

Work Session: HB 2676  
HB 2883  
HB 3031  
Tapes  
103 -104  
A/B

HOUSE COMMITTEE ON  
HOUSE REVENUE AND SCHOOL  
FINANCE  
PROPERTY TAX SUBCOMMITTEE

MAY 28, 1993 8:00 AM HEARING ROOM A STAT\$ CAPITOL BUILDING

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

Member Excused: Representative Margaret Carter

Witnesses Present: Roger Martin, Oregon Amusement and Music  
Operators

Jerry Johnston, Amusement Device Business  
Owner, Eugene

Rick Geraghty, Amusement Device Business  
owner

John DiLorenzo, Counsel, Willamette Egg  
Farms

Bob Cantine, Association of Oregon  
Counties

Gil Riddell, Association of Oregon  
Counties

Jerry Hanson, President, Oregon State  
Association of County Assessors

Genoa Ingram, Oregon Association of  
Realtors

B.J. Smith, League of Oregon Cities

Peter Grundfossen, Association of Oregon  
Housing Authorities

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

TAPE 103 SIDE A

006 CHAIR BRIAN called the meeting to order at 9:45.

010 CHAIR BRIAN opened the Work Session on HB 2676, and he related that the members would postpone a decision on this bill until they had time to review additional information.

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001 6 ROGER MARTIN believed the revenue from the "Amusement Device Tax" was spent illogically. He asked members to consider the value of games of skill, the amount of income they make versus lottery poker machines, and the number of employees that were employed by the "Amusement Device" industry when they were considering passage of HB 2676, which he favored.

037 JERRY JOHNSTON gave a history of his "Amusement Device" business, and the negative changes that have occurred to his business because of the tax imposed by the Legislature in 1989. He related that the tax was not implemented just against "Amusement Device" companies but against Oregon citizens, because he would have to lay off more employees if the tax continued, even though his remaining employees were already overworked. He believed his industry spent a lot of money attempting to generate family-wage jobs in Oregon. He mentioned other industries that impact his business.

103 RICK GERAGHTY related that he was a second-generation coinoperated, "Amusement Device" business owner. He discussed the effect of state-supported lottery games on the "Amusement Device" industry. He has lost employees because of the tax, a tax that was not imposed in California. He believed that there weren't enough dollars in "Amusement Device" businesses to pay the current taxes, and he opposed any option that would continue the tax (e.g., phasing the tax out over some years).

Questions and discussion

205 CHAIR BRIAN closed the Work Session on HB

267 6

210 CHAIR BRIAN opened the Work Session on HB

303 1

215 Steve Meyer referenced a table in the members' books from the Department of Revenue (DOR) entitled "HB 3031: Fresh Shell Egg Farms; M & E Value and Estimated Refunds." Exhibit 1

224 STEVE MEYER explained the amendments HB 3031-2, which listed the fresh shell egg equipment that would be exempt from the property tax. Equipment used to process eggs in any way (taken out of the shell) would not be exempt. He explained when the exemption would start, and he mentioned the provision that would make the exemption retroactive to 7/1/87 and refund taxes paid for ensuing years. Exhibit 2

244 CHAIR BRIAN conducted administrative business.

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270 JOHN DILORENZO referred to the chart prepared by the DOR related to the extent of the refunds provided for by HB 3031-2. He referred to discussions he had had with a representative of the DOR about the definition of the term "refund." The issue with his organization was "what would be the extent of checks written by taxing authorities under the amendments HB 303 1-2, which he thought would amount to about \$97,000. However, the numbers from the DOR were significantly higher because of their extended definition of "refund." He said his client would be willing to compromise by changing language in HB 3031-2 that would change the retroactive date from 1987 to 1992. Exhibit 3

340 STEVE MEYER pointed out to members the places in HB 3031-2 where the

date would have to be changed.

344 MOTION REP. GIROD moved to conceptually amend HB 3031-2 in the following way: On lines 16 and 18, change the date from 1987 to 1992; and then to adopt HB 3031-2 to HB 3031.

DISCUSSION

390 STEVE MEYER explained the revenue impact of HB 3031-2, using the table from DOR and his "Revenue Analysis." Exhibits 1 and 3

424 ORDER There being no objection, CHAIR BRIAN so ordered.

425 MOTION REP. GIROD moved HB 3031 as amended to the full Committee with a do-pass recommendation.  
NO DISCUSSION

431 ORDER There being no discussion,  
CHAIR BRIAN so ordered.

433 CHAIR BRIAN closed the Work Session on HB 3031

435 CHAIR BRIAN opened the Work Session on HB 2883.

TAPE 104 SIDE A

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005 STEVE MEYER explained that HB 2883 dealt with real estate transfer fees, and he related that the \$20 fee was established by the 1989 Legislature to help fund county programs for "assessment and taxation." The original legislation indicated that no other local real estate transfer fees could be imposed until after 1/1/94, but HB 2883 would eliminate this date. The amendments HB 2883-1 changed the sunset dates for the assessors' funding program and the transfer fee from 1998 to 1996 (these amendments were not entered as an exhibit because the members only considered the amendments HB 2883-2). HB 2883-2 had provisions that centered on the details of closing the assessors' program but which would leave funds for the DOR to continue appraising "secondary industrial property."

038 STEVE MEYER used the white board to explain the provisions of HB 2238 from the 1989 Session that set up the \$20 real estate transfer fee to fund the assessors' program and the appraisal of industrial property by the DOR. He explained how the revenue from the original real estate transfer fee was distributed and what it funded. He also mentioned other provisions in the original law related to specific review processes done by various government agencies. STEVE MEYER then explained the changes that would occur if HB 2238-2 passed.

117 STEVE MEYER discussed another provision of HB 2883, related to the interest mentioned in HB 2238-2.

130 BOB CANTINE introduced other witnesses and issues they would address.

141 GIL RIDDELL discussed the 1989 bill that had created the real estate transfer tax. He briefly talked about the working group that had suggested

the transfer tax, and the reasons the counties needed the additional revenue from this tax. He also revealed the role the DOR had in the program that was funded by the tax related to "assessment and taxation" procedures and problems in Oregon counties. He also discussed the reasons for putting a sunset in the original legislation, which was to review county progress and was not intended to end the tax or "pull the rug out from under the counties."

Questions and  
discussion

275 BOB CANTINE thought that the intent of HB 2338 (from 1989) was not only to review the assessors' program two years earlier than the original sunset date, but to discontinue the program and

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distribute maintaining revenue. This would leave the counties \$12 million short in operating the "assessment and taxation" programs that have been established since the 1989 legislation. He thought the members had to consider two issues, that were entirely separate: (1) whether or not to eliminate the real estate transfer tax, and (2) review of the "assessment and taxation program" and discontinuation of the state funding of that program. He believed the second issue was a the major one.

314 JERRY HANSON stressed the importance of the continuation of the "assessment and taxation" program in the counties, especially because the original bill in 1989 gave the DOR more authority to withhold undedicated revenue from the counties if the department judged that individual "assessment and taxation" programs were not up to standards in terms of compliance. He also believed that the sunset date was established for review rather than elimination of either the program or the real estate transfer tax.

369 CHAIR BRIAN believed the intent of the 1989 bill was to help counties accelerate compliance with the assessment and taxation process, rather than the revenue to become part of the "on-going county General Fund supplement." He thought that because of the impact of Measure 5, the efforts of county assessors to reach compliance also had been accelerated. He pointed out that HB 28832 would still allow two more years for counties to complete their processes for compliance. He indicated that this was not the only sunset that was being reviewed and moved up.

413 GIL RIDDELL related that the original legislation was intended to establish a period of time for the "assessment & taxation programs to develop, rather than merely creating a temporary fix. He thought the understanding was that "period of time" would be six or seven years, which would facilitate the hiring and training of staff to attain compliance.

TAPE 103 SIDE

B

008 GIL RIDDELL continued his explanation of the original intent of the county programs developed and overseen by the DOR. Additionally, he thought it was not the intent to accelerate compliance on the county level and then have the state pull out; rather, he thought that because the "entire state finance system was dependent on this process" (assessment and taxation), the state should continue its support of the county programs.

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Questions and  
discussion

033 GIL RIDDELL explained that the entire act that created the "assessment and taxation programs" was supposed to be reviewed, and the sunset applied to the entire act.

037 CHAIR BRAIN clarified that HB 2883-2 would force that review to occur two years earlier than originally drafted.

042 GIL RIDDELL believed the discussion with members was about two separate sunset dates. The first, in HB 2883-2, was the sunset on the freeze of any new real estate transfer taxes. The sunset for the "assessment and taxation" program was contained in the Oregon Revised States (ORS) because it was part of the original legislation.

Questions and  
discussion

080 Members discussed the differences between HB 2883 and the amendments HB 288 3-2.

134 GENOA INGRAM discussed HB 2338, the original legislation from the 1989 Legislative Session, which established the real estate transfer fee, and which her organization supported because so many counties were out of compliance. However, she had also been concerned about the impact of HB 233 8 on property owners because of both the transfer fee and the additional interest penalties placed upon delinquent property taxes. A compromise had been reached and HB 2338 contained the provision that no additional transfer taxes could be implemented on the local level. She stressed it was a misperception that the transfer fee HB 2388 was "just a flat \$20 fee per transaction;" rather, the fee has been charged for recording every document related to interest in real property. The current bill, HB 2883, represented the effort of her organization to extend the moratorium on additional real estate transfer fees.

182 B.J. SMITH gave a brief perspective of the issues in HB 2338, from the 198 9 Legislative Session. Her organization had not supported the moratorium on additional real estate taxes, but they had supported development of a mechanism that would make assessment and taxation policies and procedures consistent throughout the state. She thought inconsistency in assessment procedures had reached a crisis point before the original legislation was enacted. She expressed concern about ending the tax without developing another funding option to continue the "assessment & taxation" program.

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224 PETER GRUNDFOSSEN related that HB 2883 "cuts across a lot of housing interests." He talked about the issue of replenishing the Oregon Housing Trust Fund for the rest of this biennium, which could be accomplished by on the local level if cities were able to impose additional real estate transfer taxes. Therefore, he opposed HB 2883, which would extend the moratorium on this tax.

274 STEVE MEYER explained some technical amendments that should be made to HB 2883-2. Exhibit 4

351 STEVE MEYER relayed that the DOR might suggest more technical changes to HB 2883-2.

Discussion

364 MOTION REP. GIROD moved to adopt the amendments HB 2883-2 to HB 2883, with the conceptual changes suggested by staff (from meter 274 to 351 above).

NO DISCUSSION

372 ORDER There being no objection, CHAIR BRIAN so ordered.

375 MOTION REP. GIROD moved HB 2883 as amended to the full Committee with a do-pass recommendation.  
DISCUSSION

TAPE 104 SIDE B

006 ORDER There being no objection, CHAIR BRIAN so ordered.

007 CHAIR BRIAN closed the Work Session on HB 2883.

007 CHAIR BRIAN adjourned the meeting at 11:07.

Paula K. McBride, Committee Assistant

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Kimberly Taylor Office Manager

EXHIBIT SUMMARY

1. HB 3031: "Fresh Shell Egg Farms; M & E Value and Estimated Refunds, Department of Revenue.
2. HB 3031-2, Steve Meyer, Legislative Revenue Office.
3. Revenue Analysis of Proposed Legislation, HB 3031-2, Steve Meyer, Legislative Revenue Office.
4. HB 2883-2, Steve Meyer, Legislative Revenue Office.

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