

ORIENTATION  
Tapes 5-6 A/B  
7 A

HOUSE COMMITTEE ON  
REVENUE AND SCHOOL FINANCE  
JANUARY 15, 1993 8:00 AM HEARING ROOM F STATE CAPITOL  
BUILDING

Members Present: Representative Delna Jones, Chair  
Representative John Schoon, Vice Chair  
Representative Tom Brian  
Representative Mike Burton  
Representative Margaret Carter Representative Tony Federici  
Representative Fred Girod  
Representative Gail Shibley Representative Greg Walden  
Representative Jim Whitty  
Witnesses Present: Jim Manary, Department of Revenue  
Staff: James Scherainger, Legislative Revenue Officer Steve Meyer,  
Legislative Revenue Office  
Paula McBride, Committee Assistant

TAPE 5 SIDE A

002 CHAIR JONES called the meeting to order at 8:32 and conducted administrative business.

027 STEVE MEYER gave an overview of the property tax system. His presentation was based on 1990-91 data. Exhibit 1

051 STEVE MEYER discussed page 1 of his exhibit, on the "District Budget Process," which follows local budgeting law and applies to almost all local governments that levy property tax. These laws establish standardization and allow citizen participation. He explained the purpose of the local "Budget Officer," and other details of the process. Exhibit 1, page 1

121 STEVE MEYER discussed some ramifications of Measure 5 on the local district budget process.

135 STEVE MEYER continued his discussion of page 1 of the exhibit, including an explanation of "district levy authority" and the different types of levies. Exhibit 1, page 1

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Questions and discussion interspersed

199 STEVE MEYER further explained levies. He discussed election dates, mainly for the members' information. Exhibit 1, page 1

-Questions and discussion

243 STEVE MEYER explained the tax calculation process, by using an example on page 2 of his exhibit. Basically nothing has changed in the "district rates " and the "code area" tax rates from Measure 5. He mentioned that the area of "tax compression" is a new area, resulting from Measure 5, and he explained how "tax compression works. Exhibit 1, page 2

Questions and discussion interspersed

TAPE 6 SIDE A

002 Questions and discussion continued concerning tax compression, specifically as it related to the formerly used "uniformity concept," concerning property taxes.

024 STEVE MEYER discussed page 3, which delineates the 1990 data on the effect of Measure 5 in limiting levies in individual counties. Some counties had no compression, while others had relatively high compression. The average was about 11%. Exhibit 1, page 3

Questions and discussion

099 STEVE MEYER discussed figures on urban renewal contained in the table on page 3. Exhibit 1, page 3

101 CHAIR JONES announced that a bill would be introduced in the Senate early in the session on urban renewal in order to put something on an early ballot.

Questions and discussion

119 STEVE MEYER discussed property taxes imposed on counties and types of districts, based on 1991-92 data (includes bonds in the imposed property tax dollars, as opposed to the previous table). There was a statewide increase in counties in urban renewal and a statewide decrease in cities. Schools and ESD's experienced a decline, as did community colleges, but Special Districts increased statewide, probably because of bonds and low compression. Exhibit

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1, page 4

Questions and discussion

interspersed

193 STEVE MEYER discussed an historical perspective on the growth of property tax levies, contained in a table on page 5. He explained specific changes during 1981 to 1983 in the state. Exhibit 1, page 5.

Questions and

discussion

252 STEVE MEYER said the average growth rate, from back to 1970-71 is about 8% for all levies. This is fairly close to what is derived from combining the Consumer Price Index and population growth during that same time period. He said the 1991-92 in the chart on page 5 was the imposed levy after Measure 5.

Questions and

discussion

286 STEVE MEYER discussed the chart on "District Shares of Property Tax Levies" on page 5, which shows the share of the total levies types of districts (K-12 and ESD's, City & County, Other - which includes community colleges. The K-12 share will drop to about 40% with the continuation of the phase-in of Measure. Exhibit 1, page 5

324 CHAIR JONES recessed the meeting at 9:23 and reconvened at 9:47.

327 CHAIR JONES conducted Committee business

346 STEVE MEYER discussed the "Assessment Program" described on page 6, which describes the assessment process. Exhibit 1, page 6

Discussion

385 STEVE MEYER continued his discussion of the assessment procedure, which takes into account the changes caused by Measure 5, especially as related to values and the assessment date. The intent of the process for the assessors in counties is to arrive at "Fair Market Value" (comparable values on comparable property). Exhibit 1, page 6

419 STEVE MEYER explained the "assessment date," which determines what property will be taxed (if it exists by July 1). Sales data is collected throughout the entire year. Exhibit 1, page 6

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TAPE 5 SIDE B

008 STEVE MEYER continued his discussion of the assessment program. Exhibit 1, page 6

Questions and discussion

063 CHAIR JONES pointed out a handout to members which was the wording of the constitutional amendment of Measure 5. Exhibit 2

074 STEVE MEYER further explained valuation methods in the assessment process. There were three methods. Exhibit 1, page 6

Questions and discussion interspersed

149 STEVE MEYER said the next section on page 6 described who was responsible for assessing various types of property. He mentioned that the Department of Revenue assessed all utility property and large industrial properties that have a value over \$1 million. Exhibit 1, page 6

Discussion

166 STEVE MEYER reminded the members that there is a requirement in the statutes that there be a physical appraisal every six years, and that there be a mass appraisal for the five years in between. Exhibit 2, page 6.

Questions and discussion

193 STEVE MEYER explained the "Ratio Study," which is the assessed value divided by the current sales price, and is used during the five years between physical appraisals. The "Ratio Study" is then used to adjust the assessed value from the previous year to the assessed value of the current year, and it is a complicated process. Exhibit 2, page 6

Questions and discussion

290 STEVE MEYER said the ratio study is given to the Board of Ratio Review in the Department of Revenue. He then discussed more details of the assessment program process, including dates for appeal processes. Exhibit 1, page 6

Questions and discussion interspersed

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325 STEVE MEYER continued his explanation of the appeal process. Taxpayers have a chance to appeal their tax bill in December after they receive the bill (after October 25th). Additionally, they have another chance to appeal after the tax year is open in July. He discussed certification of district values and the computation of tax bills by country assessors. Exhibit 1, page 6

Questions and discussion

TAPE 6 SIDE B

002 Questions and discussion continued concerning computation of tax bills and the loss of revenue, which is shared by all the districts in the country in proportion to their levy.

020 STEVE MEYER discussed the dates when taxes were due, and the dates when various appeal boards meet. The Board of Equalization is the group that hears the first round of appeals. He explained the make up of the "Board of Ratio Review " and its purpose. Exhibit 1, page 6

038 STEVE MEYER said page 7 contained a schematic outline of the assessment program process. Exhibit 1, page 7

042 STEVE MEYER talked about the assessed value and average tax rate. The chart on page 8 had the assessed value by country for 1991-92 compared to the values of 1990-91. This valuation period was for 18 months rather than 12 months because of the law changes. The tax rates were calculated on the basis of the imposed tax after Measure 5 implementation, and rates declined in most counties. Exhibit 1, Page 8

Questions and discussion

079 STEVE MEYER continued his discussion of tax rates on page 8. He said the 17% statewide average on valuation doesn't mean every property went up in value because at least part of the increase is due to new construction (a value not completely known).

095 STEVE MEYER said page 9 gives an historical picture of property values and tax rates. There was an average growth rate of 18.9%, and values do not go up every year. Exhibit 1, page 9

Questions and discussion interspersed

280 STEVE MEYER discussed "property tax exemptions," the chart on

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page 10. The data was not current, and he said the 1991-1992 data could be obtained (at least what has been reported to the assessors). He believed there was probably more exempt property than taxable property in Oregon.

Exhibit 1, page 10

Questions and discussion interspersed

395 JIM SCHERZINGER explained that if a church owned property that was running an ongoing business, it would be taxable. Potentially exempt property could be land a church was holding.

Questions and discussion

418 JIM MANARY explained property tax assessments on religious property, as related to exemptions. He also said an exemption depends on the purpose for which the property is being used.

Questions and discussion

TAPE 7 SIDE A

002 Questions and discussion continued concerning property tax exemption

for church property.

050 STEVE MEYER discussed property tax relief. The only current relief programs are the "Elderly Rental Assistance Program" and "Senior Deferral." He described these programs, and pointed out historical information on relief programs. Exhibit 1, pages 11 & 12

Questions and discussion  
interspersed

088 STEVE MEYER explained the "Senior Deferral Program," and data concerning this program was on page 11 of his exhibit. Exhibit 1, page 11

Questions and  
discussion

115 JIM SCHERZINGER believed that the "Senior Deferral Program" would not start paying for itself because Measure 5 is reducing taxes and because people are earning their way off the program. Income limits do confine the cost of the program.

Questions and discussion  
interspersed

183 STEVE MEYER said the Department of Revenue reports the

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information on deferral of property tax to the county, and he explained the process.

Questions and discussion  
interspersed

226 JIM MANARY explained the process of the "Senior Deferral Program," specifically what the line of credit (or lien) the Department of Revenue determines on property. The lien is paid off behind the mortgage.

Questions and  
discussion

311 STEVE MEYER said page 13 was included to remind members of two things: The first is that the "Elderly Rental Assistance Program" is now on Oregon Form 90R, and that this is a separate form (not included in the income tax packet). Exhibit 1, page 13

Questions and discussion  
interspersed

329 CHAIR JONES adjourned the meeting at 11:13 am.

Paula K. McBride, Committee  
Assistant  
Kimberly Taylor, Office Manager

#### EXHIBIT SUMMARY

1. Packet of information on property tax, beginning with "District Budget Process," Steve Meyer, Legislative Revenue Office, January 15, 1993.
2. Constitutional Language of Measure 5, provided by Legislative Revenue Office.

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