

These minutes paraphrase and/or summarize statements made during this meeting. Text enclosed in quotation marks reports the speakers exact words. For complete context of proceedings, please refer to the tape recording.

These minutes paraphrase and/or summarize statements made during this meeting. Text enclosed in quotation marks reports the speakers exact words. For complete context of proceedings, please refer to the tape recording.

PUBLIC HEARINGS/WORK SESSIONS
SB 686, HB S: 2200A, 2202A & 2198B
TAPES 054-055, A/B

SENATE COMMITTEE ON GOVERNMENT
FINANCE AND TAX POLICY

MARCH 09, 1995 - 1:00 P.M. - HEARING ROOM A - STATE CAPITOL BUILDING

Members Present: Sen. Paul Phillips, Chair (excused 1:42-2:25 pm)
Sen. Shirley Gold, Vice Chair
Sen. Tom Hartung
Sen. Cliff Trow
Sen. Greg Walden

Excused: Sen. Eugene Timms

Witnesses: Alan Willis, Port of Portland
George McShea, Director of Ship Repair Yard, Port of Portland
Mike Fahey, State Representative Multnomah County District 17
Cory Streisinger, Port of Portland General Counsel
Joan Dukes, Oregon State Senator District 1
Gil Riddell, Association of Oregon Counties
B.J. Smith, League of Oregon Cities
Tom Johnson, Port of Portland

Staff: James Scherzinger, Legislative Revenue Officer
Steve Bender, Legislative Revenue Office
Steve Meyer, Legislative Revenue Office
Janice DeVito, Committee Assistant

TAPE 054 - SIDE A

005 Chair Phillips -calls the meeting to order at 1:13 pm as a subcommittee
SB 686 PUBLIC HEARING

016 Chair Phillips -comments on intent of measure, its effect on state
economy, and possible amendments to limit impact to just Port of Portland

030 Steve Meyer -presents staff summary of SB 686 which deals with public
property leased or rented to a taxable entity
-explains tax exemption provision of measure at Section 1, page 2
(quorum established)

055 Alan Willis -Port of Portland
-introduces representatives from Port of Portland: George McShea, Cory
Streisinger, and Tom Johnson
-explains that SB 686 was requested by the Port of Portland as "an important
element of a strategy to reestablish a robust vessel repair and conversion

industry in Portland"

075 George McShea -Port of Portland
-distributes written statement (Exhibit A) which provides detailed history
of the Portland Ship Yard and its role as a "multi-user" yard in Oregon
industry
110 -describes ship repair competition from other major cities, and explains

rationale for seeking a "sole contractor" to operate the Port of Portland
yard

135 -displays large aerial photograph of the Port facility to illustrate the
approximate 100 acres of ship repair yard which would be affected by tax
exemption provisions in SB 686
-states that the yard has generated well over \$1 billion in sales and wages

over the last ten years

158 Mike Fahey -Oregon State Representative, Multnomah County District 17
-explains that most of Port of Portland property is his district
-states reasons for support of SB 686 which include need to provide tax
incentive to attract a "world class" sole contractor, recoup some navy
repair work, and restore viability of the Port shipyard

193 -comments on work force quality, status of competitive wages, and
willingness to work with Port of Portland to achieve common goals
-encourages support of committee on granting tax abatement

210 Chair Phillips -suggests that the measure be limited just to Port of
Portland, "given the uniqueness of that port"

224 Alan Willis -comments concerning final paragraph in Exhibit A, final
paragraph referring to "preservation of manufacturing/metal trades niche in

Oregon" and potential benefit also to Port of Coos Bay

-discussion about Port of Portland property taxes paid in 1991-92 period of
approximately \$250,000, financial impact of jobs, amending bill to limit it

just to Port of Portland, and loss of tax revenue if no contractor is
leasing space

274 Chair Phillips -asks about which entity would be affected by property tax

abatement

294 Cory Streisinger -General Counsel for the Port of Portland
-explains that property taxes paid at the shipyard are received by
Multnomah County, and gives history of voter backed bonds which provided
improvement to the shipyard in 1977
-discussion of cooperative agreements between contractors and providers of
public services

332 Joan Dukes -Oregon State Senator, District 1
-cautions committee about passing bill in its present form because of
impact on port districts throughout state
-states that she represents 5 port districts
-describes problems with property taxes at Tongue Point, expresses concern
about exempting just Port of Portland, and suggests committee dialogue with

other port districts about their tax situations

452 Dukes -"literally, I wish the process could slow down and find out who
legitimately needs or wants to be in and who doesn't - but if that is not
possible ..at least give us the time to work all of that out and in the
meantime narrow it down to the Port of Portland"

463 Acting Chair Gold -assumes Chair responsibility as Sen. Phillips is
excused from meeting

TAPE 055 SIDE A

024 Gil Riddell -Association of Oregon Counties
-"also had our breath taken away by this quick action and would have
appreciated at least some tax coordination among the affected local
governments - it's moving awfully fast"
-reminds committee that it is considering a tax expenditure which operates
as a direct payment from resources or potential resources of the state,
schools, and local government
-recommends use of appropriate, objective tool to analyze and adopt a new
property tax exemption, and to make the decision as "a matter of policy
rather than politics"
-distributes Tax Credit and Exemption Criteria adopted by Senate Interim

Revenue Committee (Exhibit B) and Criteria for Granting Property Tax
Exemption prepared by Oregon State Association of County Assessors (Exhibit

C)

-states that immediate cost of SB 686 would be to remove \$9 million of
taxable value from the tax rolls, with potential for removal as high as
\$36.4 million

-directs committee attention to point two of Exhibit C, and raises question

about appropriateness of tax source

051 -discussion about communication with tax assessor of Multnomah County
and need for more specific staff information on fiscal impact

073 -discussion and questions about potential removal of property from the
rolls, impact on tax revenue, present tax status as a "deal killer" to sole

contractor prospects, whether Multnomah county could grant tax exemption
without legislation, result of Mr. Willis' communication with school
district, county, and City of Portland, and possibility of using financial
reserves from other Port of Portland activities

184 B.J. Smith -League of Oregon Cities

-speaks about balance point between economic development and tax revenue
losses which reduce the level of public services

204 -sees problem in that committee doesn't have all facts and circumstances

at hand "to make the absolute best decision"

221 -suggests committee consider role of local government who may be closer
to facts and circumstances of port districts

235 -proposes solutions to (1) allow local governments to agree to the
property tax exemption or (2) to include a provision in bill for an "in
lieu of property tax agreement" to address public service burden

262 Tom Johnson -Port of Portland

-describes how debt service has been kept off tax rolls and status of
deleted Port reserves

300 -questions and discussion

316 Willis -states for the record that: "when we drafted the legislation, in
our minds was that we are the only facility in the state with this kind of
situation...we took the simplest language and only found out later about
other areas"

337 Acting Chair Gold -suggests need for committee to hear from
representatives of Multnomah County and City of Portland, and also that
amendment be drafted by proponents and opponents to narrow the measure to
the specific problem of the Port of Portland

-directs staff to update Revenue Impact statement (Exhibit D)

HB 2200A PUBLIC HEARING

390 Steve Bender -presents staff review of HB 2200A which is one of three
bills under committee consideration introduced at the request of the
Department of Revenue as administrative bills

TAPE 054 SIDE B

006 Bender -refers to Exhibits F through J distributed 3/8/95 and describes
provisions of measure which authorize Department of Revenue to waive proof
or substantiation requirements for income tax credits, exemptions,
exclusions or subtractions

093 -no revenue impact is expected

-discussion about definition of federally recognized Indian country in
Oregon, Attorney General opinion, and possible fiscal savings

131 Jim Manary -Department of Revenue

-explains record retention situation under current law and measure's effect

to eliminate storage of approx. 20 million pieces of paper each year for
taxpayers and Dept. of Revenue

-discussion of Supreme Court general concept of Indian tax protection

HB 2200A WORK SESSION

284 Sen. Trow -MOVES A-ENGROSSED HB 2200 TO THE SENATE FLOOR WITH A DO PASS
RECOMMENDATION

288 Acting Chair Gold -ROLL CALL VOTE: MOTION CARRIES 5-0

-SENATORS VOTING AYE: HARTUNG, TROW, WALDEN, GOLD & PHILLIPS

EXCUSED:

TIMMS

294 Sen. Trow -will carry bill on the Senate floor

311 Acting Chair Gold -apprises Chair Phillips of committee work session
proceedings on SB 686

HB 2202A PUBLIC HEARING (SEE EXHIBITS K-L-M OF 3/8/95)

321 Steve Bender -explains HB 2202A which is introduced by the Dept. of Revenue as an administrative measure to authorize filing of declaratory form in lieu of personal income tax return

330 -Section 4 deals with withholding tax filing by employers on behalf of their employees

350 -Sections 1-3 allow Dept. of Revenue to establish a program whereby taxpayers would file declaratory forms instead of income tax returns

395 Jim Manary -Oregon Dept. of Revenue

-explains that Department is "looking for ways to simplify tax filing" for taxpayers with basic income who normally claim a standard deduction

TAPE 055 SIDE B

008 Manary -outlines plan to use declaratory forms in a pilot project during a tax season in order to work with CPAs and other groups to determine if forms are a benefit

-brings concept to legislature for approval because of lead time needed to conduct the pilot project

-discussion about whether declaratory forms are used in other states, purpose of simplifying tax filing, effect on revenue flow, reason for taxpayers to use, and whether declaratory forms are a significant change from usual short form filing

059 Sen. Walden -raises question of employer compliance in reporting (i.e., joint payroll form)

089 Chair Phillips -directs committee attention back to issues of HB 2202A, and states position that "I don't think it's all bad for somebody to calculate their taxes...if we make it so simple, they might not appreciate the issues that are at hand

108 Manary -agrees philosophically with the benefit for citizens to intellectually engage in the taxation process, but sees it as a tradeoff in streamlining the system

HB 2198B PUBLIC HEARING (SEE EXHIBITS N-O-P FROM 3/7/95)

117 Steve Bender -describes provisions of HB 2198B which clarify law with respect to converting tax warrants into judgments for the purpose of recognition in other jurisdictions

125 -explains that Provision 1 declares tax warrants to have the effect as judgments for purposes of out-of-state collection

140 -explains why the measure has come from the House "B-engrossed"

-questions and discussion

-another provision of measure allows Dept. of Revenue to file UCC liens on personal property in tax collection procedures

168 Jim Manary -Dept. of Revenue

-clarifies that HB 2198B is a "collection bill" used at the end of the tax collection process

197 -outlines the purpose/implementation of warrants and reciprocity problems in Washington and New Jersey because some judges in those states consider Oregon warrants to be ambiguous

232 -Oregon's Attorney General has suggested clarification of language that Oregon does honor tax warrants as judgments

-discussion and questions

277 Chair Phillips -requests additional information from Dept. of Revenue

-adjourns meeting at 2:58 pm

Janice DeVito
Committee Assistant

Kimberly Taylor James
Office Manager

Exhibits Summary:

- A. SB 686, McShea, testimony from Port of Portland, 3/9/95
- B. SB 686, Riddell, Tax Credit and Exemption Criteria from Senate Interim Committee on Revenue and School Finance, 5/24/94
- C. SB 686, Riddell, Criteria for Granting Property Tax Exemption, Oregon State Association of County Assessors
- D. SB 686, Smith, Urging Restraint in the Enactment of Tax Expenditures, LOC Resolutions Committee, 11/20/94

- E. SB 686, Meyer, Revenue Impact, 3/8/95
- F. SB 686, Meyer, Fiscal Impact Assessment, 3/9/95