

February 12, 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: Steve Meyer, Legislative Revenue Office Linda Leach, Committee Assistant Witnesses Present: Gil Riddell, Association of Oregon Counties Kim Worrell, Association of Oregon Counties Jim Irvine, Oregon Homebuilders Association, Oregon Multi-Family Housing Council Maury Astley, Oregon Independent Telephone Assoc. John Danielson, Oregon Education Association Ken Lewis, National Federation of Independent Business (NFIB) Joe Gilliam, NFIB Barton De Lacy, Appraiser, Portland, Oregon TAPE 58 SIDE A 005 CHAIR JONES called the meeting to order at 8:05 and conducted administrative business. WORRELL - HB 2550 (INVITED TESTIMONY) 019 GIL RIDDELL discussed the concerns of Association of Oregon Counties with regard to HB 2550. He summarized his prepared testimony and commented on the following issues: (Exhibit 1) 1) Ten percent value range. 2) Board members of Ratio Review. 3) Dates Board of Value Appeals and Board of Ratio Review would convene. 4) DOR supervisory power. 5) Refunds (Section 211 of HB 2550). 6) Refunds (Section 260 of HB 2550). 7) Five-year spread of large refunds.

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8) Large value appeals. 9) December 15 deadline for local appeal. 10) Repeal correction for years during appeal. 11) Enforcement of penalties. 12) July 1 assessment date. 13) DOR rule authority. 164 GIL RIDDELL clarified for the record a letter from Sen. Monroe which was referenced in the February 11, 1991 House Revenue Meeting relating to SB 275. (see Exhibit 7 from 2/11/91 House Revenue meeting) 180 GIL RIDDELL continued with his testimony regarding HB 2550. Exhibit 1 202 KIM WORRELL commented on a proposed five-year spread of large refunds and pointed out that a large refund for a small county would be devastating. 221 Questions and discussion. 242 KIM WORRELL commented on Section 265 of HB 2550 (large value appeals). Exhibit 1 300 REP. NELSON expressed his concerns regarding large value appeals and small counties. 310 Questions and discussion regarding the effects to small counties regarding a \$50,000 refund. 337 Questions and discussion comparing a \$50,000 appeal to 1/4 of 1% rule. 347 REP. CLARK suggested equal payments over a five-year period. 367 KIM WORRELL continued with concerns from Association of Oregon Counties. Exhibit 1 (9) TAPE 59 SIDE A 003 KIM WORRELL explained a situation where counties and other taxing districts could be put into a serious refund situation if a large industry or utility appeals property taxes. 011 CHAIR JONES was uncomfortable with a taxing district having the taxpayers' money when the taxpayer is attempting to appeal and obtain a refund. 025 KIM WORRELL provided the reasoning behind the 1/4 of 1% appeal rule.

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words. For complete context of proceedings, please refer to the tape recording. House Committee on Revenue and School Finance February 12, 1991 Page 3 048 Questions and discussion regarding impact on other taxpayers from the 1/4 of 1% appeal rule. 060 Questions and discussion regarding a process involving additional tax owed by a taxpayer. 112 REP. WHITTY was concerned about impacts on small counties and suggested any offset cover a two to three-year period. 132 KIM WORRELL discussed past attempts to eliminate the 1/4 of 1%, appeal rule. 146 Discussion regarding a \$50,000 refund owed from a small county. 161 Questions and discussion regarding when a refund is due a taxpayer. 180 CHAIR JONES clarified that a recommendation regarding refunds must be "reasonable" for the taxpayer and the county. 196 Questions and discussion regarding negotiating refunds or taxes owed. 210 GIL RIDDELL continued with his prepared testimony regarding enforcement of penalties. Exhibit 1, no. 11 230 Questions and discussion regarding enforcement of penalties (llc) recommended by Association of Oregon Counties relating to an issue of compression. 290 KIM WORRELL reviewed his testimony regarding July 1 assessment date. Exhibit 1, no. 12 300 CHAIR JONES added a detailed discussion of property assessment date will follow at a future committee meeting. 306 Discussion regarding a situation if a property assessed value is too low rather than too high. 335 REP. HOSTICKA questioned the fairness of a system where the assessor will only correct the situation of over-value and not undervalue. 350 Discussion of possible appeals and loss to taxing districts. 383 KIM WORRELL explained how the proposed property tax system is different than the current system in relationship to decreased value and appeals.

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TAPE 58 SIDB B 007 REP. HOSTICKA interjected that minimum value language applies on a property by property basis. 015 REP. PARKINSON was not convinced that the proposed July 1 assessment date was best. 020 CHAIR JONES requested evidence from the Department of Justice and Department of Revenue for moving the assessment date by six months as proposed in HB 2550 (move from Jan. 1 to July 1) for a future revenue meeting. 040 KIM WORRELL pointed out the assessors would prefer to maintain the January 1 assessment date. 064 JIM IRVINE explained most of his concerns were addressed by Gary Carlson from Association of Oregon Industries. He pointed out a concern regarding the definition of real market value on page 46 of HB 2550. He explained the definition of real market value could drive the appeal process and suggested language correction in Section 88 relating to "lowest amount" and "third party financing". 110 MAURY ASTLEY was concerned regarding Section 184 of HB 2550 which repeals a provision for rural telephone exchanges. He read his prepared testimony. Exhibit 2 156 Questions and discussion regarding telephone cooperative procedures. 206 JOHN DANIELSON commented on problems created by Measure 5 (going from a dollar system to a rate base system). He suggested the committee review: 1) Timber severance tax (review if the timber industry is paying fair share of taxes). 2) Timber taxation should be changed to a resource premise (not as an offset). 3) 3% property tax discount should be eliminated. 4) Create a broad tax roll, review special assessment treatment. 5) Need broad definition of capital construction. 6) Expedite appeal process. 366 Questions and discussion regarding 3% property tax discount. TAPB 59 SIDB B 009 REP. SCHOON commented on the history of the severance tax

in relationship to recommendations from John Danielson. He questioned Mr. Danielson's comment regarding people who are paying severance tax in lieu of property tax and have no relief.

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 February 12, 1991 Page 5 020 REP. SCHOON was concerned about singling out the largest employer (timber industry) in the state to pay taxes on production factors. 029 JOHN DANIELSON compared the current timber industry to 1977 when the severance tax was enacted. 098 Discussion regarding old growth and secondary growth timber. 121 CHAIR JONES -acknowledged John Danielson's agreement with the committee regarding a definition of capital construction. 34 REP. CLARK supported integrity in dealing with Measure 5 implementation. He disagreed with some comments made by John Danielson. 151 JOHN DANIELSON explained his views for eliminating the 3% property tax discount. The 3% discount is based on a dollar system and is not workable under a rate based system because of limits under Measure 5. 171 Questions and discussion regarding issues in HB 2550 not relating to Ballot Measure 5. 217 Questions and discussion regarding impact from Measure 5. 255 JOHN DANIELSON suggested an interim committee study all properties which receive special tax considerations. 272 Questions and discussion regarding a replacement sales tax revenue. 302 REP. BURTON did not view HB 2550 as a way to maximize revenue to the state. 326 JOHN DANIELSON suggested the committee review the long term implementation of the uniformity clause of taxation. 340 KEN LEWIS opposed Section 108 in HB 2550 relating to personal property. 409 Questions and discussion. 415 KEN LEWIS commented on unknowns relating to additions and deletions referenced in Section 108 in HB 2550. 434 JOE GILLIAM provided an example of a business which illustrated problems relating to estimation in Section 108 in HB 2550. TAPE 60 SIDE A 001 JOE GILLIAM continued with his testimony.

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 February 12, 1991 Page 6 043 BARTON DE LACY commented on an appeal and appraisal process as proposed in HB 2550. He did not support a change from the current appeal and appraisal process. He suggested county appraisers have the same standards as imposed on private appraisers. He commented on the membership of the two proposed boards. He was concerned with a low income taxpayer's ability to hire experts for representation in an appeal process (may preclude their right to fairness). 139 CHAIR JONES conducted administrative business and adjourned the meeting at 10:08.

' Linda Leach, Committee Assistant

Kimberly Taylor, Office Manager EXHIBIT SUMMARY 1. Testimony from Gil Riddell and Kim Worrell, Association of Oregon Counties, 2/12/91. 2. Testimony from Maury Astley, Oregon Independent Telephone Association, 2/12/91.

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