

WORK SESSION ON

SB 171 AND SB 311

TAPE 053 A

SENATE REVENUE COMMITTEE

FEBRUARY 21, 1997 - 9:00 A.M. - HEARING ROOM B - STATE CAPITOL BUILDING

Members Present: Sen. Ken Baker, Chair

Sen. Joan Dukes

Sen. Verne Duncan

Sen. Tom Hartung

Sen. Randy Leonard

Members Excused: Sen. Neil Bryant, Vice Chair

Witnesses: Jim Manary, Department of Revenue

Tom Linhares, Columbia County Assessor

Staff: Brian Reeder, Economist

Carol Phillips, Committee Assistant

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TAPE 053, SIDE A

005 Chair Baker Opened meeting at 9:02 a.m.

OPENED WORK SESSION ON SB 171

- 020 Brian Reeder SB 171 is a housekeeping bill submitted at the request of the Department of Revenue. (-1) amendments deals with any tax-exempt entity renting or leasing property or space to another tax-exempt entity. There is currently a test under law which is difficult to apply and does not seem to make sense in the case of two tax-exempt entities. Department of Revenue has proposed eliminating that test. There was some concern among committee members that without some kind of test at all it is possible that a tax-exempt entity renting a property could charge rent or higher than market rent and end up making a profit, which would be contrary to their non-profit status or their standing as a tax-exempt entity. The Department has suggested (-1) proposed amendment language.
- 045 Jim Manary The proposed (-1) amendments language is parallel to that used between a taxable and an exempt organization. It requires that the lessor pass on any savings to the lessee, or the one using the property for exempt purposes, and get the benefit of the exemption and that the lessor not charge market rent.
- 060 Sen. Dukes Asked if this covers only non-profit organizations renting to other non-profit organizations. Manary answered that there is another statute which covers taxable organizations renting to tax-exempt organizations. The test under that situation works fine and requires that the savings from the exemption be passed on to the exempt organization. Further questions and discussion.
- 117 Tom Linhares Explained that the intent of the current law, and therefore the intent of the bill and proposed amendment, is not necessarily to prohibit the owner of a property, whether taxable or non-profit, to not make a small profit on the rental of a property. Intent of the current law is that if a tax-exempt entity is leasing space and the property is exempt from taxation on account of the use of that property by the exempt organization, the savings should flow to the organization that qualifies for the exemption.
- 142 Sen. Leonard Stated he is new to this committee and trying hard to understand why some provisions in current law are under discussion. The language in the law proposed for deletion says that the rent charged does not exceed the cost of repairs, maintenance, amortization, and upkeep. If interpretation is correct it would have said the rent charged would be whatever the market rate would be less the amount of taxes that are paid. Questions and discussion.
- 202 Linhares One of the concerns is the way the statute is currently written. In two identical properties, the exempt owner had a mortgage, and the other exempt organization did not have a mortgage. In that case the rent test would be substantially different. Does not make sense to have a different rent level for properties that have mortgages and those that do not. It is difficult to determine every year as the mortgage is paid down. Actual application of statute follows more closely the proposed amendment than the current law. Further questions and discussion.

228 Sen. Leonard MOVES (-1) AMENDMENTS TO SB 171 BE ADOPTED.
HEARING NO OBJECTION, THE CHAIR SO ORDERED.

235 Sen. Leonard MOVES SB 171 AS AMENDED BY THE (-1) AMENDMENTS TO THE SENATE
FLOOR WITH DO PASS RECOMMENDATION.

ROLL CALL VOTE: MOTION PASSES: 4 - 0

236 Chair Baker SENATORS VOTING AYE: DUKES, HARTUNG, LEONARD, BAKER.
SENATORS EXCUSED FROM VOTE: BRYANT, DUNCAN

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

CLOSED WORK SESSION ON SB 171

OPENED WORK SESSION ON SB 311

244 Reeder SB 311 authorizes the Director of the Department of Revenue to grant retroactively
property tax deferral under the existing senior deferral program. This bill came up in
response to a particular situation where an elderly property owner failed to respond to a
Department of Revenue questionnaire because she was not opening mail and thus forfeited
deferral. Her son-in-law and daughter discovered this and wanted to get the deferral
reinstated. When the Department pays the property tax to the local government for
property owner, it allows the Department to get the 3% discount, the same as any other
property owner would get if they paid their taxes on time.

273 Chair Baker The initial bill itself requires that after the senior deferral is initially given, the Department
then sends annual post cards to beneficiary, who must affirmatively return card. If card not
returned, the name is removed from the list. This bill allows Department to correct for
non-response by senior citizens.

285 Jim Manary Sen. Dukes asked how many specific instances may be out there like the one which
prompted this amendment. Manary responded that he is aware of only one other which
may meet the criteria for this situation.

303 Chair Baker Stated that there are approximately 12,000 accounts on the property tax deferral list, and
about 500 accounts on the special assessments deferral list, which indicate a significant
number of people currently taking advantage of this.

308 Sen. Dukes MOVES (-2) AMENDMENTS TO SB 311 BE ADOPTED.
HEARING NO OBJECTION, THE CHAIR SO ORDERED.

315 Sen. Dukes MOVES SB 311 AS AMENDED BY THE (-2) AMENDMENTS TO THE SENATE FLOOR WITH DO PASS RECOMMENDATION.

ROLL CALL VOTE: MOTION PASSES: 4 - 0

323 Chair Baker SENATORS VOTING AYE: DUKES, HARTUNG, LEONARD, BAKER.
SENATORS EXCUSED FROM VOTE: BRYANT, DUNCAN

Sen. Dukes will carry the bill on the Senate Floor if Sen. Hamby declines.

338 Chair Baker Adjourned meeting at 9:25 a.m.

Carol Phillips

Committee Assistant

Kim James

Office Manager

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Exhibit Summary:

A. SB 171, Reeder, Proposed (-1) Amendments, 2/20/97 (DJ/ps), 1 page

B. SB 171, Reeder, Revenue Impact Statement, 1 page

C. SB 311, Reeder, Proposed (-2) Amendments, 2/18/97 (DJ/ps), 1 page

D. SB 311, Reeder, Fiscal Impact Statement, 1 page

E. SB 311, Hamby, Letter dated 2/20/97 and hand engrossed SB 311, 3 pages