

Public Hearing: SB 9A SB 14A SB 272
Tapes 35-36 A/B 37 A/B 38 A

HOUSE COMMITTEE ON
HOUSE REVENUE AND SCHOOL FINANCE
PROPERTY TAX SUBCOMMITTEE

MARCH 2, 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: Jim Manary, Department of Revenue B.J. Smith, League of Oregon Cities
Staff: James Scherzinger, Legislative Revenue Officer
Steve Meyer, Legislative Revenue Office
Paula McBride, Committee Assistant

TAPE 35 SIDE A

006 CHAIR BRIAN called the meeting to order at 8:17 and conducted administrative business.

014 CHAIR BRIAN opened the Public Hearing on SB 9A.

017 JIM MANARY said SB 9A was a Department of Revenue (DOR) housekeeping bill, which corrects a variety of discrepancies in tax law. He described Section 1 of SB 9A, relating to the dividing of property on which there are delinquent property taxes.

Questions and discussion

113 JIM MANARY said Section 2 of SB 9A, relating to timeshares on property, which divides ownership into a number of pieces. He will provide the Committee with more information on how back taxes are apportioned (also in relation to Section 1). Section 3 deals with taxable property being leased to a nontaxable group (e.g., church),

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and the language in SB 9A clarifies this procedure.

Questions and discussion

interspersed

248 JIM MANARY reviewed Section 4 of SB 9A, which dealt with filing of property tax exemptions. Some of the changes were grammatical, and some were clarification of the applicable statutes.

268 JIM MANARY revealed that Section 5 of SB 9A dealt with nonprofit housing for the elderly, programs based on both low income and age. The DOR had a recent problem with a nonprofit home for the elderly, where the home got behind in taxes. He described the complications of this case and how the language in Section 5 remedies these.

Questions and

discussion

363 STEVE MEYER briefly spoke about the history of the housing provisions

for the elderly.

Questions and
discussion

381 JIM MANARY explained Section 6 of SB 9A which related to the definition of "real market value" of subdivision property in response to a Tax Court decision.

392 JIM MANARY reviewed Section 7 of SB 9A, involving legal descriptions of property. This related to a law passed during the 1991 Session about tax lot numbers as a description of real property.

431 JIM MANARY discussed the next sections of SB 9A which dealt with farm use assessment, related to whether or not property should be disqualified because farming cannot be done during a drought or a flood. Section 8 relates to land outside an exclusive farm use zone, which has to meet a gross income text that he explained. Section 8 would eliminate the gross income test for drought or flood years.

TAPE 36 SIDE A

002 JIM MANARY continued explaining the sections of SB 9A that have to do with farm use assessment, beginning with Section 8.

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Questions and discussion
interspersed

047 JIM MANARY said the only change in Section 9 of SB 9A related to a number change. Section 10 related to disqualification for farm use property that is not being used correctly. He explained the difference between Section 8 and Section 10 of SB 9A.

065 JIM MANARY explained Section 11, which addresses property within the farm use zone that will not be disqualified for flood or drought conditions.

Questions and
discussion

087 JIM MANARY said Section 12 of SB 9A changed an incorrect Oregon Revised Statute (ORS) reference, as does Section 13. Section 14 gives an effective date of SB 9A, which is July 1, 1992.

Questions and
discussion

144 STEVE MEYER said the revenue impact on SB 9A was insignificant.

Exhibits 1-3

Discussion

161 CHAIR BRIAN closed the Public Hearing on SB 9A and opened the Public Hearing on SB 14A.

163 JIM MANARY discussed SB 14A, containing changes due to the new July 1st assessment date resulting from HB 2550 from the 1991 Legislative Session (and due to Measure 5), and it also contains some language clarification in relation to the "Board of Ratio Review," which was created by HB 2550 to hear appeals at the end of the fiscal year (July). This Board has two functions: (1) to review the ratio for the upcoming year (sales analysis by the assessor's staff) and putting the new values on the roll, and (2) to take appeals from the past year on dropped value of property. Under the old system, the "Board of Equalization" used to have responsibility for all

appeals, but now these responsibilities are split between both boards.
200 JIM MANARY described Section 1 of SB 14A, relating to the division of property into partitions and timeshares that has delinquent taxes. Also in Section 1 are changes in references, from general to specific, for two types of assessments: (1) 308.479, a limited assessment for rehabilitated residential property, and (2) 308.685, a special assessment on single family

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residential property in an industrial or commercial zone.

232 JIM MANARY described Section 2 of SB 14A which makes language changes from "certified appraisers" to "registered appraisers," demanded by HB 2550. Section 3 deals with a taxing district's budget and requires that the "governing body" make the decision as to whether a levy is inside or outside the impact of Measure 5.

260 JIM MANARY said Section 4 relates to years beginning July 1, 1994. Section 5 of SB 14A clarified tax law relating to taxing districts that get more revenue than expected after their budget has been passed. This section allows the districts to develop a supplemental budget in order to authorize the spending of the additional money. One subsection addresses various percentages of additional revenue and procedures to deal with it.

304 JIM MANARY said language in Section 6 of SB 14A clarified provisions in tax law in regard to petitioners who challenge a levy.

Questions and discussion interspersed

TAPE 35 SIDE B

002 Questions and discussion continued concerning the language in Section 6 of SB 14A about petitioners who challenge levies.

058 CHAIR BRIAN gave direction to staff to amend Section 6 of SB 14A by adding language that a petition "can go forward as long as there still more than five remaining petitioners.

Questions and discussion

086 JIM MANARY said Section 7 of SB 14A was the appeal statute that added "Board of Ratio Review." Section 8 added the same language. Another change was the elimination of redundant language that referred to "centrally assessed" property in an incorrect section of HB 2550.

103 JIM MANARY related that Sections 9 dealt with effective dates. Section 10 dealt with ORS 305. Section 11 consolidated appeals of an assessment on property to the Board of Equalization, to small claims court, or to the Department of Revenue.

Questions and discussion

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186 JIM MANARY explained that Sections 12 contained effective dates. Section 13 adds "Board of Ratio Review" language, and Section 14 corrected an incorrect ORS cite. Section 15 specified that the order of the Small Claims Division (DOR) would go to the proper county officer to correct the assessment roll.

Questions and
discussion

239 JIM MANARY related that Section 16 of SB 14A dealt with appeals to the Oregon Tax Court and changed language to clarify the process, and also to put in the correct ORS cite.

266 JIM MANARY said Section 17 had an effective date. Section 18 eliminated references to "Board of Equalization." The next section, Section 19, had the provision relating to class suits that challenge Measure 5 limits in the Oregon Tax Court.

Questions and
discussion

312 JIM MANARY clarified that the "Board of Equalization" only deals the values of single property, and the "Board of Ratio Review" that deals with broader issues.

321 JIM MANARY continued his explanation of Section 19 of SB 14A, relating to the number of people involved in a class suit. This was a result of a Tax Court decision. Other language in Section 19 relates to how HB 2550 set up a system for challenging a taxing districts levies, fees, or taxes. Local government requested the amendments in Section 19.

Questions and
discussion

TAPE 36 SIDE B

002 B.J. SMITH reiterated that the amendments in Section 9 came from her organization. Lines 22 through 30, which are existing law, is the instrument that local government uses to declare whether or not its fees or charges, primarily, or assessments for local improvements are outside the Measure 5 limits. Existing law gives the local district the ability to make this declaration after adoption of an ordinance that delineates a single fee, charge, or assessment, and sets a time for citizen appeal. The new language allows districts to combine fees, charges, or assessments in one notification.

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. .
Questions and discussion

058 B.J. SMITH clarified that the issue in Section 19 of SB 14A was the categorization of the fee; that is, whether or not the fee should or should not be subject to the limits of Measure 5. It is not related to increasing a fee.

067 JIM MANARY further explained language in Section 19 that related to

changes in the amount of a tax, fee, charge, or assessment subject to Measure 5. If it is only the amount changing, then a new challenge is not triggered; it is subject to a new challenge if the substance or character of the tax, fee, or charge is changed.

082 JIM MANARY said Section 20 related to how far back the relief would apply if a fee, tax, or charge was successfully challenged. The language in this section limits the relief to the current year, specifically 90 days before the petition was filed.

Questions and discussion

106 JIM MANARY explained that Section 20 also clarified that if taxes, fees, or charges have been imposed but not collected, the court has the power to merely cancel them. This is a technical language changes. Other language clarified that it is when the statement or bill is mailed that relief is triggered.

Questions and discussion

152 JIM MANARY explained that Section 21 of SB 14A was written in response to an urban renewal case, and stipulated that local government can petition the Tax Court for a declaratory ruling as to whether fees, charges, or taxes are under Measure 5. The language on page 14, lines 912 clarified that the relief would be prospective only.

Questions and discussion

191 JIM MANARY related that Section 22 had effective dates. Section 23 had "clean-up" language on filings and on the "Board of Ratio Review." Section 24 also adds "Board of Ratio Review" to the statute that applies to DOR training (formerly given to the "Board of Equalization."

Questions and discussion

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206 JIM MANARY explained that Section 25 had to do with an exemption provision for non-profit corporation for low-income housing, and it changed current language.

- Questions and discussion

254 JIM MANARY said Section 26 related to the effective date (July 1, 1994). Section 27 adds language related to "assessed value" of property (in addition to real market value) for special assessments.

298 JIM MANARY explained that Section 28 had the effective date, and that Section 29 dealt with water craft. While most boats are not assessed for property tax purposes, but centrally assessed property is assessed by the DOR (e.g., tug boats). The date was clarified in this section, as was the date and place a person would file for the exemption.

Questions and discussion interspersed

396 JIM MANARY said Section 30 added "Board of Ratio Review." Section 31 had the effective date. Section 32 was a statute that dealt with the DOR's ability to audit the work of county assessors, and it eliminated some unnecessary language from HB 2550. Section 33 had another language change regarding "Board of Ratio Review" in the appeal process.

TAPE 37 SIDE A

003 JIM MANARY explained that Section 34 eliminated the reference to the county "Board of Equalization," which will no longer review appeals of rehabilitated residential property. Section 35 related to centrally assessed property, specifically the notice of value that goes to the property, and the appeal process afterwards.

Questions and discussion interspersed

053 JIM MANARY stated that Section 36 should be read in conjunction with Section 38. Both related to the new "Board of Ratio Review" and when it convenes.

Questions and discussion

067 CHAIR BRIAN suggested the date when the "Board of Ratio Review" meets be changed from July 5 to a later date, specifically

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because of the holiday of July 4th.

Discussion

102 JIM MANARY reviewed Section 37, which specifies the duties of the new "Board of Ratio Review."

Questions and discussion interspersed

135 JIM MANARY gave an example of the two-step appeal process, and how the "Board of Ratio Review" is related to it.

Questions and discussion

182 CHAIR BRIAN wanted to change language on line 16 in Section 37 from "outside the property" to "effecting the property."

Discussion

249 JIM MANARY related that Section 38 moves the July 5th date for the "Board of Ratio Review." (See meter 067, Tape 37, Side A above for concern about this date; Jim Manary will look into this.)

Questions and discussion concerning "Board of Ratio Review" hearings.

377 CHAIR BRIAN clarified that Section 38 makes optional written minutes of "Board of Ratio Review" hearings.

Questions and discussion

394 CHAIR BRIAN thought perhaps Section 38 should state "written or electronic recording" of "Board of Ratio Review" hearings. There was consensus on this issue.

403 JIM MANARY related that Section 39 dealt with the "Board of Ratio Review," which deals only with real market value, not assessed value. Other language allowed the Board of Equalization to recommend changes if assessors have not made those changes to the roll. In subsection 3, there was language dealing with the "Board of Ratio Review" when it is unable to complete its work on time (before July 31st).

Questions and discussion

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TAPE 38 SIDE A

034 JIM MANARY said Section 40 was the same issue as Section 39, only pertaining to the "Board of Equalization." Language concerning the hearings will also be changed here to include the word "electronic."

040 JIM MANARY explained that Section 41 allowed the "Board of Equalization" to reduce assessor-recommended values. In Section 42 there is a small clarification concerning the date for filing petitions. Section 43 related to HB 2550~ which required the county assessor to send the ratio study to the DOR by May 15, but this is not enough time. The date was extended to June 1.

Questions and
discussion

064 JIM MANARY discussed Section 44, which related to districts, adding time to certify whether a levy is inside or outside of Measure 5. He explained the process. Section 45 clarifies the elimination of supplemental rolls, which HB 2550 abolished. Section 46 also related to Measure 5 and the categorization of levies by a district, and it gives the DOR a limited power to change a levy.

128 JIM MANARY reviewed Section 47, which eliminates the term "equalized assessed valuation" as this is no longer a goal of the "Board of Equalization." Section 48 deals with when it is allowable for a district to use the state property tax system for collecting taxes other than the property tax. Subsection 3 had language that deals with the appeal of a fee directly to a district, and that the refund comes from the district.

179 JIM MANARY said Section 49 is a clarification of what fees, taxes, or charges a local district can classify under Measure 5. Section 50 changes language relating to application of the Measure 5 limit to a particular property, part of which is exempt. In Section 51, some unnecessary language was eliminated relating to continuing fixed levies and continuing levies, which do not exist in Oregon any longer. Subsection 3 changes wording in an ORS relating to the "\$175 word statement limit" imposed by HB 2550.

218 JIM MANARY explained that Section 52 added new ORS cites. Other language changes had references to the "\$275 word statement limit." Section 53 related to assessment roll in certifying taxes.

Questions and
discussion

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250 JIM MANARY described Section 54, which involves industrial appraisal by the DOR. The language would authorize the DOR to reviewed and corrected for clerical errors in related statutes.

Language beginning on line 29 clarifies that if there is an error in identification of units of property, they can be changed by the DOR so that Measure 5 is applied to the correct unit. A reference to the "Board of Equalization" is eliminated in this section.

279 JIM MANARY said Section 55 related to the correction of clerical errors back to five years. He explained the intention of the DOR for this amendment.

303 JIM MANARY related that Section 56 had to do with the admitted property statute, and "Board of Equalization" language was eliminated. Language to clarify the appeal process (to the DOR) of admitted property was also included.

Questions and discussion

353 JIM MANARY explained that Section 57 was about tax statements, and he gave a brief history of these statements. Measure 5 changed the way the tax statement appears, and a clarification is made in this section about categories on the statement. Another part of the section changes the way data is presented on the statement.

415 JIM MANARY stated that Section 58 related to the part of the law where Treasurers distribute tax interest to the districts.

TAPE 37 SIDE B

035 JIM MANARY reviewed Section 59, stating that it clarified the process of transferring property from a taxable to an exempt use.

047 JIM MANARY used a handout to explain Section 60, which relates to refunds for multiple years due to a variety of situations. Exhibit 4

Questions and discussion

086 JIM MANARY continued his explanation of Section 60, going through the various categories that relate to refunds. Exhibit 4

Questions and discussion

132 JIM MANARY described more categories that effect refunds of

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taxes. Exhibit 4

Questions and discussion

177 JIM MANARY continued his explanation of Exhibit 4 which related to the refund of taxes.

Questions and discussion

242 CHAIR BRAIN closed the Public Hearing on SB 14A and conducted administrative business. -

247 CHAIR BRIAN adjourned the meeting at 11:29.

Paula K. McBride, Committee Assistant

Kimberly Taylor, Office Manager

EXHIBIT SUMMARY

1. Revenue Analysis of Proposed Legislation, SB 9A, Steve Meyer, Legislative Revenue Office.
2. Staff Measure Summary on SB 9A, Steve Meyer, Legislative Revenue Office.

3. Fiscal Impact Assessment, Legislative Fiscal Office, 2/16/93.
4. SB 14 - Section 60, Jim Manary, Department of Revenue, January 1993.
5. Staff Measure Summary on SB 14A, Steve Meyer, Legislative Revenue Office.
6. Revenue Analysis of Proposed Legislation, SB 14A, Steve Meyer, Legislative Revenue Office.
7. Fiscal Analysis of Proposed Legislation, SB 14A, Roz Shirack, Legislative Fiscal Office.

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