

PUBLIC HEARING AND WORK

SESSION SB 167 AND SB 170

TAPES 035 - 036 A/B

SENATE REVENUE COMMITTEE

FEBRUARY 7, 1997 - 9:00 A.M. - HEARING ROOM B - STATE CAPITOL BUILDING

Members Present: Sen. Ken Baker, Chair

Sen. Neil Bryant, Vice Chair (excused)

Sen. Joan Dukes

Sen. Tom Hartung

Sen. Randy Leonard

Witnesses: Susan Browning, Department of Revenue

Michelle Kennedy, Manager of Fiscal Performance and Planning for the Oregon Employment Department

Jim Manary, Department of Revenue

Gil Riddell, Association of Oregon Counties

Tom Linhares, Columbia County Assessor, Chairman of the Oregon

State Association of County Assessors Legislative Committee, and

Zone Manager for the St. Helen's/Columbia City Enterprise Zone

Staff: Ed Waters, Economist

Brian Reeder, Economist

Carol Phillips, Committee Assistant

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TAPE 035, SIDE A

005 Chair Baker Called the meeting to order at 9:13 a.m.

OPENED PUBLIC HEARING ON SB 167

021 Susan Browning (Exhibit B) Senate Bill 167 provides for voluntary withholding from unemployment benefits. Represents a partnership between the Department of Revenue and the Employment Department. Department of Revenue works closely with Employment in administering their combined payroll system. Have been requested by taxpayers to provide this opportunity to have withholding done voluntarily on unemployment. Senate Bill 167 Summary: Section 1 - Voluntary withholding from unemployment benefits. Section 6 - Third party wage payers responsible for withholding. Sometimes third party groups pay wages to employees if the employer is unable or unwilling to do so. Federal tax makes third party payers responsible for withholding and paying federal state. But the statute does not say anything about state income tax. This provision states that third parties who actually pay wages directly to an employee are responsible for paying withholding and paying state taxes. This would conform state law with federal law, and would help the taxpayers by reducing the amount of money they owe when they file tax returns at the end of the year. Questions and discussion.

103 Michelle Kennedy (Exhibit C). The Employment Department is in support of SB 167. In 1994 the federal government enacted legislation which required states to offer federal withholding for unemployment insurance claimants. In 1995 the legislature enacted legislation which would allow that. No fiscal impact to the Employment Department because they have already configured their computer system to accept withholding option.

CLOSED PUBLIC HEARING ON SB 167

OPENED WORK SESSION ON SB 167

125 Sen. Dukes MOVES SB 167 TO THE SENATE FLOOR WITH DO PASS RECOMMENDATION.

128 Chair Baker ROLL CALL VOTE: MOTION PASSES 4 - 0
SENATORS VOTING AYE: DUKES, HARTUNG, LEONARD, BAKER.
EXCUSED: BRYANT

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

OPENED PUBLIC HEARING ON SB 170

145 Jim Manary (Exhibit F) Senate Bill 170 Summary: Sections 1-3 - Enterprise Zone Reference Cleanup. It has to do with filing process for businesses applying under Enterprise Zone parameters. Sections 4-6 - Centralize Appraisal and Exemption Process for Water Association Property with Assessor. Last session with the agreement of the Assessors, the responsibility was moved from the Department. Had been handled in Industrial Section. Assures administration will be handled in one place instead of over two departments. Sections 7-8 - Adding Increased Veterans' Exemption Amount to Nonprofit Homes for the Elderly Program. Veterans asked that the exemption amount which applies to homesteads be increased 10%. It was increased from \$7,500 to \$8,250 for those 40% disabled and from \$10,000 to \$11,000 for those 40% disabled in a service connected situation.

181 Manary A provision for veterans who live in non-profit homes for the elderly was overlooked. Department of Revenue caught it afterwards, and assumed the legislature would want to be consistent. Section 7-8 ties the non-profit homes for the elderly, where many veterans live, to the homestead; so if a veteran changed homestead, it would automatically change the amount.

189 Sen. Leonard Asked for the definition of an Enterprise Zone. Manary explained that Enterprise Zones are an incentive for businesses to locate within certain boundaries to invest a certain amount of money and meet certain hiring requirements. The main purpose is to stimulate employment in an area. If a company can meet all the criteria, it receives exemption on property taxes for up to five years. Questions and discussion interspersed.

325 Sen. Dukes Requested clarification on Section 7-8 relating to the disabled veterans' property tax exemption. Manary will provide written material explaining the Section in greater detail.

344 Tom Linhares Enterprise Zone program working extremely well now after rocky start. There are a lot of complexities involved. Legislature wanted to be sure that if in tax breaks to businesses, the businesses were giving something back to the community once the exemption ended; and that they were providing good paying family wage jobs in communities that needed them. Enterprise Zones are allowed only in economically disadvantaged areas. Limit on how many Zones can be granted statewide.

TAPE 036, SIDE A

005 Linhares Discussed northeast Portland Enterprise Zone projects. Others around state are in eastern Oregon, Linn-Benton area, and several on the coast. By law businesses cannot be retail establishments. Mostly manufacturing, warehousing, producing a product for other businesses, etc. Retail not eligible for exemption. Hotels, motels, destination hotels, and resorts can qualify because they invest a lot of money and hire many people. They attract large dollar spending from guests. Questions and discussion interspersed.

093 Linhares Wages paid must be 150% of wages paid in area. Allows business to get up and running without paying property taxes, but after five years they are on the books. Oregon Economic Development Department determines who can be awarded an Enterprise Zone start. Questions and discussion.

121 Manary Regarding non-profit homes for the elderly, there is a statutory provision that the corporation must give credit to each qualified resident every year for the amount of tax savings from that exemption. Housing facility then gets a small tax break on personal property.

130 Gil Riddell Re. Section 4 - 6 on Senate Bill 170 handout. Centralize Appraisal and Exemption Process for Water Association Property with Assessor. These comments do not relate to the bill, but are for informational purposes only at this time. County government collects \$2.5 billion dollars property taxes. The cost to do that is nearly \$64 million a year. Of that the State Assessment Taxation Funding Program provides 18% of the total, or \$11.5 million dollars. This year counties will spend over \$52 million of county general funds. Since the start of the funding program in 1990 the spending by counties of county general funds has gone from \$41 million a year to \$52 million a year. State funding program is due to sunset on 7-01-98. \$20.00 fee for changing of ownership of real property provides about \$3.5 million a year, or one-third of the revenue for the program. Four percent of the 16% interest on delinquent property taxes provides the other two-thirds. Revenue source now declining. Wants: 1 - bill that would continue funding program but increase fee from \$20.00 to \$30.00; 2 - now that the school system is state funded, would like the state to pick up the cost of collection of the \$1.1 billion they collect for the state school system.

228 Sen. Dukes Understands why the counties want to do this and can sympathize with the problems they are in, but they might want to rethink some of the reasons they bring to the legislature for doing this. They might want to remember what is going on with the school districts. As the legislature increases funding to public schools, it is also calling more of the shots. School boards are frustrated with the state when the state says the boards can have the money, but they must perform accordingly to get it. "You are actually asking legislature to impose on you as well as give you money, because you won't get one without the other."

289 Manary There were some counties in trouble at the end of the 1980's. Lane County was heavily dependent on timber revenues. At that time statutes allowed liquor and cigarette money, but that was not adequate.

312 Riddell In response to Sen. Dukes comments, cannot perform with current budgets and needs state money. Does not believe state could take any more control than they have now. Counties believe they can perform more efficiently if they have proper funding.

CLOSED PUBLIC HEARING ON SB 170

OPENED WORK SESSION ON SB 170

342 San. MOVES SB 170 TO THE SENATE FLOOR WITH DO PASS
Hartung RECOMMENDATION.

ROLL CALL: MOTION PASSES 4 - 0

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

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

CLOSED WORK SESSION ON SB 170

OPENED WORK SESSION ON SB 166

383 Sen. Dukes Remarks on SB 166 from work session of 2/06/97.

400 Chair Baker Stated that SB 166 be submitted to Legislative Counsel.

CLOSED WORK SESSION ON SB 166

412 Chair Stated that the committee would be considering School Funding approxi-mately February
Baker 18. Would like to study different elements of the formula, with Small Schools and
Transportation in particular. Also indicated that when the next Revenue Forecast comes out
in early March, then funding issue will be worked through. Possibly have something to the
floor within a week or so after that.

473 Chair Adjourned meeting at 10:10 a.m.
Baker

Carol Phillips

Committee Assistant

Kim James

Office Manager

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Exhibit Summary:

- A. SB 167, Waters, Revenue Impact Statement, 1 page
- B. SB 167, Browning, Senate Bill 167 Summary, 2 pages
- C. SB 167, Kennedy, Letter from Virlena Crosley, 1 page
- D. SB 170, Reeder, Fiscal Impact Statement, 1 page
- E. SB 170, Reeder, Revenue Impact Statement, 1 page
- F. SB 170, Manary, Senate Bill 170 Summary, 2 pages