

February 13, 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: Elizabeth Stockdale, Department of Justice Jim Kenney, Department of Revenue Ward Armstrong, Oregon Forest Industries Council Kim Worrell, Association of Oregon Counties

TAPE 61 SIDE A 005 CHAIR JONES called the meeting to order at 8:10 and conducted administrative business. WORK SESSION - HB 255 0 020 JIM KENNEY discussed committee frustrations shared by the Department of Revenue relating to the development of a workable property tax system under Measure 5. He related a brainstorming process the Department of Revenue went through in reviewing three elements of Measure 5: 1) Redefinition of value. 2) Rate limitation. 3) Redefinition of tax. He explained a change to a new rate based system was compounded by the phase-in factor under Measure 5. He provided examples of counties which already recognize a need to compress. 073 REP. BURTON was concerned with the timing for districts experiencing compression. 080 JIM KENNEY related SB 550 passed the Senate Revenue Committee which will guide the property tax system during the transition year.

These minutes paraphrase and/SRsummarize 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 13, 1991 Page 2

088 JIM KENNEY explained a goal in developing HB 2550 was to place a system into effect which would work into the future. The Department of Revenue acknowledges issues in HB 2550 will need exploring. 109 REP. SCHOON questioned who decided the Legislature needed to review policy issues which are in HB 2550. 118 JIM KENNEY explained a direction to review the property tax system and how the system could work under Measure 5. Issues were developed from brainstorming the property tax system. 125 REP. SCHOON did not support a mission to defeat the public desire with the passage of Ballot Measure 5. 135 JIM KENNEY commented on a balance between a responsibility to provide services from local government and implementation of Ballot Measure 5. 147 Questions and discussion. 208 JIM KENNEY added the Department of Revenue reviewed the Attorney General September 7, 1990 opinion regarding Ballot Measure 5 and received ongoing advice from Elizabeth Stockdale while developing HB 2550. 257 REP. BURTON questioned the process for the recommendation to change the definition of severance tax in HB 2550. 292 JIM KENNEY explained revenue produced from timber will be approximately 8% of current revenue if severance tax remains under the limits of Measure 5 (full implementation). The Department of Revenue believed the committee would want to review this impact in order for timber taxation to be in balance with other properties. 315 JIM KENNEY explained why the Department of Revenue combined all issues into one bill (HB 2550) rather than a number of smaller bills. 333 REP. HOSTICKA believed a complete analysis of issues brought up by Ballot Measure 5 in the form of HB 2550

was a good starting place. He recognized that the Legislature will make the final decisions while considering desires of constituents. 360 JIM KENNEY explained the process the Department of Revenue followed in identifying issues impacted by Ballot Measure 5. Six major categories were identified and reviewed by Department of Revenue staff where concepts were developed and sent out to cities, counties, schools, special districts, assessors, and tax collectors for input. The Department of Revenue recognized the committee would receive testimony from the private sector.

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TAPE 62 SIDE A 012 CHAIR JONES discussed the responsibility of the committee regarding decisions and that the Department of Revenue functions as a gathering point for information. 010 JIM KENNEY recognized some errors in HB 2550 and amendments will be forthcoming (language clarification, issues left out). 020 REP. CLARK believed HB 2550 was biased and did not support policy issues included in HB 2550. He wanted to deal with policy issues raised by Measure 5 outside of implementation. 044 JIM KENNEY used the 3% property tax discount as an example of an issue not required by Measure 5. However, the 3% property tax discount issue is related to a new rate base property tax system. He pointed out under the levy base system the 3% discount was built into budgets. 053 CHAIR JONES requested a legal point of view regarding the timing of the new property tax system and a relationship to the appeals process. 077 ELIZABETH STOCKDALE compared the existing property tax system timeline and pointed out where the Attorney General opinion suggests action to comply with Measure 5. She discussed a property uniformity provision in the Constitution and limits under Measure 5 in terms of value. She reviewed the definition of real market value. She explained a January 1 valuation date would be acceptable but would lead to a dual valuation system. She pointed out a concern with shifting the appeal process. 209 Questions and discussion regarding property value projections (July 1 compared to January 1). 284 Discussion of appeal periods as proposed in HB 2550. 308 Questions and discussion regarding impact to farm property from real market value definition. 361 REP. NELSON requested to revisit the issue of impact from Ballot Measure 5 on specially assessed properties. 377 ELIZABETH STOCKDALE provided an example of impact on farm property from Ballot Measure 5. She referred to a research report entitled Impact of Measure 5, 1.5% Property Tax Limit. (see Exhibit 1 from House Revenue 1/25/91 meeting, page 8) TAPE 61 SIDE B 014 Discussion regarding farm property example.

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055 Questions and discussion regarding increased levies and values until a cap is reached under a real market value test. 078 Questions and discussion regarding an appeal process for declining property values. 122 REP. CLARNO was concerned with the appeal process timing. 135 Questions and discussion regarding eligibility and qualification for special assessment property. 178 CHAIR JONES clarified the farm use

assessment issue will be discussed in detail at a future Revenue meeting. 195 Questions and discussion regarding incentives for sound judgments from the Board of Valuation. 200 REP. SCHOON was concerned with the uncertainty before the Board of Appeals which will be present whether the valuation date is January 1 or July 1. He commented on a possible change from a fiscal year to a calendar year for the new property tax system. 226 JIM KENNEY interjected a cash flow problem as a reason to maintain the fiscal year for the property tax system. 237 JIM SCHERZINGER added another problem with changing to a calendar year would be a six-month taxing overlap. 258 Questions and discussion regarding the separation of identification date from the valuation date. 270 ELIZABETH STOCKDALE commented that identity and valuation dates could be separated as long as uniformity applies to all property. 286 ELIZABETH STOCKDALE explained there should be a provision for an appeal right after the current tax year is over because of the possibility of a declining value. 298 CHAIR JONES recessed the meeting at 9:28 and reconvened the meeting at 9:49 330 JIM SCHERZINGER reviewed Potential Issues To Be Dealt With Outside of HB 2550. Exhibit 1 359 JIM SCHERZINGER explained bonding changes will be in a separate bill from the Treasurer. 385 REP. SCHOON believed the committee could be more efficient in working with HB 2550 if the policy issues were taken out and dealt with separately.

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 13, 1991 Page 5 398 REP. HOSTICKA read Section (5) from Ballot Measure 5 and was concerned with the language of "because of the limitations of this section". He wanted clarification of this language in relationship to a number of decisions this committee will make. He explained decisions facing this committee will affect revenues for local schools and will impact the state obligation. (see Exhibit 4 from House Revenue 1/25/91 meeting Measure 5) TAPE 62 SIDE B 010 CHAIR JONES clarified her desire to get the structure issues out of committee and then review impacted issues (not to delay these issues either) from Ballot Measure 5. 034 REP. PARKINSON could support separating implementation and policy issues or he could support a vote on each issue in HB 2550. 041 Discussion regarding definition of property amendments. 47 REP. BURTON was concerned about possible conflicts if revenues from any issues as noted in Potential Issues To Be Dealt With Outside of HB 2550 becoming the first part of the General Fund and then redistributed under some other formula. Exhibit 1 053 Questions and discussion. 055 CHAIR JONES reviewed offsets v. revenue sources. 072 WARD ARMSTRONG commented the major reason for the change to the severance tax system in 1977 was for equivalency with other property. He pointed out a conceptual unanimous agreement from the timber industry of how to treat timber under HB 2550 (Section 275): Timber should be treated within HB 2550. He explained a reason for a tie-in with HB 2550 is to treat timber as a privilege tax. He added detailed amendments will follow when the committee reviews timber. 124 CHAIR JONES commented on long term issues affecting the timber industry to be dealt with outside of HB 2550. 149 Questions and discussion. 151 Questions and discussion regarding bonding issues in HB 2550. 175 JIM SCHERZINGER explained that appeals issues are difficult to separate into individual items. 186 CHAIR JONES wanted the appeals process to remain a part of the assessment and taxation system in HB 2550. She explained the 10% appeal threshold as proposed in HB 2550 was not the intent of the Department of Revenue and that portion will be corrected.

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 13, 1991 Page 6 198 MOTION Rep. Schoon moved to remove from HB 2550 those items identified on Potential Issues To Be Dealt With Outside of HB 2550 with the exception of the Western and Eastern Oregon severance tax, the repeal of targeted offsets and grants, appeals portion and any automatic liens tied to appeals. 242 DISCUSSION 243 REP. HOSTICKA pointed out that the Electric Co-op is prepared to pave their issue dealt with inside HB 2550 (Sections 169-171). 237 REP. PARKINSON suggested the committee review and vote on each issue in HB 2550 and keep HB 2550 intact. 251 REP. BURTON would prefer to review policy and implementation issues together in HB 2550. 273 REP. SCHOON suggested dealing with policy and implementation issues separately would be the most efficient. 281 REP. CLARK supported Rep. Schoon's motion and commented on public perception in dealing with Measure 5 implementation issues. 312 REP. CLARNO supported Rep. Schoon's motion. She supported the review of policy issues after implementation issues. 331 REP. WHITTY supported Rep. Schoon's motion. 347 MOTION WITHDRAWN Rep. Schoon requested to withdraw his motion. Rep. Jones acknowledged Rep. Schoon's request. 360 CHAIR JONES recessed the meeting at 10:21 and reconvened the meeting at 10:24. 370 MOTION Rep. Schoon moved to remove from HB 2550 those items identified on Potential Issues To Be Dealt With Outside of HB 2550 with the exception of the appeals issues, penalties, Western and Eastern Oregon severance tax, Electric Co-Ops, repeal of targeted offsets and grants, and any automatic liens tied to appeals. 410 Discussion

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TAPE 63 SIDE A 015 VOTE In a roll call vote, the motion was adopted (8- 1). AYES: Rep. Clark, Rep. Clarno, Rep. Nelson, Rep. - Parkinson, Rep. Schoon, Rep. Whitty, Rep. Hosticka, Rep. Jones. NAYS: Rep. Burton 026 CHAIR JONES summarized the presentation from Elizabeth Stockdale regarding changing valuation date from January 1 to July 1 as proposed under HB 2550. She pointed out her concern regarding the ,identification of what is a property on what date. 045 REP. CLARK commented on maintaining a January 1 valuation date instead of moving to July 1 and acknowledged an eighteen month projection rather than a twelve month projection. He questioned how Ballot Measure 5 changes the issue of identifying property that exists as of an assessment date. 051 JIM KENNEY described the current assessment date process and why July 1 was proposed under HB 2550. 067 CHAIR JONES read the definition of real market value from Ballot Measure 5 (2a). (see Exhibit 4 from House Revenue 1/25/91 meeting) 071 Questions and discussion regarding valuation date of January 1 compared to July 1 as proposed in HB 2550. 145 CHAIR JONES pointed out that the committee must decide on timing of valuation date before deciding on other issues in HB 2550. 154 Questions and discussion. 170 REP. SCHOON was concerned regarding maintaining the July 1 date as proposed under HB 2550 which provides only fifteen days for a taxpayer to appeal valuation amount (under first

appeal period). He questioned meeting dates of Board of Equalization. 183 JIM KENNEY explained a problem for the counties of finding people to serve on boards. 204 CHAIR JONES was concerned with timing of appeal rights for taxpayers. 220 JIM KENNEY compared the current system of valuation appeals to the system as proposed under HB 2550. 241 REP. CLARNO clarified that a taxpayer (under HB 2550) would have access to the local appeal process first (prior to Department of Revenue).

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Linda Leach, Committee Assistant

Kimberly Taylor, Office Manager

EXHIBIT SUMMARY 1. Potential Issues To Be Dealt With Outside of HB 2550, LRO, 2/13/91, HB 2550 2. Measure 5 Implementation Issues (as of 2/11/91), LRO - HB 255 0 3. Testimony from Dona A. Eadus, 1/12/91 - Miscellaneous

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