

Tapes 50-51 A/B OREGON TAX SYSTEM  
Work Session SB 277  
SENATE COMMITTEE ON  
REVENUE AND SCHOOL FINANCE  
FEBRUARY 22, 1993 1:00 PM HEARING ROOM A STATE CAPITOL  
BUILDING

Members Present: Senator Shirley Gold, Chair Senator Brady Adams Senator  
Ron Cease (2:50 departure) Senator Rod Johnson Senator Peg Jolin Senator  
Paul Phillips Senator Tricia Smith (2:50 departure)

Witnesses Present: Elizabeth Harchenko, Attorney General's Office Bob  
Cantine, Executive Director, Association of Oregon Counties  
John Junkin, Washington County Counsel  
Noel Kline, Special Districts Association Dan Cooper, METRO General Counsel  
George Mardikes, Bond Counsel, Davis, Wright, Tramine  
Staff: James Schersinger, Legislative Revenue Officer  
Steve Bender, Legislative Revenue-Office  
Jennifer Belkle, Committee Assistant

TAPE 50 SIDE A

017 CHAIR GOLD called the meeting to order at 1:15 p.m.  
020 ELIZABETH HARCHENKO testified regarding the third party subpoena issue  
in SB 277. She specifically addressed the issue of prohibition of the third  
party subpoena power. Exhibit 1.  
040 ELIZABETH HARCHENKO discussed why the controversy of third party  
subpoenas came up.  
050 ELIZABETH HARCHENKO stated that the Department of Revenue has fairly  
wide discretionary powers to issue the third party subpoena when it is  
necessary for taxation administration. She related the legal policy and  
processes revolving around the third party subpoena.  
068 ELIZABETH HARCHENKO discussed the significant changes made to the issue  
of third party subpoenas pursuant to SB 277.

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meeting. Text enclosed in quotation marks reports the speakers exact words.  
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125 ELIZABETH HARCHENKO stated that if the law were to change and prohibit  
the use of these subpoenas, neither the Department of Revenue or the  
taxpayers would be able to get information that might be very relevant and  
useful in determining the value of property. She stated that if the  
subpoena power was suspended, it could severely limit the ability to  
determine real market value.

Questions and discussion.

140 ELIZABETH HARCHENKO discussed the fact that some taxpayers request to  
have information subpoenaed in order to obtain the protection that  
surrounds the issue subpoenas.

Questions and discussion.

165 ELIZABETH HARCHENKO spoke about the protection in this bill surrounding  
the areas of disclosure and confidentiality.

180 ELIZABETH HARCHENKO stated that the concern and focus of HB 3050 was on  
property owners in the industrial area and more specifically the concern  
seemed to be around the food processing industry. She clarified her

comments regarding normal subpoena power and third party subpoena power.  
Questions and discussion.

292 ELIZABETH HARCHENKO asserted that the only way to eliminate entirely the concerns of industry would be to disallow the practice all together.  
Questions and discussion.

315 ELIZABETH HARCHENKO stated that it would not be "illegal" to eliminate this power. However, she urged consideration of the power being eliminated.  
Questions and discussion.

360 SEN. CEASE commented that the third party subpoena is a method which aids the department to determine value. He challenged that simply the knowledge that the Department of Revenue has this power, encourages the taxpayer to comply with providing information.  
Questions and discussion.

TAPE 51 SIDE A

012 CHAIR GOLD directed members' attention to LC drafts 3538 and 3538-1.  
Exhibits 2 & 3.

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025 MOTION: CHAIR GOLD moved for the introduction of LC  
3538.

030 ORDER: Hearing no objections, CHAIR GOLD so ordered.

032 MOTION: CHAIR GOLD moved for the introduction of LC  
3538-1.

034 ORDER: Hearing no objections, CHAIR GOLD so ordered.

045 BOB CANTINE and JOHN JUNKIN testified regarding local powers to raise revenue.

050 BOB CANTINE broke down the percentages of the sources of Washington county government revenue, other than property taxes. He related that these numbers vary significantly between counties.  
Questions and discussion.

072 JOHN JUNKIN testified before the Committee regarding the powers of local counties to address revenue issues. He gave a general overview on the governmental structure of counties. He explained the difference in operational procedures between general law counties and home rule counties.

102 JOHN JUNKIN discussed and explained the 2 sources for local government to raise revenue: taxation authority and police power of initiating or implementing fees.

Questions and discussion.

220 JOHN JUNKIN continued his testimony with a discussion of the limitations put on counties in reference to raising revenue.

285 JOHN JUNKIN stressed that he felt counties should be given the opportunity to use innovative methods to raise revenue.

Questions and discussion.

360 BOB CANTINE testified regarding counties positions on new taxes, i.e. restaurant or utility taxes. He spoke of the burden of reducing services which creates pressure to recoup lost funds to continue these services.  
Questions and discussion.

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TAPE 50 SIDE B

001 BOB CANTINE continued the discussion of the utility franchise fee.  
Questions and discussion.

015 SEN. PHILLIPS raised the issue of levying local taxes.

020 JOHN JUNKIN responded that implementing a sales or income taxes on a local level cannot work. He stated that local government could not handle the administrative costs of instituting such a system without state support.

Questions and discussion.

040 BOB CANTINE discussed the misconception of the broad taxation authority on the local level. He stated that although there are a variety of avenues available, the reality of imposing and administrating them is another issue. He urged the Committee to leave local taxation authority intact.

080 JOHN JUNKIN stressed that compression will eventually be felt by all counties. He stated the need to tax a discreet population based on the people who will benefit from the service provided as a result of the revenue.

102 BOB CANTINE reminded the Committee that despite increased value assessments, the counties are limited to a 6% increase.

Questions and discussion.

145 NOEL KLINE testified giving an overview of special districts and their ability to tax. Exhibits 4 & 5.

167 DAN COOPER testified regarding the special service district of METRO.  
Questions and discussion.

280 DAN COOPER discussed the "head tax" that will be sunseting this session.

320 DAN COOPER spoke to the issue of METRO's limited functions authorized by the charter. He stated that METRO does have the same general grant of powers that are common for cities. He discussed the procedure followed for enacting any new taxes or fees.

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345 DAN COOPER discussed specific limitations placed upon METRO.

414 DAN COOPER spoke of METRO's ability to issue general obligation bonds with voter approval.

TAPE 51 SIDE B

001 DAN COOPER continued his discussion of METRO's revenue raising abilities.

Questions and discussion.

020 DAN COOPER addressed the state imposed limitations that apply to METRO and other local government agencies. He touched briefly upon the Measure 5 impact on local government agencies.

045 DAN COOPER commented on the fact that no county or metropolitan service district can impose a tax without giving the opposition an opportunity to obtain the signatures of 4% of the voters within ninety days to refer the

tax.

Questions and discussion.

100 DAN COOPER began discussion regarding industry protection from local taxation.

118 DAN COOPER discussed the lack of administration designed to collect taxes constitutes a limitation to local governments.

140 GEORGE MARDIKES testified regarding the issue of special districts and their concerns.

165 GEORGE MARDIKES spoke of the reasons for developing special districts. Questions and discussion.

272 GEORGE MARDIKES spoke to the Committee about consolidation and other future issues for Special districts.

Questions and discussions.

293 NOEL KLINE testified that there is no current consensus on how to deal with the current shortfall in the budget or on forms of new taxation. He asserted that if the school funding issue could be settled, then other special districts could move forward.

- Questions and discussion.

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360 CHAIR GOLD adjourned the meeting at 3:00 p.m.

J ~ ~ fer Belk ~, Committee Assistant

Kimberly Ta ~ r, Office Manager

Exhibit Summary

1. Harchenko, Proposed Amendments to SB 277, 2-19-93

2. Staff, LC 3538, 2-18-93

3. Staff, LC 3538-1, 2-18-93

4. Kline, Special Districts Association of Oregon: A Profile, 11-12-92

5. Kline, Levy and Bond Limitations of Municipal Corporations

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