

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.

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Work Session HB 3017
Public Hearing HB 2621, 3024, 2848, 2781 2255

B, 144 A

House Committee on
State and School Finance
April 3, 1995 Page

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HOUSE STATE AND SCHOOL FINANCE COMMITTEE

APRIL 3, 1995 8:30 AM HEARING ROOM A STATE CAPITOL BUILDING

Members Present: Rep. John Schoon, Chair
Rep. Ron Adams
Rep. Lee Beyer
Rep. Tony Federici, Vice Chair
Rep. Tim Josi
Rep. Jane Lokan (9:10 am late arrival)
Rep. Anita Rasmussen
Rep. Ken Strobeck
Rep. Jim Welsh

Witnesses Present: Rep. Milne, District 38
Sgt. Walter Crews, Non-commissioned Officers Association (NCOA)
Ronald Weimer, US Army Reserves
Rep. Wells, District 30
Rep. Lundquist, District 59
Chuck Smith, Oregon State Treasury
Ronald Edwards, Oregon State Treasury
Ron Meyer, Fruit Growers League
Dan Hull, Fruit Growers League
Gill Riddell, Associated Oregon Counties
Mike McCarthy, Judge
Mary Piermine, Marion County Commissioner
Steve Warnock, Bandon, Cranberry Grower
Harold Russell, Ocean Spray Cranberries
George Gant, Bandon, Cranberry Grower
Jim Jackson, Bandon, OR Cranberry Farmers Alliance
Jim Manary, Department of Revenue
Bob Cantine, Association Oregon Counties
Rep. Naito, District 15
Rep. Tarno, District 48
Don Schellenberg, Oregon Farm Bureau
Tom Linhares, Oregon State Association of County Assessors
Dave Schmidt, Linn County Commissioner
Arthur Ayre, Oregon Economic Development
June Ames, Portland
Francie Royce, Portland

Staff: James Scherzinger, Legislative Revenue Officer
Rhonda Wehler, Committee Assistant
Steve Bender, Legislative Revenue Office
Steve Meyer, Legislative Revenue Office

TAPE 104 SIDE A
004 Chair Schoon -calls the meeting to order at 8:30 am and conducts
administrative business
-OPENS PUBLIC HEARING ON HB 2781
HB 2781
015 Steve Bender -explains as result of desert storm operations, all income
earned by active duty servicemen is exempt from Oregon tax any time combat
exists as designated by President
025 Rep Milne -summarizes she sponsored bill for armed forces to attempt
fairness and equal treatment for veterans
038 Sgt. Crews -notes NCOA supports this clean-up bill left over from Desert
Storm
Crews -explains any time president signs executive order calling up armed
forces this bill would kick into effect
-when president ends executive order, deferment ends
-could be incentive for enlistees in reserve and National Guard

-refers to Written Testimony, Exhibit A
075 Crews -clarifies active duty serviceman stationed outside of US are not
affected by this bill
107 Rep. Milne -adds only where president has declared combat period would
this go into effect
111 Bender -exemption includes military pay no matter where serviceman
stationed when combatant activities declared by president
122 -CLOSES PUBLIC HEARING ON 2781
123 -OPENS PUBLIC HEARING ON HB 2621
HB 2621
127 Sen. Bradbury -explains cranberry taxes too high, through farm use
assessment statute
-CLOSES PUBLIC HEARING ON 2621
-OPENS WORK SESSION ON HB 3017
HB 3017
157 Randall Edwards -explains amendment, Exhibit B
164 Chuck Smith -summarizes goals of making college savings affordable by use
of mini bonds in denominations of \$1,000 or less
-would offer individual investors opportunity to buy bonds
252 -emphasizes consumer must be informed of reduced marketability of
mini-bond and need to keep to maturity
283 Edwards -affirms other states have instituted mini-bonds successfully
305 Smith -warns state needs to be cautious how many bonds are offered
353 All -questions and discussion
TAPE 142 SIDE A
015 Chair Schoon -informs bill as drafted based on Massachusetts law
Chair Schoon -relays intent to offer bonds to lower income
-informs legislative counsel will draft amendments
048 -CLOSES WORK SESSION ON HB 3017
051 -OPENS PUBLIC HEARING ON HB 3024
HB 3024
076 Steve Meyer -explains exemption to real property items, broadening farm
machinery and equipment exemption
-clarifies exemption doesn't matter if machinery is real or personal
property
101 Rep. Lundquist -stresses wisdom of identifying equipment for taxable or
non-taxable status
-affirms bill gives direction to assessors to maintain consistency
146 Rep. Wells -refers to Exhibit C, Written Testimony, supporting HB 3024
-explains why farm machinery should not be taxed as personal property
-limited use of machinery
-not purchased for profit making
-doesn't require services from agencies
-bill deals with changes in agriculture, i.e. straw considered waste
by-product, mobility of equipment
241 -explains not for profit making motives is buying machinery for use on
own facility, not to do custom work
283 Rep. Beyer -expresses concern in tax cut policy, since all of logging
industry machinery is taxable
299 Rep. Wells -replies farm machinery is more seasonal, often isn't used
more than a few times per year
318 Rep. Lundquist -emphasizes farm deferral strengthens farm usage
361 Chair Schoon -notes real property has never been exempt
-most definitions have arisen from disputes over what is real and what is
personal
-anything bolted to floor is considered real property
397 Rep. Rasmussen -expresses discomfort with bill, because shifts tax burden
onto home owners and other businesses
TAPE 141 SIDE B
015 Rep. Wells -clarifies 95% of farm equipment is already exempted, bill
deals with small percent presenting problems
039 Rep. Rasmussen -asks definition of custom work
033 Rep. Wells -explains when farmer buys piece of machinery to hire out for
other farmers, i.e. sweet corn toppers
060 Chair Schoon -says Rep. Van Leeuwen supports this bill
063 Ron Meyer -refers to Written Testimony, Exhibit D, supporting HB 3024
-when land use laws were being formulated, state of Oregon promised biggest
tax exemption to be afforded to farmers
-tax exemption is in lieu of losing land
069 Dan Hull -stresses tax exemption is not subsidy
Hull -cost reduction is way to increase profitability
-clarifies intent in land use and farm use laws to include equipment
261 Gil Riddell -refers to Exhibit E, Written Testimony, opposing HB 3024
336 Mike McArthur -expresses opposition to HB 3024, even though it would
benefit him personally as part-time farmer
-exempt equipment should be equipment used to work the land
364 Mary Piermine -stresses combines are used for profit
-sees large tax shift to rest of state residents
TAPE 142 SIDE
001 Dave Schmidt -indicates it is ill-advised policy to treat exemptions
differently
026 Chair Schoon -CLOSES PUBLIC HEARING HB 3024
027 -OPENS PUBLIC HEARING ON HB 2621
HB 2621
032 Meyer -explains bill requires assignment of value no greater than value
arrived at for farmland in county most suitable to cultivation, in
assessment of farmland using income approach
050 Don Schellenberg -clarifies soil class # 1 is best soil condition
-best soil brings in highest income
083 Steve Warnock -refers to Exhibit F, Written Testimony, supporting HB 2621
-illustrates farm use values in Coos County
-cranberry vines exempt from direct taxation
-want lower taxes on cranberry bogs
-all other berries have lower farm use values than cranberries
309 George Gant -describes land in Bandon suitable only for growing
cranberries
-states income approach is not fair for cranberry growers

390 Jim Jackson -supports bill
 TAPE 143 SIDE A
 All -general discussion
 049 Warnock -refers to Exhibit F, Written Testimony
 All -general discussion of assessed value on land and cranberry vines
 099 Warnock -stresses cranberry vines productive indefinitely
 -inflation is greatest expense
 120 Rudolph Bauder -speaks in favor of HB 2621
 173 Jim Manary -refers to Exhibit G, Agricultural Land Capability
 Classification System, explaining unique lands and expressing Department of
 Revenue concern over HB 2621
 218 Tom Linhares -informs land values have been appealed in Coos County
 -explains farm use value determinations
 -actual sales one farmer to another
 -what land rents for
 -capitalize net income from farm operator
 -expresses concern that all farm assessment, including wheat land, could be
 affected by this bill
 314 Rep. Tarno -testifies support for HB 2621
 336 Schellenberg -clarifies purpose of farm use assessment is to determine
 value of soil, not to be income tax
 406 -adds farm use tax doesn't take into consideration improvements to
 property
 -Coos County assessor factoring improvements into formula
 TAPE 144 SIDE A
 025 Rep. Adams -believes income production is valid piece of comparison
 037 Schellenberg -notes in assessing homesite, bare land value is assessed
 055 Vice Chair Federici -CLOSES PUBLIC HEARING ON HB 2621
 059 -OPENS PUBLIC HEARING ON HB 2848
 HB 2848
 064 Bob Cantine -explains bill grants property tax exemption to certain
 economic development projects for that category of property taxes that
 dedicates revenues raised to fund government operations other than public
 school system, removes school portion from exemption
 -effect school district in compression allow them to collect
 -expresses concerns bill may negatively affect local incentive to
 industries
 141 Rep. Naito -explains original bill passed in 1993 gave local
 jurisdictions power to grant property tax credit to attract companies into
 state
 -stresses unfair for local jurisdictions to give away education \$
 -taxpayers compensate for abatement given to corporations
 -main economic development tool is high quality education
 -tax breaks are minor for businesses in Oregon compared to quality of life
 and good schools
 -urges favorable consideration of bill
 -Measure 5 limit irrelevant to bill
 224 Rep Strobeck -questions how this bill would help schools when budget of
 local school funded on local property taxes and what state provides
 236 Rep. Naito -answers affects General Fund totals
 273 Arthur Ayre -expresses respect for intent of bill to help school
 districts, but says it is unlikely to achieve that intent
 -incentive program is successful as is
 -bill would weaken ability to lure companies to Oregon
 -informs large companies locate in place of lowest tax
 TAPE 143 SIDE A
 061 Vice Chair Federici -affirms incentive particularly important to new
 Oregon industry
 064 Francie Royce -refers to Exhibit I, Written Testimony, supporting HB 2848
 Jane Ames -refers to Exhibit J, Written Testimony, supporting HB 2848
 -Measure 5 has shifted tax burden from businesses to individuals
 177 Vice Chair Federici -CLOSES PUBLIC HEARING ON HB 2848
 -adjourns meeting at 11:35 am

Rhonda Wehler, Committee Assistant Kimberly Taylor James, Office Manager

Exhibit Summary
 A. HB 2781, Crews, Written Testimony
 B. HB 3017, Smith, Proposed Amendment
 C. HB 3024, Wells, Written Testimony, 4/3/95
 D. HB 3024, Meyer, Written Testimony, 4/3/95
 E. HB 3024, Riddell, Written Testimony, 4/3/95
 F. HB 2621, Warnock, Written Testimony, 4/3/95
 G. HB 2621, Manary, Agricultural Land Capability Classification System
 H. HB 2848, Kafoury, Letter, 3/31/95
 I. HB 2848, Royce, Written Testimony, 4/3/95
 J. HB 2848, Ames, Written Testimony
 K. HB 3024, Reddekopp, Written Testimony
 L. HB 2781, Bender, Taxation of Military Active Duty Pay, 4/3/95
 M. HB 2781, Bender, Revenue Impact, 4/2/95
 N. HB 2781, Weimer, Written Testimony, 4/3/96
 O. HB 3351, Meyer, Fiscal Impact, 3/30/95