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PUBLIC HEARINGS: HB S 2891A, 2181 & 2637A
WORK SESSIONS: HB S 2891A, 2181, 2637A
& SB 337
TAPES 107-108A/B

SENATE COMMITTEE ON GOVERNMENT
FINANCE AND TAX POLICY

MAY 03, 1995 - 1:00 P.M. - HEARING ROOM A - STATE CAPITOL BUILDING

Members Present: Sen. Paul Phillips, Chair
Sen. Shirley Gold, Vice Chair
Sen. Tom Hartung
Sen. Cliff Trow
Sen. Greg Walden

Witnesses: Wally Rutledge, Oregon Department of Forestry
Joe Misek, Oregon Department of Forestry
Allen Willis, Boise Cascade
Don Rice, James River Corporation
Charles Stern, Oregon Association of County Clerks
Dexter Johnson, Legislative Counsel
Jimmie M. Gleason, PacifiCorp
Jim Manary, Oregon Department of Revenue
B.J. Smith, League of Oregon Cities
Jerry Hanson, Washington County Assessment and Taxation
Gil Riddell, Association of Oregon Counties
Marge Kafoury, City of Portland

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

TAPE 107 SIDE A
005 Chair Phillips -calls the meeting to order at 1:06 pm as a subcommittee
HB 2181 PUBLIC HEARING
008 Dick Yates -presents staff overview of HB 2181 which extends existing
method of funding for administration of reforestation tax credit and
western Oregon small tract optional tax to the 1995-1997 biennium
-emphasizes that measure does not affect programs, only administration of
their funding
(quorum is established)
025 Wally Rutledge -Oregon Department of Forestry, Director of Forestry
Assistance
-explains that HB 2181 will extend funding for administration of two tax

programs administered by Department of Forestry
035 Joe Misek -Oregon Department of Forestry, Policy Analyst
-states that HB 2181 authorizes continued funding for Department of Forestry

administration of both the 30% reforestation tax credit and the western
small tract optional tax special assessment program
-provides background information on two programs

HB 2181 WORK SESSION

069 Sen. Walden -MOVES HB 2181 TO THE SENATE FLOOR WITH A DO PASS

RECOMMENDATION

072 Chair Phillips -ROLL CALL VOTE: MOTION PASSES 3-0

-SENATORS VOTING AYE: HARTUNG, WALDEN & PHILLIPS

EXCUSED: TROW & GOLD (Upon their excused late arrival at the meeting, Chair

Phillips allows Senators Trow and Gold to cast "Aye" votes on this measure.

Therefore, MOTION PASSES WITH A FINAL VOTE OF 5-0 SEE TAPE 107A.262)

080 Sen. Hartung -will carry the measure on the Senate floor

HB 2637 PUBLIC HEARING

080 Dick Yates -presents staff overview of HB 2637A which exempts forest
products of short rotation fiber (hybrid cottonwood) from forest products
harvest tax

118 -discussion of Revenue Impact of Proposed Legislation (Exhibit E)

130 Allen Willis -Boise Cascade, Manager of Governmental Affairs

-explains that need for the bill is the "threat that the Department of

Revenue will start trying to collect these taxes even though we think we
could argue successfully against that"

-cites approval by the House, lack of known opposition, and requests

committee approval of HB 2637A

150 Don Rice -James River Corporation, Manager of fiber farms along Columbia
River

-asks for committee support of HB 2637A

-explains that fiber farms have not previously been affected by the Oregon

Forest Products Harvest Tax

-states that issue addressed in HB 2637A is one of regulatory consistency
rather than fiscal impact

-cites opinion of Oregon Farm Bureau Federation that fiber farms should be
treated and taxed as agricultural crops

183 -questions and discussion about cottonwood production/use, and OSU study

of cottonwood genetics

202 Willis -explains difficulty for Department of Revenue in creating a
viable assessment program due to the physical characteristics of cottonwood

220 Rice -states that DOR has given verbal notice of intent to collect tax on

cottonwood production but is waiting for clarification by legislature

HB 2637A WORK SESSION

250 Chair Phillips -states no known opposition or amendments to HB 2637A

252 Sen. Walden -MOVES HB 2637A TO THE SENATE FLOOR WITH A DO PASS

RECOMMENDATION

255 Chair Phillips -ROLL CALL VOTE: MOTION PASSES 5-0

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

Sen. Walden -will carry measure on the Senate floor

HB 2181 - CHAIR ALLOWS ADDITIONAL VOTES BY SENATORS PREVIOUSLY EXCUSED

262 Chair Phillips -allows late votes by Senators Trow and Gold on HB 2181

264 Chair Phillips -announces scheduling/agenda changes

HB 2891A PUBLIC HEARING

274 Steve Meyer -presents staff overview of HB 2891 which authorizes
appointment of board of equalization and board of ratio review members from

pool of eligible individuals

332 Charles Stern -Oregon Association of County Clerks, Chairman of
Legislative Committee

-explains concept of Department of Revenue task force to create a series of

pools from which members of Board of Ratio Review and Board of Equalization

can be selected

-distributes written testimony in support of measure from Oregon

Association of County Clerks (Exhibit L)

355 -questions and discussion about any known opposition to measure, support

from Association of Oregon Counties, consideration of a sunset date, flexibility for counties within broad parameters, and effective use of alternate board members

TAPE 108 SIDE A

HB 2891A WORK SESSION

009 Sen. Trow -MOVES HB 2891A TO THE SENATE FLOOR WITH A DO PASS

RECOMMENDATION

012 Chair Phillips -ROLL CALL VOTE MOTION PASSES 5-0

SENATORS VOTING AYE: HARTUNG, TROW, WALDEN, GOLD & PHILIPS

Sen. Trow -will carry measure on the Senate floor

SB 337 WORK SESSION

(BRIEF COMMITTEE RECESS: 1:35-1:38 PM)

031 Steve Meyer -distribution of Proposed (-6) Amendments (Exhibit M)

-distribution of Proposed (-7) Amendments (Exhibit N)

061 Dexter Johnson -Legislative Counsel

-begins explanation of Proposed (-7) Amendments at section 1 (Exhibit N)

-questions and discussion interspersed

-explanation of Exhibit N:

093 -at section 2

109 -at section 3

131 -at section 6

154 -at section 5

175 Chair Phillips -summarizes issues addressed in the Proposed (-7)

Amendments to SB 337

199 Jimmie M. Gleason -PacifiCorp, Manager of Tax Policy

-comments against placing a percentage in law regarding tangible versus intangible property - "we think it is more than a mechanical calculation"

-distributes testimony in support of SB 337 from PacifiCorp (Exhibit O)

-states that position of PacifiCorp appears to be consistent among all of the centrally assessed properties - "all of the centrally assessed properties say that their property additions will exceed any reduction that

they receive for intangibles as far as their budgets estimate into the future"

220 -questions and discussion about clarification of tangible personal property additions by utilities, examples in counties, taxation of intangibles since 1931 and in other states, possibility of litigation, and equity

338 Chair Phillips -summarizes options of the committee: reverse last

session's activity and tax all intangibles equally, or treat

centrally-assessed utilities the same as everyone else

343 Jim Manary -Department of Revenue

-in response to question by Chair Phillips, comments on sections of

Proposed (-7) Amendments

373 -cites difficulty of appraisal caused by interrelationship between tangibles and intangibles

TAPE 107 SIDE B

011 -explains current law regarding taxation of industrial property and proposed legislation's use of historical cost instead of market value in appraisal

080 -questions and discussion about criteria for appraisal value

090 Manary -clarification on page 4, line 10 (Exhibit N)

-states that the "beauty of the percentage is that you avoid litigation" and that there is no appraisal answer to "how much is intangible value?"

-discussion and suggestions about policy, difficulty in appraisal, achieving equity and avoiding litigation through phase-in, and use of exemption

245 Gleason -explains appraisal methods applied to electric utility values used in appraisal, historic cost in relation to market cost, and litigation

regarding intangibles

-discussion continues

349 Manary -in response to question by Sen. Trow, describes work of

legislature since 1991 which clarified language for taxation of intangibles

TAPE 108 SIDE B

006 Gleason -for the record states "we would live with a percentage amount - however, the industry did agree to take the low range and maybe this is something that could be revisited the next session with a study by the Department of Revenue and the industry in the mean time"

030 Chair Phillips -poses a functional way to deal with issue in order to "force the debate"

042 Gleason -discussion about differing views on the percentage
 -states willingness to work with Department of Revenue to resolve
 the issue of inequity

054 Sen. Trow -asks for information on county-by-county fiscal impact of this
 measure

085 B.J. Smith -League of Oregon Cities
 -states common interests with counties because "we do receive revenue from
 this source of property taxes"
 -presents for the record, a background statement listing points of concern
 presented for SB 337 (Exhibit P)

096 -comments on county-by-county analysis and asks committee to consider
 consequences for school districts, cities, counties, other special
 districts, and local school districts within each county

105 -for the record states "one of our very strong frustrations" about
 importance of impact on local taxing districts contained within counties

130 -explains Statutory History of Intangible Personal Property and
 Centrally Assessed Utilities prepared for SB 337 (Exhibit Q)

150 --comments on issue of equity, effect on other taxpayers at the local
 level in spite of moderated phase-in, tax losses in districts under
 compression resulting in service reductions, and levels of property tax
 increase

192 -also speaks about unpredictable revenue losses in metropolitan and
 rural areas as "the outgrowth of this type of very broad-based tax
 exemption"

216 Jerry Hanson -Washington County Assessment and Taxation
 -speaks in opposition to measure "personally, I don't think it's about
 equity - it's about shifting taxes - I think we have to really understand
 that is what will happen here"
 -gives perspective about current method of assessment, problems with
 determining how much intangible value is on the tax rolls, and problems
 with mechanical approach to value as stipulated in SB 337

258 Gil Riddell -Association of Oregon Counties
 -describes benefits to utilities from Measure 5, and speaks about issue of
 equity
 -"I don't think, however, this justifies a sweeping exemption for all
 centrally-assessed utility intangible property"

304 -cites study by Beck and Associates (1992) regarding position of PUC
 -sees no assurance of savings to rate payers, but anticipates shift in tax
 load to homeowners and other taxpayers
 -questions replacement of \$1 billion off the tax rolls and increased levels
 of service demands resulting from growth

320 Marge Kafoury -City of Portland
 -agrees to testify at next day's committee hearing

330 Chair Phillips -adjourns meeting at 1:55 pm

Janice DeVito
 Committee Assistant

Kimberly Taylor James
 Office Manager

Exhibits Summary:

- A. HB 2181, Yates, Staff Measure Summary - House Committee on State and School Finance
- B. HB 2181, Yates, Revenue Impact of Proposed Legislation, 3/21/95
- C. HB 2181, Yates, Fiscal Analysis of Proposed Legislation, 3/20/95
- D. HB 2181, Craig, testimony from Oregon Department of Forestry, 5/3/95
- E. HB 2637A, Yates, Revenue Impact of Proposed Legislation, 3/21/95
- F. HB 2637A, Yates, Fiscal Impact Assessment, 3/22/95
- G. HB 2637A, Willis, testimony of Boise Cascade Corporation
- H. HB 2637A, Rice, testimony from James River Corporation
- I. HB 2891A, Meyer, Staff Measure Summary - House Committee on State and School Finance
- J. HB 2891A, Meyer, Revenue Impact of Proposed Legislation, 4/3/95
- K. HB 2891A, Meyer, Fiscal Impact Assessments 4/4/95 & 3/29/95

- L. HB 2891, Stern, testimony from Oregon Association of County Clerks
- M. SB 337, Meyer, Proposed (-6) Amendments to SB 337 (BPS/dj/hl) 5/3/95
- N. SB 337, Meyer, Proposed (-7) Amendments to SB 337 (BPS/dj/hk) 5/3/95
- O. SB 337, Gleason, testimony from PacifiCorp
- P. SB 337, Smith, testimony from League of Oregon Cities/Association of Oregon Counties, 4/21/95
- Q. SB 337, Smith, SB 337/Statutory History of Intangible Personal Property and

Centrally Assessed Utilities

- R. HB 2637A, Yates, Staff Measure Summary - House Committee on State and School Finance