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PUBLIC HEARING HB 2204A  
WORK SESSIONS: SB 686 & HB 2204A  
TAPES 056-057, A/B

SENATE COMMITTEE ON GOVERNMENT  
FINANCE AND TAX POLICY

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MARCH 14, 1995 - 1:00 P.M. - HEARING ROOM A - STATE CAPITOL BUILDING

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Members Present: Sen. Paul Phillips, Chair  
Sen. Shirley Gold, Vice Chair  
Sen. Tom Hartung  
Sen. Cliff Trow  
Sen. Greg Walden  
Sen. Eugene Timms (excused 1:00-2:15 pm)

Witnesses: Jim Bucholz, Department of Revenue  
Gary Carlson, Associated Oregon Industries  
Warren Thompson, Associated Oregon Industries  
Chuck Sheketoff, Legal Aid  
Dennis Day, Polk County Assessor & Oregon State Association of County

Assessors Janice Druian, Tax Assessors of Multnomah County  
Tanya Collier, Multnomah County Commissioner  
Alan Willis, Port of Portland

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

TAPE 056 SIDE A

005 Chair Phillips -calls the meeting to order at 1:08 pm  
HB 2204A PUBLIC HEARING  
016 Steve Bender -advises committee of work to date on HB 2204A  
028 Jim Bucholz -Dept. of Revenue  
-refers to Exhibit O memorandum (distributed 3/7/95) - Department of  
Revenue Summary, with comment as follows:  
030 -Section 18 - Instructions for placement of Section 19 in the ORS  
-reference to pages 8-9 of Exhibit O memorandum (distributed 3/7/95)  
"Application of IRC108 - Current Law"  
076 Bender -clarifies use of attributes, and increase by Congress of list of  
attributes with general effect of raising revenue  
-HB 2204A establishes the same set of attributes for Oregon as exists in  
federal law  
101 Bucholz -Section 20 - Reconnect in General  
129 -Section 24 - Housekeeping  
160 -Section 28 - Effective date for Sections 26-27  
173 -Section 32 - Reconnect re: Charitable Checkoff  
198 -Section 36 - Instructions for placement of Section 37 in the ORS  
235 Steve Bender -clarifies that provisions for effective dates of HB 2204A  
will require amended returns be filed by taxpayers  
-questions and discussions about taxpayer compliance, whether penalties are

assessed, and reasons for retroactivity

308 Bucholz -Section 40 - Charitable Contributions of Corporations  
383 -Section 44 - Reconnect re: Qualified Mortgage Bonds  
400 -Section 46 - Immediate Connect of Possible Federal Changes to Lobbying

Expenditures

418 Acting Chair Gold -assumes duties as Chair Phillips is excused briefly  
from meeting

TAPE 057 SIDE A

012 Gary Carlson -Associated Oregon Industries  
-introduces Warren Thompson, Salem CPA and AOI Board member  
-distributes written testimony (Exhibit A)  
-suggests a one-time adjustment in depreciation of property to bring  
federal and state depreciation to uniformity  
033 Warren Thompson -Associated Oregon Industries  
-speaks about depreciation differentials between 1981-1985 and addresses  
issues of reconnect and retroactivity  
069 -points out that amending prior year tax returns will give extra  
business to tax preparers but will not help tax paying citizens of Oregon  
078 -suggests aggregate one time adjustment on 1995 returns to adjust  
depreciation differentials

095 -questions and discussion  
118 Bender -comments regarding revenue impact of Mr. Carlson's proposal on  
property placed in service between 1981-1984  
150 -distributes schedule of Difference in Depreciation for Oregon, Personal

Income Tax Only (Exhibit B) and points out that data is only available  
through 1989

(Chair Phillips returns to meeting)

195 Thompson -explains the concept of component depreciation which was  
eliminated in the 1989 Tax Act

237 Chuck Sheketoff -Legal Aid Service

-distributes written testimony (Exhibit C) with suggested (-13) amendment  
(Exhibit D) addressing the earned income tax credit

265 Bender -explains position of the House Committee Chair on Mr. Sheketoff's

suggested (-13) amendment (Exhibit D)

#### SB 686 WORK SESSION

310 Steve Meyer -presents staff comment on SB 686 which deals with tax  
exemption for public property leased to taxable persons utilized for the  
purpose of shiprepair lay-up, conversion, or construction

-describes that the issue is centered around how narrowly or broadly to  
apply the exemption

327 Dennis Day -Polk County Assessor

-represents Oregon State Association of County Assessors on exemption  
matters

-introduces Janice Druian, Director of Assessment and Taxation for  
Multnomah County

-distributes and explains Criteria for Granting Property Tax Exemption  
(Exhibit E) and states assessors' long-standing opposition to exemptions

422 Day -states opposition to exemption in SB 686 because it does not answer  
any of the three questions posed in the Criteria

#### TAPE 056 SIDE B

006 Janice Druian -Director of Assessment and Taxation, Multnomah County

-supports exemption Criteria (Exhibit E) and position of Oregon State  
Association of County Assessors

-presents facts regarding tax roll and expresses concern about precedent of

granting exemption to Port of Portland

038 -describes commercial/residential tax burden shift which is an issue of  
fairness and equity in property taxes

-outlines historical "considerable" difficulty in collecting taxes from  
Port-leased property in Multnomah County

071 -suggests that the committee may want to consider "some form of  
exemption...with decision making at the local level"

081 -discussion about whether Multnomah County Tax Assessment had received  
prior notification of SB 686

093 Tanya Collier -Multnomah County Commissioner

-states that "someone was notified in Multnomah County but I think the  
nature of the bill was probably underestimated"

-explains that the "best form of tax relief is to keep things on the tax  
rolls, not to take things off the tax rolls"

125 -describes ongoing policy development and work at the local level to  
encourage business and promote the economy

150 -points out that the Port exemption will affect other taxpayers and/or  
reduce local government services

160 -"this is an exemption...but it's also just a tax subsidy - there's no  
other way to put it"

-speaks about need to apply criteria/evaluation, proper incentives to  
contractors, need to discuss incentives with the Port, unfunded mandates to

local governments, lack of sunset date in SB 686, precedent of setting tax  
exemption in advance for broad purposes, unfair competition advantage, and  
history of collecting taxes from the Port

207 -questions and discussion regarding Multnomah County business income tax

and status of property under discussion on tax rolls

235 Collier -responds to question from Sen. Walden about need for SB 686 to  
offset the "deal breaker" issue of Port property taxation by stating need

for negotiation at the local level between Port, County Commission,  
Portland City Council, Portland School Districts, Metro, and other taxing  
districts to develop criteria for tax abatement rather than having it  
granted through a state legislative process

268 -discussion about possibility of other Port tenants seeking tax  
exemption

271 Alan Willis -is not aware of any Port tenants actively seeking exemption,

but knows of other legislative bills introduced this session to grant wider

property exemption for some Port tenants

-amendments have been written to make SB 686 specific just to ship yard  
facility of Port

313 -discussion about Tri-county dry-dock bond measure reserves which have  
been depleted, appropriateness and length of possible sunset provision in  
SB 686, and need for legislative authority for local government agreement

382 Chair Phillips -distributes proposed (-1) amendment (Exhibit F) which  
limits SB 686 to Port of Portland because of vessel size stipulated

-comments about other amendment option to name tax years

#### TAPE 057 SIDE B

028 Chair Phillips -states intent to "try and do what we can to keep that  
Port as active as possible...I do want to limit it as much as feasible  
without constricting any negotiations going on there"

-invites committee opinion as to limiting tax exemption years

-distributes Proposed (-4) amendment (Exhibit G)

040 Sen. Gold -poses questions about possible amendment to give local  
authority for tax abatement and status of negotiation with prospective yard

contractors

071 Sen. Trow -expresses concern about prospectively granting tax abatement

as "a bargaining chip" ahead of actual negotiation and this action's effect on units of local government

094 Collier -explains that a similar process was followed in the strategic investment program passed at state level which was then sent to local level for decision on the abatement

-describes the model already in place includes use of criteria and full public hearings

-discussion

114 Willis -responds about uniqueness of this situation and argues that it does meet all three criteria points for tax exemption outlined by the Oregon State Association of County Assessors (Exhibit E)

134 Chair Phillips -states issues for committee action: 1) do nothing 2)wait 3)move to limit this measure to Port of Portland 4)specify effective tax year

-MOVES ADOPTION OF THE (-1) AMENDMENT (EXHIBIT F)

-HEARING NO OBJECTION, THE CHAIR SO ORDERS

-(this action limits the measure's effect to one ship yard facility in Oregon)

151 Sen. Gold -states that she would appreciate opportunity for time to work with Counsel to prepare an amendment that would address concerns of all local entities involved

162 Chair Phillips -sees reconstruction of the Tri-County communication network as a separate issue and describes original intent of bill "to facilitate the attraction and securing of a contractor in Port of Portland property that exists today that is a major financial engine to the entire city and in fact the state, given the testimony we've had..."

191 Sen. Timms -poses questions about whether a sunset date is realistic

220 Chair Phillips -introduces Proposed (-4) Amendment (Exhibit G) and Proposed (-5) Amendment (Exhibit H)

223 Sen. Trow -suggests placement of the Chair's proposed amendments (-4) and (-5) into SB 686, and "then allow Sen. Gold to do what she wants to do and see whether we then want to buy that"

-discussion

235 Chair Phillips -agrees with Sen. Trow's suggestion and explains difference between Proposed Amendments (-4) and (-5)

250 Sen. Trow -MOVES ADOPTION OF THE (-4) AMENDMENT (EXHIBIT G) INTO SB 686

263 Chair Phillips -HEARING NO OBJECTION, THE CHAIR SO ORDERS

254 Sen. Hartung -feels a "sense of urgency on this" and states opinion that "it would really be a disaster...if we had to put that \$5.5 million back on the rolls"

-asks Sen. Gold to pursue her concerns, but sees need to move on the bill at the next day's meeting

283 Chair Phillips -announces that SB 686 will be first item on next day's meeting

-adjourns meeting at 2:50 pm

Janice DeVito  
Committee Assistant

Kimberly Taylor James  
Office Manager

#### Exhibits Summary:

- A. HB 2204A, Carlson, testimony from Associated Oregon Industries, 3/14/95
- B. HB 2204A, Bender, Difference in Depreciation for Oregon, Personal Income Tax Only 2/7/95
- C. HB 2204A, Sheketoff, testimony Concerning HB 2204 and Connection to the Earned Income Tax Credit, 3/14/95
- D. HB 2204A, Sheketoff, Proposed (-13) Amendment (BPS/dj/hl) 3/13/95
- E. SB 686, Day, Criteria for Granting Property Tax Exemption, prepared by Oregon State Association of County Assessors
- F. SB 686, Meyer, Proposed (-1) Amendment (DJ/hk) 3/9/95
- G. SB 686, Meyer, Proposed (-4) Amendment (BPS/hl) 3/14/95
- H. SB 686, Meyer, Proposed (-5) Amendment (BPS/hk)
- I. SB 686, Meyer, Revenue Impact of Proposed Legislation, 3/13/95
- J. HB 2202A Meyer, Proposed (-A2) Amendment (BPS/hl)