

WORK SESSION ON SB 1215 TAPES 171 - 172 A/B

SENATE REVENUE COMMITTEE

JUNE 5, 1997 - 8:00 A.M. - HEARING ROOM B - STATE CAPITOL BUILDING

Members Present: Sen. Ken Baker, Chair

Sen. Neil Bryant, Vice Chair (left PM meeting 2:30 p.m.)

Sen. Joan Dukes

Sen. Verne Duncan (arrived PM meeting 2:25 p.m.)

Sen. Tom Hartung

Sen. Randy Leonard (left AM meeting 8:10 a.m.)

Invited Testimony: Linda Burplehaus, Department of Revenue

Tom Linhares, Columbia County Assessor

Carol Samuels, League of Oregon Cities

Staff: Jim Scherzinger, Legislative Revenue Officer

Carol Phillips, Committee Assistant

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005 Chair Baker Opened meeting at 8:15 a.m.

OPENED INVITED TESTIMONY AND WORK SESSION ON SB 1215

006 Scherzinger Quickly reviewed what had been covered to date.

014 Linda Exhibit A - Current A & T Timeline. Exhibit B - Proposed A & T Timeline.
Burglehaus Discussed each in detail. Questions and discussion interspersed.

086 Scherzinger Said under Measure 50 the definition of real market value was changed. It took out the lowest value during the year, and it allowed the date to be outside the year itself. In this bill the date is being switched back to January 1, and the lowest value during the year is being taken out. The bill gets rid of the Board of Ratio Review and it converts the Board of Equalization to a Board of Property Tax Appeals. Moving date to January 1 allows other timelines to return to where they used to be to allow more time to process returns, etc. There is a separate provision for catastrophic loss.

106 Burglehaus Continued discussion of Current and Proposed Timelines. Questions and discussion interspersed.

162 Scherzinger Added that one of the things the bill does is repeal the six year reappraisal cycle, so individual homes will not be physically appraised on a regular basis any longer; and that is primarily the area where cutbacks and savings in administration will come from. Question is, what does that mean for the ratio process? If not reappraising regularly, there is a need for some sort of reliable statistical data to establish trends in values. Depending on how Measure 50 is implemented, whether Property-by-Property or by Code Area, there will be a need for data to know what the market value of property is. Questions and discussion interspersed.

207 Tom Stated that given the nature of the system Measure 50 envisioned (using maximum assessed value so the real market value was less important), if a piece of property is reappraised and the value raises from \$150,000 to \$300,000, it won't mean as much because will still be basing taxes on maximum assessed value, which was \$150,000, plus 3%. In cutting work load down and reducing staff, should retain enough appraisers to continue at least 20% of reappraisal activity. Used example of Vernonia as an area of increased market value because of its newfound popularity. Dynamics of enterprise zone incentives and strategic investment incentives may change under Measure 50. Questions and discussion interspersed.

388 Burglehaus Continued discussion of Exhibits A and B. Questions and discussion interspersed.

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032 Burglehaus Continued discussion of Exhibits A and B. Questions and discussion interspersed.

080 Sen. Asked if it would be a fair statement that under Measure 50 the property tax system
Hartung will be simpler and easier to deal with.

090 Linhares Affirmed generally that statement would be accurate. Believes Measure 50 will be a simpler and predictable system. Comments comparing old and new systems. Further

questions and discussion.

160 Scherzinger Added that bonds are becoming a much bigger share of the tax burden. Questions and discussion.

194 Scherzinger Referred to Exhibit - A from 6/2/97 (4-page outline of issues). Spoke briefly on timeline issues in the bill. The bill makes January 1 dated effective 1998-99. The bill changes dates per timelines. Local reserves now in statute 1) small appeals reserve and 2) provision for large appeals. Maintains requirements that assessors keep real market value on roll. Repeals six year reappraisal cycle. Will use trending, output of the ratio study, or whatever, but not reappraisal. Questions and discussion interspersed.

360 Burglehaus Believes Oregon is up in the high 90 to 95 percentile of taxes collected

368 Scherzinger Added that the uncollected factor is around 8%, indicating taxes collected are about 92%. Questions and comments interspersed.

396 Chair
Baker Recessed meeting at 9:10 a.m.

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001 Chair
Baker Reconvened meeting at 2:10 p.m.

008 Scherzinger Referred to Exhibit A from 6/2/97 meeting (4-page outline of issues). Discussed special assessments and partial exemptions. As the bill is written now, these provisions do not work. A work group has examined each program to develop a recommendation, but that is not ready yet. Questions and discussion interspersed.

049 Chair
Baker Asked what would happen if that was spun off into a separate bill? If the Committee gets delayed on this issue, can the remainder of the discussion go on without causing too much damage, and then come back to the undiscussed issues later, i.e. next year at a special session?

057 Scherzinger Stated there has to be a method for assessors to use this session for next year. Does not anticipate completion of these discussion items being a problem by next week. Continued with appeals issues. Some believe certain issues are inappropriate for Measure 50 and should be discussed.

072 Scherzinger Regarding Exemptions, most of this is changing dates to reflect change in the schedule. Also discussed Exemption sunset dates and Casualty loss. Questions and discussion interspersed.

Stated that if somebody starts a house January 2, 1998 and finishes it February 2, 1998

163 Linhares they would not pay taxes until 1999. Would pay taxes on whatever portion is complete on January 1. Detailed questions and discussion regarding valuation of a home partially destroyed by fire and how, when, and how much it should be valued.

311 Burtlehaus Added that regarding Casualty loss, it stipulates an increase in value would be based on new improvements. The definition under "new improvements" it does not include changes for minor construction. Because of that, minor construction under this specifically says the changes would be made under new construction, not under minor construction. New property and new improvements does not include for minor construction. Further questions and discussion regarding this subject.

338 Scherzinger Regarding Historic property, which the House Revenue Committee has not addressed yet, it has gone back and updated value of people on second tier.

356 Scherzinger Continued with Imposition and Collection of Taxes (Exhibit A page 3 6/2/97). Issues included Treatment of offsets, Can districts under-levy?, Application of Measure 5 limits, Rounding of tax rate, Error correction process, and Tax statement. Questions and discussion interspersed.

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070 Scherzinger Continuation of questions and discussion. Believes some communities will not have Permanent Rates by 1998 because their offsets may be large enough they may not be able to impose any taxes, and that may become a legislative issue. Offsets were a bigger issue in the past, and depending on where people live may not be so big an issue in the future. Questions and discussion interspersed.

142 Scherzinger Continued with Bonding issues (Exhibit A page 3 from 6/2/97). Discussed the subject of Definitions including capital construction and maintenance and repairs. Discussion and questions interspersed.

293 Carol Samuels Said that to their knowledge there are twelve jurisdictions in the position of having bonds approved but not sold, i.e. two school districts, a few cities, and a few special districts. Beaverton School District had a bond issue authorized in 1995 for \$150 million, of which they sold only \$30 million, with over \$100 million of authorized bonding capacity left, most of which is for new schools and other major capital construction, but some of which is for office equipment, lab equipment, and other things that may or may not be eligible under the definition of capital construction and improvements under Measure 50. Corvallis School District had a 1994 bond issue for \$10 million specifically for personal computers. The last \$2.5 million had not been sold. Unfortunately, the capital construction and improvements definition clearly does not solve their problem.

335 Scherzinger Added that Section 308a language of SB 1215 allows Corvallis to go out for another vote and to approve a bond that is levied in the gap as a local option levy, despite the fact that schools generally cannot do a local option levy under the bill the way it is. There is a specific exemption that applies if an entity has one of these kinds of bonds.

It does require a double majority vote to proceed. Questions and discussion interspersed.

500 Chair Baker Adjourned meeting at 3:05 p.m.

Carol Phillips

Committee Assistant

Kim James

Office Manager

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Exhibit Summary:

A. SB 1215, Burglehaus, Current A & T Time Line, 1 page

B. SB 1215, Burglehaus, Proposed A & T Time Line, 1 page

C. SB 1215, Scherzinger, Urban Renewal charts, 3 pages