

Public Hearing: HB 3026
HB 2988
HB 3613
Tapes 89-
90 A/B

HOUSE COMMITTEE ON
HOUSE REVENUE AND SCHOOL
FINANCE
PROPERTY TAX SUBCOMMITTEE

APRIL 22, 1993 9:00 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: Rep. Lisa Naito, District 15
Chris Krenk, Chief Executive Officer, Albertina Kerr Centers
Flora Geiger, President, Old Kerr Nursery Association, Albertina Kerr
Centers
Blanche Crook, Albertina Kerr Centers
Marcia Director, Director of Development, Albertina Kerr Centers
Darrell Anderson, President of the Board, Albertina Kerr Centers
Representative Greg Walden, District 56
Dennis Day, Polk County Assessor, Association of County Assessors
Gil Riddell, Association of Oregon Counties
Ralph Groener, American Federation of State, County, & Municipal Employees;
Oregon AFL-CIO
Kenn W. Young, Citizen
John C. Sellers, Oregon Attitudinal Barriers Council
Staff: James Scherzinger, Legislative Revenue Officer
Steve Meyer, Legislative Revenue Office
Paula McBride, Committee Assistant

TAPE 89 SIDE A

007 CHAIR BRIAN called the meeting to order at 9:59.

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022 CHAIR BRIAN opened the Public Hearing on HB 3613.
025 REP. NAITO testified in support of HB 3613. Her testimony was verbatim.
Exhibit 1
047 CHRIS KRENK testified in support of HB 3613. He described his
organization, which operates three volunteerrun businesses. His testimony
was verbatim. Exhibit 2
142 FLORA GEIGER described the activities of her association, which is the

umbrella organization that operates the three businesses of Albertina Kerr, and of the participation of the volunteers who work there. She asked members to support HB 3613.

176 BLANCHE CROOK testified in support of HB 3613, and she talked about the restaurant business (one of the three businesses) that is staffed by volunteers, which she managed. It is the restaurant that pays the bulk of the property tax by virtue of the space it occupies in the Old Kerr Nursery Building. Additionally, most of the volunteers of the organization work at the restaurant, contributing over 65,000 hours/year. She talked about other fees and taxes that the restaurant business.

206 MARCIA DIRECTOR testified in support of HB 3613. She spoke about the efforts and spirit of volunteers in her organization. She related that government encourages volunteerism, but also frequently discourages or inhibits the efforts of volunteers (which was what she believed the imposed property taxes do).

216 DARRELL ANDERSON represented the Board of his organization, and he presented their perspective. He testified in support of HB 3613.

Questions and discussion with CHRIS KRENK and the other representatives of the Albertina Kerr Centers

335 CHAIR BRIAN asked questions concerning a letter attached to the testimony of CHRIS KRENK, regarding tax status of the three businesses run by his organization. Exhibit 2
Questions and discussion

TAPE 90 SIDE

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002 Questions and discussion continued with CHRIS KRENK et. al.

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029 CHRIS KRENK read a letter from his Board concerning the tax structure in Oregon and supporting their requested tax exemption for their properties. Exhibit 3

055 JIM MANARY discussed current law, as interpreted a number of times by the Oregon Supreme Court, regarding the statutory test for "used for charitable other purposes." If a property is used for a non-charitable purpose but the money goes to the charity, it does not qualify for property tax exemption. HB 3613 would change this approach, making a clear policy change. He also addressed issues surrounding administration of the exemption proposed in HB 3613.

087 CHAIR BRIAN closed the Public Hearing on HB 3613.

088 CHAIR BRIAN opened the Public Hearing on HB 3026.

090 REP. GREG WALDEN testified in support of HB 3026, and he described the need for the bill. He talked about centers in his district that would benefit from the proposed property tax exemption in this bill, and the benefits of these centers to the area.

Questions and discussion

183 REP. WALDEN read from a letter the non-qualifying or noncharitable uses of a particular center that were determined by the Department of Revenue (DOR) to generate more than 50% of the center's annual budget, causing the center to lose its property tax exemption. Exhibit 4

Questions and discussion

218 CHAIR BRIAN closed the Public Hearing on HB 3026.

219 CHAIR BRIAN reopened the Public Hearing on HB 3613.

228 JIM MANARY believed that both HB 3026 and HB 3613 were asking for similar policy changes regarding whether or not property was being used for charitable purposes. For HB 3613, the property was being used for business purposes, and HB 3026 related to property being used for gambling and other fund raising activities.

245 CHAIR BRIAN reopened the Public Hearing on HB 3026 to run concurrently with the Public Hearing on HB 3613.

250 JIM MANARY read the current statute on the qualifications for

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property tax exemptions for "charitable" institutions. While the statute used the word "exclusively," the courts have given opinions that this is not necessarily 100%.

Questions and discussion

282 CHAIR BRIAN summarized that the policy issue was to qualify properties that were off-site but run by charitable institutions and that were used for various alternative purposes (in both HB 3026 and HB 3613).

Questions and discussion

316 JIM MANARY addressed the historical perspective for granting property tax exemptions.

Questions and discussion

342 GREG WALDEN talked about meetings that had taken place at the center in his district that would qualify for the property tax exemption if HB 3026 passed.

Questions and discussion

TAPE 89 SIDE B

002 Questions and discussion continued

009 CHRIS KRENK referred to a current Legislative bill, HJR 6, which would take the approach of taxing certain organizations only for "fees for services" (e.g., police, fire) instead of granting a total exemption from property taxes. He believed this approach would not alleviate the problems of the current tax system in Oregon. Additionally, he believed the contribution to communities by volunteer labor far exceeded whatever fees that would be assessed for services.

046 JIM MANARY did not know what rationale was used by the appraiser who wrote the letter that determined if a property was used more than 50% for "non-charitable" activities that it would not (or no longer) qualify for a property tax exemption.

Questions and discussion

126 JIM MANARY reiterated that the Oregon Supreme Court had interpreted the statutes as "the use of the property must be [in

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this case] a charitable activity." He gave examples of decisions on certain activities.

Questions and discussion with JIM MANARY and CHRIS KRENK

217 DENNIS DAY wanted to explore both policy and administrative issues relating to both HB 3026 and HB 3613. He talked about the similarities between the two bills, but he thought HB 3613 would be a larger policy issue. He talked about the tests that are used by assessors for determining "charitable" and, thus, exempt property, and he read some of these qualifiers. The issue of concern was that the Legislature potentially would open up a new avenue of property that would qualify for exemptions if HB 3613 (and other property tax exemption bills) passed. He explored the possible consequences of this, and he thought new guidelines would have to be developed for property tax exemptions.

Questions and discussion

373 DENNIS DAY reiterated that the issue of HB 3613 and HB 3026 centered on the activity conducted on or in the property, and he read the Administrative Rule from the DOR that described how activities were defined.

TAPE 90 SIDE B

002 DENNIS DAY continued his testimony on assessors' concerns about granting the property tax exemptions proposed in HB 3613 and HB 3026.

Questions and discussion

060 GIL RIDDELL wanted the members to take the time to develop a policy to review property tax exemptions before the bills requesting them were passed. Additionally, he wanted members to address the issues of precedent and cost to government, and the cumulative effects of proposed exemptions. Regarding HB 3026, which requested a retroactive application, he asked members to consider also implementing a late filing fee. He explained his rationale for this request.

Questions and discussion

086 RALPH GROENER requested that a temporary moratorium be put on and new property tax exemptions, and he stressed that this was the

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position of labor. He believed that people should have a choice as to where their tax money went instead of having to support exemptions for which they are not even aware.

133 CHAIR BRIAN closed the Public Hearings on HB 3026 and HB 3613.

134 CHAIR BRIAN opened the Public Hearing on HB 2988.

142 REP. NAITO testified in support of HB 2988, and she explained the intent of the bill. Her testimony was verbatim. Exhibit 5

166 KENN YOUNG testified in support of HB 2988 and cited his own life's experiences as an example of why there is a need to defer property taxes for disabled individuals. Exhibit 6

176 JOHN SELLERS testified in support of HB 2988, which he authored. He

proposed amendments to the bill to narrow its scope. His testimony was verbatim. Exhibits 7 and 8

Questions and discussion

338 REP. NAITO believed there would not be a great number of people who would apply for this deferment, and, therefore, the revenue impact would not be significant. She urged members to support HB 2988.

Questions and discussion

369 STEVE MEYER addressed the issue of the impact of HB 2988 on the General Fund. He said the "Elderly Rental Assistance Program" has been in the statute for several years and that it pays off formerly deferred taxes. If money coming into the program is not sufficient to pay deferments, then a General Fund appropriation is made to make up the difference. He said it would be difficult to estimate the revenue impact of HB 2988 with its proposed additional eligibility because potential participation was unknown, but he thought it might reach \$5 million.

Questions and discussion

TAPE 91 SIDE A

004 JOHN SELLERS thought the revenue estimate was based on the original bill or on his proposed amendments. Exhibit 8

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Questions and discussion

014 JIM MANARY cited statistics compiled by the DOR based on the 1990 census which indicated there were about 178, 000 people in Oregon, age 16-64, with work disabilities. He gave an example of how many of these might apply for the exemption, and that the average deferral per account currently was \$1330. Based on his calculation, the exemption might cost the state \$6 million/year.

He didn't know how the Census standard for work disability might compare with the standards of Oregon certifying agencies.

Discussion with REP. NAITO AND JOHN SELLERS regarding the number of people who might qualify for the deferral proposed in HB 2988.

071 JIM MANARY talked about the administration of HB 2988 by the DOR, specifically concerning the issue of certification of disability.

Discussion

106 CHAIR BRIAN closed the Public Hearing on HB 2988.

107 CHAIR BRIAN adjourned the meeting at 11:52.

Paula K. McBride, Committee

Assistant

Kimberly Taylor, Office Manager

EXHIBIT SUMMARY

1. Testimony of Representative Lisa Naito, HB 3613, District 15.
2. Testimony of Chris Krenk, HB 36133, Albertina Kerr Centers.
3. Letter from Darrell Anderson, Albertina Kerr Centers.
4. Letter to Herb Crook, Wasco County Assessor, from William Pipkin, Department of Revenue, presented by Rep. Greg Walden.
5. Testimony of Representative Lisa Naito, HB 2988, District 15.
6. Testimony of Kenn W. Young, Portland.
7. Testimony of John C. Sellers, Oregon Attitudinal Barriers Council.

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EXHIBIT SUMMARY (continued)

8. HB 2988-1, John C. Sellers, Oregon Attitudinal Barriers Council.

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