

Public Hearing & Work Session: SB 79A Tapes 27-28 A/B  
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HOUSE COMMITTEE ON  
HOUSE REVENUE AND SCHOOL FINANCE  
PROPERTY TAX SUBCOMMITTEE  
FEBRUARY 22, 1993 9:00 AM HEARING ROOM A STATE CAPITOL  
BUILDING

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

Witnesses Present: John Hall, Enterprise Zone Program Manager, Acting  
Director, Oregon Economic Development Department Karma Elmore, Department  
of Revenue Jim Manary, Department of Revenue

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

TAPE 32 SIDE A

007 CHAIR BRIAN called the meeting to order at 9:11.

011 CHAIR BRIAN opened the Public Hearing on SB 79A.

016 JOHN HALL said SB 79A was designed to correct HB 2550 from the 1991  
Legislative Session. He described the "Oregon Enterprise Zone Program,"  
referring to information in his handout. Exhibit 1

Questions and discussion

048 JOHN HALL continued his explanation of the Enterprise Zone Program,  
based on his handout. Basically, SB 79A was created to amend all of the  
performance and compliance dates of the Enterprise Zone Program to reflect  
the July 1 assessment date created by

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meeting. Text enclosed in quotation marks reports the speaker's exact  
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recording.

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Measure 5. Additionally, it would provide a "savings clause" for firms  
falling into a "dead zone" (defined in Exhibit 1, effecting 19 firms that  
have complied with all the rules and regulations of the program). He began  
to discuss specific language changes in SB 79A. Exhibit 1

Questions and discussion interspersed concerning the Oregon Enterprise Zone  
Program.

277 JOHN HALL continued his explanation of changes in legal language in SB  
79A, beginning with page 1 of the bill. He revealed what is necessary if an  
industry or business wants to expand the enterprise zone.

Questions and discussion

377 KARMA ELMORE said approximately \$370 million in value for enterprise  
zone property was off the tax rolls for the entire state.

Questions and discussion interspersed

TAPE 33 SIDE A

003 Questions and discussion continued with JOHN HALL about how the "Oregon Enterprise Zone Program" works.

025 JOHN HALL believed the "Enterprize Zone Program" was one of the few economic development incentives, if not the only, in some areas of Oregon and, thus, vital. He stressed that some local jurisdictions play close attention to whether or not an enterprise zone exemption makes sense from a public policy point of view.

Questions and discussion interspersed

110 JOHN HALL continued explaining language changes in SB 79A, specifically page 4, line 24, where deletions were made in regard to programs that no longer exist.

Questions and discussion, specifically related to procedures involved in the operation of the Enterprize Zone Program, the intent of the program, and industry compliance with the rules and regulations of the program.

257 JOHN HALL said the local assessors ultimately were responsible for determining industry compliance in the Enterprize Zone Program

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because it was property taxes that were being exempted. He believed assessors were very active in pursuing information about companies involved in the program, and that they had fairly up-to-date information concerning compliance (or noncompliance) with enterprize zone rules and regulations.

Questions and discussion

308 JOHN HALL said the Department of Revenue (DOR) had recently proposed by administrative rule that a firm be required to submit an annual statement of compliance for the Enterprize Zone Program. He also related that during the last Legislative Session (1991) an amendment had been made relative to the number of employees that need to be hired by an existing firm.

323 REP. CARTER clarified how the amendments mentioned above passed during the 1991 Session.

Questions and discussion

341 JOHN HALL believed SB 283 of this Session would correct the problem involved with the number of employees a company must hire locally if it is to receive an enterprise zone exemption. He explained that the 1991 legislation essentially set up a minimum requirement for additional hiring by existing firms to qualify for the property tax exemption.

Questions and discussion

397 JOHN HALL said the DOR had already confirmed that the 19 firms that fall into the "dead zone" (see Exhibit 1) had met all the other requirements of the program, including hiring.

TAPE 32 SIDE B -

007 JOHN HALL continued explaining SB 79A, page 4, changing language from "preceding calendar year" to "current tax year".

Questions and discussion with JOHN HALL and KARMA ELMORE concerning the need for a company to have the enterprize zone exemption.

035 JOHN HALL reported that some of the date changes were designed to prevent a lag in the time statistical data is gathered about the companies in the Enterprise Zone Program.

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Questions and discussion

052 JOHN HALL related that companies report when they initially file their application for exemption, but that they have not been required for an annual statement of compliance. He reiterated that the DOR had developed an administrative rule that will require annual information about compliance and participation.

Questions and discussion

087 JOHN HALL said the issue of equity in the Enterprise Zone Program is a difficult one to track, and he talked about why this is so.

Questions and discussion

135 REP. WHITTY specifically wanted the Oregon Economic Development Department (OEDD) to get an annual report from each company in the Enterprise Zone Program to verify compliance.

153 JOHN HALL confirmed that the OEDD did not have compliance authorization for companies in the Enterprise Zone Program. The local assessors and the DOR are more involved in compliance issues of the program.

Questions and discussion continued concerning compliance issues for the Enterprise Zone Program.

228 KARMA ELMORE related that companies, under penalty of false swearing, provide information on their initial application for the exemption that they have met the hiring requirements. Assessors have and continue to question some companies about compliance. The new DOR administrative rule will begin in 1993 which requires companies, under penalty of false swearing, to verify compliance with program rules and regulations.

Questions and discussion continued with KARMA ELMORE concerning the newly developed administrative rule on compliance from the DOR.

303 KARMA ELMORE gave a copy of the DOR form to the members for their information. Exhibit 2

322 JOHN HALL explained page 5 of SB 79A, which had the first compliance change date on line 25.

Questions and discussion about tax terms in SB 79A

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367 JOHN HALL further explained the language on page 5 of SB 79A.

Questions and discussion

393 STEVE MEYER explained "real market value" as related to the Enterprise Zone Program, stating the "new value" related to improvements a company makes.

Questions and discussion

TAPE 33 SIDE B

002 Questions and discussion continued about "new value."

015 JOHN HALL explained page 6 of SB 79A, which clarified confusing language in the statute. The language related to when an exemption would not be granted.

Questions and discussion

048 JOHN HALL talked about language in SB 79A on page 6, that provides clarification of the intent of the statute, with no substantive change.

Questions and discussion

067 JOHN HALL continued explaining changes on page 6 in SB 79A. He then discussed changes in language contained on page 7 of SB 79A.

Questions and discussion interspersed

139 JOHN HALL stressed that there are statutory residency requirements for the urban enterprise zones, but that there is a lack of assurance that there is total compliance with this law.

Questions and discussion concerning the residency hiring requirement

191 JOHN HALL said SB 283 would clarify the original intent of the hiring requirements of the program, and to address in some fashion the issue of verification and/or compliance over time.

Questions and discussion

232 JOHN HALL further clarified language on page 7 of SB 79A,

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specifically related to enterprise zone boundaries and the hiring date for companies.

Questions and discussion, specifically related to zone boundaries.

307 JOHN HALL allowed that the statute does allow a firm to receive a benefit if it meets an additional hiring requirement within 30 miles of an enterprise zone.

319 KARMA ELMORE relayed that in addition to meeting the additional hiring requirement, a company would have to make the initial investment (at least \$25,000).

Questions and discussion continued about zone boundaries

TAPE 34 SIDE A

002 Questions and discussion continued with JOHN HALL and KARMA ELMORE concerning the intent of the Enterprise Zone Program.

030 JOHN HALL discussed more language on page 7 of SB 79A, which defines "employees" in Enterprise Zone Program companies. He explained pages 8 and 9 in SB 79A, related to "employee language" and verification dates. The language on page 10 of SB 79A related to statute changes.

Questions and discussion interspersed

092 JIM MANARY, in response to question, believed that a company probably would not be dissatisfied with approval into the Enterprise Zone Program for reasons other than those on the application. The criteria were employment and investment for the program.

Questions and discussion

141 JOHN HALL went through Sections 13 and 14 on page 10 of SB 79A. The language on page 11 change "year" to "tax year."

Questions and discussion

181 KARMA ELMORE explained language in (b) of Subsection (3), Section 15,

of SB 79A on page 11, which referred to employees in a "substantially curtailed" business.

Questions and discussion interspersed

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221 JOHN HALL said the intent of the "substantially curtailed" language addresses the issue of making sure a firm or company maintain a certain level of employment over time, which is one of the criteria for the program.

Questions and discussion interspersed

300 JOHN HALL said businesses that qualify for the enterprise zone exemption are manufacturing, processing, and assembling.

Questions and discussion

360 JOHN HALL described Sections 16 through 22, Pages 11-13, of SB 79A, relating to the issue of a "savings clause" for companies that fall into a "dead zone" (e.g., the first six months of the calendar year). There are different conditions for each year, which he delineated. There are 19 firms that are in this category.

Questions and discussion

TAPE 35 SIDE A

002 Questions and discussion continued with JOHN HALL.

030 CHAIR BRIAN conducted administrative business.

040 CHAIR BRIAN closed the Public Hearing on SB 79A.

041 CHAIR BRIAN adjourned the meeting at 11:31.

Paula K. McBride, Committee

Assistant

Kimberly Taylor, Office Manager

#### EXHIBIT SUMMARY

1. Memorandum, Testimony on SB 79, John Hall, Oregon Economic Development Department, 2/22/93.

2. Department of Revenue form and copy of Administrative Rule on Enterprise Zone Annual Statement of Compliance," Karma Elmore, Department of Revenue, 10/8/92.

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