

Tapes 26-27 (A-B) Tapes 28 (A) Measure5/Public Hearing/ HOUSE COMMITTEE  
ON REVENUE AND SCHOOL FINANCE

January 25, 1991 8:00 AM Hearing Room A State Capitol Building

Members Present: Representative Delna Jones, Chair Representative Carl Hosticka, Vice-Chair Representative Mike Burton Representative Kelly Clark Representative Bev Clarno Representative Mike Nelson Representative Fred Parkinson Representative John Schoon Representative Jim Whitty Staff Present: Jim Scherzinger, Legislative Revenue Officer Steve Meyer, Legislative Revenue Office Linda Leach, Committee Assistant Witnesses Present: Jim Kenney, Department of Revenue Elizabeth Stockdale, Department of Justice

TAPE 26 SIDE A 005 CHAIR JONES called the meeting to order at 8:03 and she conducted administrative business. MEASURE 5 ORIENTATION 016 JIM SCHERZINGER referred the members to the following handouts: 1) Impact of Measure 5 Research Report 2) Outline of Measure 5 Proposed Legislation 3) Draft LC 2386 4) Measure 5 5) Taxes on Property Subject to the Limit 6) Attorney General Opinion, Summary 9/7/90 7) Attorney General Opinion, 9/7/90 8) Measure 5 Issues 9) Attorney General Opinion, 1/21/91 040 JIM SCHERZINGER reviewed a chart entitled Example Property Tax Reductions and explained the effects on two types of property after full phase-in of Measure 5. Exhibit 1, page 3 100 Questions and discussion regarding the levy process of local districts.

These minutes paraphrase and/or summarize statements made during this meeting. Text enclosed in quotation marks reports the speakers exact words. For complete context of proceedings, please refer to the tape recording. House Committee on Revenue and School Finance January 25, 1991 Page 2 120 Discussion regarding levy limits under Measure 5. 156 Questions and discussion regarding differential local district rates and a uniformity clause under Measure 5. 160 JIM SCHERZINGER discussed a concept currently in the statutes called "true cash value" and a constitutional concept introduced by Measure 5 called "real market value". True Cash Value is used to calculate taxes and real market value under Measure 5 can only be used in calculating a limit. He explained another difference between the ,two concepts is that true cash value is of January 1 of the prior year and real market value is the minimum value during the current year. He discussed problems caused by using a value during the current year. 200 Questions and discussion regarding refund procedures under Measure 5 225 Discussion regarding definition of "current year". 248 Questions and discussion regarding minimum cash value definition. 258 JIM SCHERZINGER pointed out that the process for determining value will not change under Measure 5. He emphasized possible legal uncertainties regarding definition of minimum cash value under Measure 5. 317 Discussion regarding language in Measure 5 of "during the period for which the property was taxed". 350 CHAIR JONES reviewed the schedule for presentation of Measure 5 bill drafts. 390 ELIZABETH STOCKDALE explained Draft 2145 is incorporated into Draft LC 238 6. Draft LC 2386 is the master draft. TAPE 26 SIDE A WORK SESSION 001 MOTION Rep. Burton moved the adoption of LC 2386, including LC 2145, to be introduced as a committee bill at the request of the Department of Revenue. 010 ORDER There being no objection, Chair Jones so ordered. MEASURE 5 - PUBLIC HEARING - INVITED TESTIMONY 012 JIM KENNEY provided background in the development of Draft LC 238 6. Measure 5 creates a need for extensive change to the current property tax system. He noted some of the changes needed because of Measure 5 and explained the Department of Revenue's goal of minimizing - These minutes paraphrase and/or summerize statements made during this meeting. Text enclosed in quotation marks reports the speakers exact words. For

complete context of proceedings, please refer to the tape recording. House Committee on Revenue and School Finance January 25, 1991 Page 3 changes: - A redefinition of property value which is used as a base for the levy of taxes. - The elimination of a fixed point in time to determine that value. A redefinition of tax to include some fees and charges. - Tax limit would be calculated on a property by property basis. 050 CHAIR JONES recessed the meeting at 8:35 because of a fire alarm and reconvened the meeting at 8:43. ,060 Questions and discussion regarding the Department of Revenue's philosophy in minimizing changes in the current tax system. 080 CHAIR JONES considered a review of current tax laws along with Measure 5 implementation changes was appropriate even though timelines are strict. 090 REP. HOSTICKA interjected his desire to make fundamental changes in the property tax and school finance system. He did not support a "patchwork" approach in dealing with Measure 5 implementation. 110 Questions and discussion regarding procedures for meeting. 126 ELIZABETH STOCKDALE explained two levels and a redefinition of "other charges" which could be affected by the broad definition of tax under Measure 5. 164 ELIZABETH STOCKDALE summarized a series of meetings in November, 1990 involving counties, cities, school districts and special districts which reviewed impacts from Measure 5. 188 Questions and discussion regarding the intent of the drafters of Measure 5 and the development of Draft LC 2386. 220 JIM KENNEY pointed out that timber severance taxes are included in Draft LC 2386. 260 Questions and discussion regarding terminology used in the development of Draft LC 2386. 273 ELIZABETH STOCKDALE predicted a process of future amendments to Draft LC 2386 and separate bills regarding specific funding sources. 315 REP. BURTON noted his concern regarding possible litigation as a result of Measure 5. 331 CHAIR JONES commented on management of Measure 5 implementation bill drafts. 352 Discussions continued regarding the development of Draft LC 2386 in relationship to the intent of Measure 5 authors.

- These minutes paraphrase and/or summarize statements made during this meeting. Text enclosed in quotation marks reports the speakers exact words. For complete context of proceedings, please refer to the tape recording. House Committee on Revenue and School Finance January 25, 1991 Page 4 380 JIM KENNEY continued a review of the development of Draft LC 2386 and pointed out the input from counties, schools, cities and special districts. He noted that identified issues were reviewed by the Department of Justice and a rough draft was formed. TAPE 25 SIDE B 002 JIM KENNEY reviewed a comparison chart of the Current Property Tax System and the Proposed Property Tax System - Beginning 1992-93 Tax Year. He explained comparisons under the four major functions of the property tax system: 1) Appraisal 2) Local Budget Law 3) Collection and Distribution 4) Appeals. Exhibit 2, pages 1, 2 060 Questions and discussion regarding timelines for tax bills. 083 JIM KENNEY continued his review of budget law comparisons. Exhibit 2 126 Questions and discussion regarding notification of value under Measure 5 and an appeal process. 156 JIM KENNEY referred to Activity Prior to Measure 5 and Activity After Measure 5. Exhibit 2, page 3 162 REP. HOSTICKA noted his concern regarding language of "minimum" under Measure 5. 216 JIM KENNEY pointed out the definition of real market value in Draft LC 238 6. Exhibit 3, pages 81-82 250 Questions and discussion. 284 Question and discussion regarding cash equivalent financing method of property. 201 JIM KENNEY outlined each chapter of an ORS major change under Draft LC 238 6. He began with Chapter 294 (Local Budget). Exhibit 2, pages 510 350 ELIZABETH STOCKDALE noted an additional change under Chapter 305 regarding the certification of certain fees, services, taxes or assessments and an appeal process regarding a challenge to that certification. TAPE 26 SIDE B 004 ELIZABETH STOCKDALE referred to page

29 of Draft LC 2386 regarding a risk to local taxing districts for any refunds due for excess collections over the limit. Those refunds will come from the taxing district resources. Exhibit 3

. . These minutes paraphrase and/or summarize statements made during this meeting. Text enclosed in quotation marks reports the speakers exact words. For complete context of proceedings, please refer to the tape recording. House Committee on Revenue and School Finance January 25, 1991 Page 5 048 Questions and discussion regarding fees and charges subject to the limit under Measure 5. 058 ELIZABETH STOCKDALE noted a major difference in an appeal process from the current law. She explained that an appeal petition will go directly to the tax court (not requiring a review by the Department of Revenue). 061 Questions and discussion regarding the workload of Oregon's tax court. 077 Questions and discussion regarding the percentage of limit and cap imposed on local districts. 100 ELIZABETH STOCKDALE commented on possible reconstruction of license fee statutes to insure that those fees are outside the limit. 117 ELIZABETH STOCKDALE explained that the limitation applies to any fee or charge on property imposed by any unit of government. 130 Questions and discussion regarding a \$10 limit under Measure 5. 140 ELIZABETH STOCKDALE summarized that the limit under Measure 5 is how much money can be extracted from any particular property to support the cost of government. 150 Questions and discussion regarding possible errors from local taxing districts certifying taxes within the limit. 163 ELIZABETH STOCKDALE reviewed a single determination for each fiscal year of an amount to be charged against a particular property. She explained that there is not a remedy in Draft LC 2386 if a local government unit errs and certifies for collection something that should not be certified. 184 CHAIR JONES recessed the meeting at 9:50 and reconvened the meeting at 10:04. She conducted administrative business. 217 JIM KENNEY continued with his overview of Draft LC 2386, Chapter 305 (General Administration). Exhibit 2, page 5 232 JIM KENNEY explained changes in Chapter 306 (Property Tax General Supervision). Exhibit 2, page 5 240 JIM KENNEY reviewed emergency proposed legislation which will follow in order to administer Oregon's property tax system for this current year. 269 JIM KENNEY pointed out changes in Chapter 307 (Property Subject to Taxation) and Chapter 308 (Methods of Assessment). Exhibit 2, pages 56

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361 JIM KENNEY explained changes in Chapter 309 (Equalization of Taxes). Exhibit 2, page 7 450 Questions and discussion regarding an appeal process. TAPE 27 SIDE A 026 JIM KENNEY continued with review of Chapter 310 (Levy of Property Taxes). Exhibit 2, page 8 040 JIM KENNEY outlined changes in Chapter 311 (Collection of Taxes), Chapter 312 (Foreclosure), Chapter 321 (Timber Tax), Chapter 327 (Targeted Tax Relief), Chapter 328 (Define School and non-school tax), and Chapter 456 (Urban/Renewal). Exhibit 2, page 9-10 083 JIM KENNEY discussed miscellaneous areas of changes in Draft LC 2386 as summarized in an outline. Exhibit 2, page 10 110 Questions and discussion regarding rule making authority. 167 Questions and discussion. 204 CHAIR JONES conducted administrative business and adjourned the meeting at 10:35.

Linda Leach, Committee Assistant Kimberly Taylor, Office Manager EXHIBIT

SUMMARY 1. Impact of Measure 5, 1.5% Property Tax Limit Research Report, LRO, 9/6/90 - Measure 5 2. Overview of Draft LC 2386, DOR, 1/15/91 - Measure 5 3. Draft LC 2386, DOR, 1/24/91 - Measure 5 4. Ballot Measure 5, LRO, 1/25/91 - Measure 5 5. Taxes on Property Subject to the Limit, LRO, 1/25/91 - Measure 5 6. Summary of Attorney General's Opinion, LRO, 9/7/90 - Measure 5 7. Attorney General Opinion, LRO, 9/7/90 - Measure 5 8. Measure 5 Issues, LRO, 1/25/91 - Measure 5 9. Attorney General Opinion, Emergency clause questions/answers, 1/21/91 - Measure 5 10. Testimony from Gresham School Districts, 1/16/91 - Measure 5

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