

Informational: Tax Credit Criteria
Tapes 33-34 A/B

HOUSE COMMITTEE ON
HOUSE REVENUE AND SCHOOL FINANCE
PROPERTY TAX SUBCOMMITTEE
FEBRUARY 24, 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 ~s:z6-s:0s absence)

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

TAPE 33 SIDE A

006 CHAIR BRIAN called the meeting to order at 8:18 and conducted
administrative business. He relayed that the Subcommittee would only be
discussing property tax credits and exemptions.

Discussion

037 STEVE MEYER pointed out a list, entitled "Property Tax Exemption
Summary" in the members' books. (see Exhibit 1, 1/27/93)

Questions and discussion

070 CHAIR BRIAN referred to another list, "Tax Credit and Exemption
Questions." (see Exhibit 2, 1/26/93)

Discussion of property tax exemptions

138 JIM SCHERZINGER suggested three broad choices for looking at property
tax credits and exemptions, given the time constraints of the Session: (1)
evaluating specific exemptions (see Exhibit 1, 1/27/93); (2) developing
criteria and/or making judgments about exemptions generally, or developing
statements of policy about the criteria for evaluating exemptions, or (3)
make recommendations about "process" that can be adopted by the legislature
for reviewing or evaluating tax credits and exemptions.

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.

House Committee on

Revenue and School Finance Property Tax Subcommittee February 24, 1993 Page
2

Questions and discussion

207 JIM SCHERZINGER gave the members an outline that lists the kinds of
questions staff potentially could answer to create a report on specific
exemptions. He explained the list, as follows: "who" relates to who would
do the report, "which taxes" means how broad or narrow would the report be,
"what period" refers to how often would the report be done and how far into
the future would impact of exemptions be considered, "what information"
relates to specific questions asked by the report. Exhibit 1

Questions and discussion

246 JIM SCHERZINGER continued with his discussion of possible ways to
evaluate tax exemptions and credits.

Questions and discussion

306 JIM SCHERZINGER informed the members that the Department of Revenue
(DOR) has estimates of the cost of exemptions, but that the information is
not complete and rather crude. What is really needed is a comprehensive

study of each exemption, beginning with getting information from each exemption administrator.

Questions and discussion

399 REP. BURTON relayed that, given the current budget situation, he is inclined to eliminate any exemption or credit that was up for sunset during the current Legislative Session, and that he would not support any new exemptions or credits.

Discussion of Oregon's financial needs

TAPE 34 SIDE A

003 Discussion continued about financial/budgetary problems that Oregon faces.

023 JIM SCHERZINGER said there would be 21 bills that deal with property tax exemptions before the Legislature this Session. He explained some of these bills.

Questions and discussion

— —
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.

House Committee on
Revenue and School

Finance

Property Tax

Subcommittee

February 24, 1993 Page

3

050 CHAIR BRIAN said two things should be set in motion: (1) a tax expenditure report on both property and income tax credits and exemptions during the Interim, and (2) every exemption and credit be reviewed as soon as possible, and then reviewed on a regular basis. He wanted the administrators of every exemption or credit to be held accountable for the amount of money their program cost the state.

Questions and discussion

106 CHAIR BRIAN asked members if they wanted to recommend to the full committee that a report be done during the Interim. There was consensus on this issue.

Questions and discussion

115 JIM SCHERZINGER relayed that at times of financial crisis, states typically review credits and exemptions, and then eliminate some, to increase revenue. The review process is not done on a regular basis. The practical effect of having a report done on credits and exemptions would be the availability of the information about each one once the report is completed.

Discussion

165 CHAIR BRIAN asked JIM SCHERZINGER to formalize the recommendation to the full committee to have a report done during the Interim on property tax credits and exemptions.

Questions and discussion

191 CHAIR BRIAN again referred to the list of criteria (see Exhibit 2, 1/26/93). He asked members if they wanted to use its criteria to evaluate credits and exemptions.

Discussion

215 CHAIR BRIAN asked if the members wanted to sunset all credits and exemptions.

Discussion

266 JIM SCHERZINGER related that sometimes property is exempted only because there would be a substantial cost involved in taxing it. Some tangible property would be a good example of this.

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.

House Committee on
Revenue and School Finance Property Tax Subcommittee February 24, 1993 Page
4

290 CHAIR BRIAN asked members if they wanted to move up the sunset date on Enterprize Zone Businesses (see page 2, Exhibit 1, 1/27/93)
Discussion of criteria to evaluate exemptions

TAPE 33 SIDE A

002 Discussion continued on the subject of evaluating property tax exemptions and credits.

015 JIM SCHERZINGER related that most, although not all, credits or exemptions have been given sunsets since the late 1970's. In recent time there has been a strong, but informal, policy to create sunsets whenever an exemption or credit was created.

031 CHAIR BRIAN wanted to know if a schedule of review should be established for tax exemptions and credits.

Discussion of how to proceed on the evaluation of exemptions and credits.

093 JIM SCHERZINGER explained how the "charitable" statute is interpreted, particularly in response to educational institutions.

Questions and discussion

127 CHAIR BRIAN said he would decide with staff which exemptions should be reviewed right away.

Discussion of various credits and exemptions

195 REP. BURTON believed organizations that received exemptions or credits should be able to justify getting them by testifying as to how much "good" they do for society in exchange.

Discussion

240 CHAIR BRIAN conducted administrative business.

246 CHAIR BRIAN adjourned the meeting at 9:30.

.
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.

House Committee on
Revenue and School Finance
Property Tax Subcommittee
February 24, 1993 Page 5
Paula K. McBride, Committee Assistant
Kimberly Taylor, Office Manager

EXHIBIT SUMMARY

1. List containing "Reporting" questions about property tax exemption and credits, Jim Scherzinger, Legislative Revenue Office.

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.