be sold as table grapes in any form but must be produced into wine. As a result, the entire process from planting root stock in the ground to the point where wine is placed into bottles, it is one complete farming process. HB 2855 makes clear wine grapes are a farm product to be included with other farm products exempt from personal property taxation.

123 Gil Riddell Has no objection to Section 1 of the bill because at present wine grapes are not taxed. However, opposes HB 2855. Believes Oregon's wine industry is known worldwide and wonders why they need an exemption. The tax revenues go to essential services that benefit wineries as well as other citizens. The bigger problem this presents refers to processing equipment. The door could be opened to any number of potential exemptions that could fit the definition, i.e. microbreweries, or fruit and vegetable processing equipment. No requirement there be any minimum acreage on which wine grapes are produced, or that they use a certain percentage of their acreage for production, etc.

156 Jim Manary Stated that under this exemption statute, you are dealing with personal and not real property. Farm machinery and equipment used from preparation of the land to harvesting and placing in storage has been the general rule. Other exceptions, however, have been made in everything from center-pivot irrigation systems, which are real property, to egg processing equipment, which is real property as well. Winery personal property is generally movable and portable. Small wineries have some portable bottling equipment whereas in larger ones it is usually fixed. Oak kegs would be personal property. Questions and discussion interspersed.

207 Ozzie Rose Said that the (-A3) Amendments address the local option as a fallback position if unsuccessful with bond election. One of the local option issues is people who believe school districts not yet at equity, and do not want local option to move districts in a different direction from equity. The (-A3) Amendments limit the local option to \$250 times weighted ADMw for the prior year. Encouraged adoption of these Amendments. Questions and discussion.

296 Steve Meyer Exhibit I - (-A3) Amendments. Does not take effect unless the state education lottery bond program is defeated. If that happens the local option would be available, be within Measure 5 limits, be a levy local option, limited to \$250 times extended ADMw count for prior year. The local option will not count as local revenue as far as the State School Fund distribution formula is concerned unless it exceeds the \$250 per student limit. Added that the (-A3) Amendments replace the entire bill. Questions and discussion interspersed.

360 Jim  
Markee

Has discussed (-A3) Amendments with Ozzie Rose and believes \$250 limit is a reasonable compromise at this time. Still concerned about the local option because the range of money available per ADMw among the various districts between Measure 50 limit and Measure 5 limit goes from \$11 per student to \$900 per student. The \$250 is better than nothing, but there will be districts that do not have \$250 per student available to them under local option. This is just a quick fix and not cast in concrete. Encouraged discussion during interim of a more sophisticated way to equalize the local option. Continued that the five-year sunset authority to have an election is really a ten-year sunset on the levy itself. Questions and discussion interspersed.

CLOSED PUBLIC HEARING ON HB 2855

OPENED WORK SESSION ON HB 2855

429 Chair  
Baker

MOVES ADOPTION OF THE (-A3) AMENDMENTS. HEARING NO OBJECTION, THE CHAIR SO ORDERED.

MOVES HB 2955 AS AMENDED TO THE SENATE FLOOR WITH DO PASS RECOMMENDATION.

439 Chair  
Baker

ROLL CALL VOTE: MOTION PASSES: 5 - 0 - 1

SENATORS VOTING AYE: DUKES, DUNCAN, HARTUNG, LEONARD, BAKER.

SENATORS ABSENT: BRYANT

Sen. Duncan will carry the bill on the Senate Floor.

471 Chair  
Baker

Adjourned meeting at 3:55 p.m.

Carol Phillips

Committee Assistant

Kim James

Office Manager

-

Exhibit Summary:

- A. HB 2192, Meyer, Staff Measure Summary, 2 pages
- B. HB 2192, Meyer, Revenue Impact Statement, 12 pages
- C. HB 2192, Meyer, Fiscal Impact Statement, 1 page
- D. HB 2192, Meyer, (-B20) Amendments, (CH/ps) 6/30/97, 3 pages
- E. HB 2855A, Meyer, Staff Measure Summary, 1 page
- F. HB 2855A, Meyer, Revenue Impact Statement, 1 page
- G. HB 2585A, Meyer, Fiscal Impact Assessment, 1 page
- H. HB 2855A, Arana, Written testimony, 3 pages
- I. HB 2855A, Meyer, (-A3) Amendments, (CH/ps) 6/30/97, 2 pages