

Tapes 70-71 (A/B) Tape 72 (A) Bill Introduction Work Session: HB 2550
HOUSE COMMITTEE ON REVENUE AND SCHOOL FINANCE

February 18, 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 Linda Leach, Committee Assistant Witnesses Present: Jim Kenney, Department of Revenue TAPE 70 SIDE A 005 CHAIR JONES called the meeting to order at 8:07 and conducted administrative business. 025 CHAIR JONES announced the two subcommittees of the House Revenue and School Finance Committee. Subcommittee on Income Taxation will deal with issues such as retirement tax equity, HARRP and the members are Chair Rep. Schoon, Rep. Clarno, Rep. Nelson, Rep. Burton. Subcommittee on property taxation will deal with issues such as items removed from HB 2550, exemptions, timber taxation and the members are Chair Rep. Parkinson, Rep. Hosticka, Rep. Whitty, Rep. Clark. (note: Chair Jones will be a member of both subcommittees) BILL INTRODUCTION 052 JIM SCHERZINGER reviewed four LC Drafts at the request of the School Employees Association. LC Draft LC 2692 allows proceeds from a fuel tax to be used for school transportation. LC Draft 2693 allows tax on ownership of vehicles to be used for school transportation. LC Drafts 2689 and 2690 authorize the use of proceeds from LC 2692 and LC 2693. Exhibits 1,2,3,4 068 MOTION Rep. Hosticka moved LC Drafts 2692, 2693, 2689, 2690 be introduced as committee bills at the request of the Oregon School Employees Association.

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 18, 1991 Page 2 071 ORDER There being no objection, Chair Jones so ordered. WORK SESSION - HB 2550 070 JIM SCHERZINGER explained the committee's progress with dealing with the timing of the property tax system (HB 2550). He referred to Current Law, HB 2550 (as changed by committee), and Early Appeal Proposal. Exhibits 5, 6 and 7 112 Discussion regarding a gross error factor. 119 JIM SCHERZINGER continued his review of timing of the current property tax system. Exhibit 5 135 Questions and discussion. 141 JIM SCHERZINGER reviewed a chart of the timing of the property tax system as discussed by the committee. Exhibit 6 190 Questions and discussion regarding gross error and declining value appeals. 218 JIM KENNEY explained why the Department of Revenue proposed to eliminate the gross error statute. 230 JIM SCHERZINGER referred the members attention to Section 32 of HB 2550 which deals with gross errors. 250 Questions and discussion regarding declining value and gross error appeal timelines. 285 Discussion regarding basis for appeals and tracking of appeal periods. 326 JIM KENNEY explained a purpose of a gross error appeal right was to encourage taxpayers to appeal through local Board of Equalization. 353 Discussion. 360 JIM KENNEY explained an appeal is available from the tax statement under HB 2550 and pointed out a gross error appeal right is redundant. 376 Questions and discussion. 392 CHAIR JONES believed the concern of the committee was to insure a gross error appeal be available when appeals are not filed in time for the Board of Equalization review.

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TAPE 71 SIDE A 008 REP. BURTON did not want to limit appeals based on good and sufficient cause. 010 Discussion. 012 JIM SCHERZINGER reviewed Earl Appeal Proposal as discussed by the committee during the February 15 Revenue meeting. Exhibit 7 024 JIM SCHERZINGER explained a process of collecting sales data for determining valuation (an estimation process). 040 Questions and discussion. 069 JIM SCHERZINGER explained the mailing date of value notices under Early Appeal Proposal. Exhibit 7 088 Questions and discussion regarding tax bill sent, 3% discount, and tax due as illustrated in Early Appeal Proposal. Exhibit 7 129 JIM SCHERZINGER commented on an uncontested value staying off the tax rolls. 145 Questions and discussion regarding trimester tax payments and appeal rights. 160 Discussion regarding a taxpayer appealing without a standard for basis of appeal. 180 CHAIR JONES clarified the timing reason for: 1) Uncontested value on the roll. 2) Contested value not on the roll. 188 JIM SCHERZINGER reviewed past committee history in dealing with an uncontested value issue. He provided an example to illustrate a cash flow problem to a county. He explained a policy issue of benefiting single family homes and/or industrial, business properties. 217 REP. BURTON questioned how a 3% discount is accounted for in a rate based property tax system. 225 JIM KENNEY pointed out that a 3% discount will cause rates to go up in districts which are not up to the maximum rate under Ballot Measure 5. 233 Questions and discussion regarding timelines for appeals. 248 Discussion of a rate base system with limits and impact from refunds.

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267 REP. SCHOON was concerned with losses from appeals and an inability for a county to recapture losses. 276 Questions and discussion. 311 JIM KENNEY explained a reserve account (segregated funds) provision for counties in HB 2550 and compared the account to estimating uncollectables under the current levy based system. 355 Questions and discussion. 375 JIM SCHERZINGER provided an example of the current procedure for arriving at a levy amount and the impact on the levy when a large industrial property appeals valuation. TAPE 70 SIDE B 001 JIM SCHERZINGER continued with example and compared the situation under HB 2550. 060 Questions and discussion regarding example provided by Jim Scherzinger. 095 CHAIR JONES requested input from the committee regarding uncontested value on the tax roll. 109 Questions and discussion. 118 JIM KENNEY commented on a weekly County Assessors advisory group meeting. 127 Questions and discussion regarding two values on the tax roll for tracking purposes. 153 REP. WHITTY was concerned that a taxpayer would have to pay 16% interest if their appeal was denied. 171 Questions and discussion. 187 CHAIR JONES summarized a consensus from the committee: Taxpayer should have an ability for the roll to reflect the uncontested value and be able to pay on uncontested amount to avoid penalties if appeal is lost. 200 REP. BURTON was concerned about incentives and disincentives if a taxpayer is not required to pay 16% under certain circumstances. 241 Questions and

discussion.

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250 CHAIR JONES questioned which properties (i.e. residential property, utilities, all property) should have access to the option described above (meter 187). 272 Questions and discussion regarding cash flow and a district above the cap. 282 REP. HOSTICKA noted a concern regarding the character of a property changing. He would prefer to give option to all properties, unless an argument is presented to the committee. 292 Questions and discussion. 307 CHAIR JONES suggested the committee establish a policy of: Uncontested amount be on the tax roll (available to all taxpayers) unless information is received as to why this proposal will not work, with an option to pay the higher amount in order to avoid a penalty later. 315 REP. HOSTICKA clarified the policy set by the committee. 327 CHAIR JONES acknowledged the committee's support of Early Appeal Proposal. Exhibit 7 341 Questions and discussion regarding committee decisions and procedures. 395 CHAIR JONES recessed the meeting at 9:30 and reconvened the meeting at 9:56. BILL INTRODUCTION TAPE 71 SIDE B 001 JIM SCHERZINGER explained LC Draft 3093 is at the request of the American Federation of State, County and Municipal Employees (AFSCME) and imposes a \$5 tax on the issuance of insurance policies to be placed in a suspense account for medical assistance use. Exhibit 8 010 Questions and discussion regarding a suspense account. 016 JIM SCHERZINGER reviewed LC Draft 3437 which is from the Municipal Debt Advisory Commission (MDAC) relating to Ballot Measure 5. Exhibit 9 030 MOTION Rep. Parkinson moved to introduce LC Draft 3093 at the request of AFSCME and LC Draft 3437 at the request of MDAC, as committee bills. 031 ORDER There being no objection, Chair Jones so ordered.

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WORK SESSION - HB 2550 037 JIM SCHERZINGER referred to Measure 5 Implementation Issues (as of 2/15/91) regarding declining value appeal. Exhibit 10, page 4 090 Questions and discussion regarding declining value appeal. 122 REP. CLARK referred to a letter he received from Mr. DeLacey, Lake Oswego Assessor, regarding declining value over a tax year and pointed out that the letter suggested a fixed date of value with a short review period. He requested a response from Jim Kenney. 123 JIM KENNEY answered that a single value date is preferable. He explained why a single value date would not work because of Ballot Measure 5. 151 Questions and discussion regarding language in Ballot Measure 5 and a declining value appeal process. 177 JIM KENNEY explained the Department of Revenue would prefer appeals processed through the Board of Equalization with a "window" to the Department of Revenue available to taxpayers. 199 Questions and discussion regarding timelines for Board of Equalization. 206 JIM SCHERZINGER referred to line 11 of HB 2550 (page 13) and explained declining value appeals could be made to the Department of Revenue after December 15. He provided examples of declining value appeals. 233 JIM SCHERZINGER pointed out two issues for the committee to consider regarding declining appeals: 1) Date for an

early appeal proposal. 2) Verification of declining value occurring after early appeal date. 259 JIM KENNEY explained the intent of HB 2550 regarding declining value was that the taxpayer must show the decline began after the last day for filing to the Board of Equalization. He noted the reason was to encourage appeals to the Board of Equalization. 262 CHAIR JONES was concerned with declining value appeal timelines. 253 Questions and discussion regarding declining value appeal process as proposed in HB 2550. 329 JIM KENNEY noted a need for a declining value appeal cutoff date in order to encourage appeals to the Board of Equalization. 335 Questions and discussion regarding a point where appeals shift to the Department of Revenue.

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 18, 1991 Page 7 364 JIM SCHERZINGER pointed out the remaining appeal issues in Measure S Implementation Issues (utility, etc.) will be impacted by decisions on timing. He referred to Section 154, page 80-81 of HB 2SSO regarding utility appeals. 425 CHAIR JONES pointed out that utility appeals will be handled differently than other appeals because of central assessment and size. TAPE 72 SIDE A 007 CHAIR JONES noted the committee agreed to delete language of "if possible" on lines 21 and 27, page 81 of HB 2550. 013 Questions and discussion. 018 JIM SCHERZINGER reviewed language of "value" on line 22, page 81 of HB 255 0. 028 Questions and discussion regarding real property market trends and consistent language. 054 CHAIR JONES noted a consensus from the committee for July 15 instead of June 30 for utility declining value appeal cutoff date. 077 JIM SCHERZINGER reviewed large value appeals and referred to Section 83, page 44 of HB 2550. 100 CHAIR JONES pointed out a concern of Association of Oregon Counties and Association of Oregon Industries regarding large appeal section. 104 CHAIR JONES explained a need for the Department of Revenue to review large value appeal section in HB 2550 because of timing changes proposed by the committee. 116 JIM SCHERZINGER referred to Section 265, page 133 of HB 2550 relating to large value appeals and pointed out new language regarding a reserve account for taxes on disputed value amounts. 135 Questions and discussion regarding 1/4 of 1% limit and uncontested value options. 150 JIM SCHERZINGER reviewed a general refund reserve account as proposed in Section 260 of HB 2550, 170 JIM KENNEY suggested a change in the date under Section 260 to 1991/92 for set up of reserve account. 175 Questions and discussion regarding calculation of anticipated refunds.

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180 REP. BURTON referred to lines 13 and 14 in Section 265 and noted concern with language of "controversy". 187 Questions and discussion regarding general reserve refund account and incentives for accurate estimations by the State Treasurer. 210 CHAIR JONES referred to subsection 3a of Section 260, page 131 of HB 255 0 regarding taxpayer refund options. 236 Questions and discussion. 245 CHAIR JONES pointed out a concern for small counties as presented by AOC. 248 JIM KENNEY pointed out lines 26 and 27 on page 131 of HB 2550 will be redrafted and explained an error (without regard to a constitutional provision). 259 CHAIR JONES conducted administrative business and adjourned the meeting

at 10:45.

Linda Leach, Committee Assistant

Kimberly Taylor , Office Manager EXHIBIT SUMMARY 1. LC Draft 2692, OSEA, 2/5/91 - LC Drafts 2. LC Draft 2693, OSEA, 2/6/91 - LC Drafts 3. LC Draft 2689, OSEA, 2/9/91 - LC Drafts 4. LC Draft 2690, OSEA, 2/13/91 - LC Drafts 5. Current Law, LRO, 2/18/91 - HB 2550 6. HB 2550 as changed by committee, LRO, 2/18/91 - HB 2550 7. Early Appeal Proposal, LRO, 2/18/91 - HB 2550 8. LC Draft 3093, AFSCME, 2/13/91 - LC Drafts 9. LC Draft 3437, MDAC, 2/18/91 - LC Drafts 10. Measure 5 Implementation Issues (as of 2/15/91), LRO - HB 2550

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