

Public Hearing B 2435
Informational--Property Tax Exemptions
Tapes 1-2 A/B

HOUSE COMMITTEE ON
HOUSE REVENUE AND SCHOOL FINANCE
PROPERTY TAX SUBCOMMITTEE
JANUARY 26, 1993 8:00 AM HEARING ROOM A STATE CAPITOL BUILDING

Members Present: Representative Tom Brian, Chair Representative Mike Burton
Representative Margaret Carter Representative Fred Girod Representative
Delna Jones Representative Jim Whitty

Witnesses Present: Steve Little, Department of Revenue Jim Manary,
Department of Revenue Gil Riddell, Association of Oregon Counties Jerry
Hanson, Washington County

Staff: James Scherzinger, Legislative Revenue Officer
Steve Meyer, Legislative Revenue Office
Paula McBride, Committee Assistant

TAPE 008 SIDE A

001 CHAIR BRIAN called the meeting to order at 8:08.

014 CHAIR BRIAN opened the Public Hearing on HB 2435.

016 STEVE MEYER said the bill allows delinquency property to be changed by
the Department of Revenue (DOR), and-it sets up a range relative to the
rate of interest charged by the IRS on underpayment of taxes. Currently the
rate is 16%, with 4% used to fund assessors in the county (established by
law in 1989, HB 2338). The lower limit HB 2435 would establish is 9%.

Questions and discussion

035 STEVE LITTLE explained how the DOR makes interest rate adjustments for
Personal Income Tax (HB 2435 would establish a similar adjustment for
property tax). Exhibit 1

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

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Questions and discussion

130 JIM MANARY clarified that the interest rate on delinquent property
taxes is set in the statutes, while the interest rate on income taxes was
changed based on what the IRS did. HB 2435 would establish an interest rate
that reflects what is happening in the market, and it can be pegged to the
fiscal year (July 1 effective date). He also discussed the system created
by previous legislation to fund assessors in counties by adding 4% to the
established 12% (which would fluctuate from 9% to 12% if HB 2435 passed).
Questions and discussion interspersed

171 STEVE MEYER related that the 4% added-on interest, which goes to counties, was due to sunset in 1998. HB 2435 would eliminate the sunset.
Questions and discussion

238 JIM MANARY said no changes would be made in the provisions of the 4% county-slated part of the interest rate if HB 2435 passed.
Questions and discussion

245 JIM MANARY related the motivation of the Interim Committee to create HB 243 4.
Questions and discussion

273 JIM SCHERZINGER reiterated HB 2435 was an Interim Committee bill, not a DOR bill, and the he explained the rationale behind the bill. If the members want to lower the interest rate to reflect market value, there are two ways: either (1) establish a lower flat rate, or (2) establish a floating rate, as proposed in HB 2435.
Questions and discussion interspersed

TAPE 2 SIDE A

002 Questions and discussion of HB 2435 continued.

035 GIL RIDELL clarified that the sunset provision in the previous bill (HB 233 8) was intended to review the partnership between the

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state and the counties for assessment and taxation purposes, rather than being a mechanism to eliminate the program entirely. He also reviewed the technical safety net mentioned in HB 2435 related to the floor and subfloor money in the original bill that are distributed on a statewide basis, based on county budgets.

Questions and discussion

097 STEVE MEYER restated the intent of HB 2435, concerning the language surrounding the \$4 share; that is, whether HB 2435 would establish a floating rate plus the 4%, or if the 4% is part of the rate set. He believed HB 2435 stated the 4% is part of the rate the DOR would set.

Questions and discussion

135 JIM SCHERZINGER further clarified the language of HB 2435, stating it would do two things: It would create a floating rate, and it would repeal the extra 4% to counties; but then 4% of the floating rate would be used for the small purpose.

Questions and discussion

172 GIL RIDELL supported elimination of the sunset provision related to the 4% in HB 2435. He reviewed DOR motivation for establishing the 4% rate in the 1989 legislation.

Questions and discussion interspersed ,

247 CHAIR BRIAN stated language he would like to be changed in HB 2435, clarifying subsection 6 of section 2, to indicate that the floor rate pertains only to the base interest rate. He also wanted language in subsection 6 & 7 that would not eliminate the sunset provision in the original legislation.

266 CHAIR BRIAN announced that Rep. Girod would carry HB 2435.

273 CHAIR BRIAN closed the Public Hearing on HB 2435.

277 JIM SCHERZINGER talked about the process of reviewing property tax exemptions. He mentioned a series of bills concerning property tax exemptions that would be heard by the Subcommittee. He mentioned historical approaches to reviewing tax exemptions and criteria that might be developed.

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other exemption issues, beginning with being clear what the goal of the exemption is. Exhibit 2
Questions and discussion.

TAPE 2 SIDE B

002 Questions and discussion continued concerning the rationale for exempting properties.

059 JERRY HANSON talked about properties that, because of some government law, cannot be logged or otherwise used by the owner. He was not aware of exemptions given to the such property; rather, these lands were assigned some "use" classification.

Questions and discussion interspersed

162 CHAIR BRIAN adjourned the meeting at 9:46.

.Paula K. McBride, Committee Assistant
Kimberly Taylor, Office Manager

EXHIBIT SUMMARY

1. Interest Rates for Income Tax under ORS 305.220, Steve Little, Department of Revenue, January 26, 1993.

2. Tax Credit and Exemption Questions, Jim Scherzinger, Legislative Revenue Office.

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