

Tapes87-88 (A/B) Tapes89-90 (A) Public Hearing: HB 2550 HOUSE COMMITTEE
ON REVENUE AND SCHOOL FINANCE

February 26, 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 (arrived 8:17) 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: Gary Carlson, Association of Oregon Industries Rex Armstrong, Attorney, Bogle & Gates David Canary, Attorney, Bogle & Gates Jim Gleason, Pacificorp Electric Operations Gil Riddell, Association of Oregon Counties Elizabeth Stockdale, Department of Justice Jim Kenney, Department of Revenue Peter Harvey, League of Oregon Cities Glenn Klein, League of Oregon Cities Dick Hayden, League of Oregon Cities Mike Dewey, Oregon Wheat Growers League, Potato Commission Don Schellenberg, Oregon Farm Bureau Carl Hagerud, Oregon Wheat Growers League Kip Lombard, Oregon Water Resources Congress TAPE 87 SIDE A

005 CHAIR JONES called the meeting to order at 8:09 and conducted administrative business.

PUBLIC HEARING - HB 2550

027 GARY CARLSON introduced Rex Armstrong, Constitutional Lawyer and David Canary, Tax Law Attorney. He referred to an opinion from Bogle & Gates which argues that Ballot Measure 5 does not require a change in the property assessment and identification dates. Exhibit 1

044 REX ARMSTRONG summarized his analysis regarding a change in property assessment and identification dates. Exhibit 1

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 26, 1991 Page 2 115 Questions and discussion regarding any risks by leaving assessment date at January 1. 146 CHAIR JONES discussed an issue relating to equity in identifying property during the tax year and explained this issue will be dealt with later. 160 REP. BURTON believed the issue of changing the assessment date from January 1 to July 1 was a management issue and not legal. He provided an example by quoting language in testimony from Rex Armstrong. 173 REX ARMSTRONG commented that a property assessment prediction of 18 months or 12 months has no constitutional significance. He reviewed a current process for assessment of property (current v. proposed in HB 255 0). 217 REX ARMSTRONG supported Section 14 of HB 2550 which is the appeal mechanism to address value change during the tax year. 212 REP. CLARK questioned what case history was behind footnote 3 on page 4 of testimony from Rex Armstrong. 224 REX ARMSTRONG provided Oregon Supreme Court history regarding a shift to categorical distinctions. 246 Questions and discussion. 284 CHAIR JONES summarized a requirement from Ballot Measure 5 to identify property during the tax year that the property exist. She commented that the committee must establish a policy to meet the constitutional requirement, meet administration needs, and

allow authority for the taxing districts. 319 Discussion. 350 DAVID CANARY discussed a need to determine the minimum value for the fiscal year because of Ballot Measure 5. The term of assessment date has changed with Ballot Measure 5. The identification and assessment date is as of January 1 with the assessment made by a prediction. He explained any mistakes are subject to appeal at the end of the fiscal year as outlined in Section 14 of HB 2550. He addressed an earlier equity question by Chair Jones and interjected that a July 1 assessment date is a revenue enhancement choice. He provided an example of compression for taxpayers because of a July 1 assessment date.

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TAPE 88 SIDE A 001 DAVID CANARY concluded by reiterating that the current assessment date will work under Measure 5 and Section 14 of HB 2550 provides for a declining value appeal. 014 Questions and discussion regarding personal and real property tax timelines (industrial property). 019 CHAIR JONES was concerned with a potential reduction in local government authority and questioned how the taxpayer and the local government will be protected without changing the assessment date. 032 DAVID CANARY explained the current system does not provide for picking up additional property after the assessment date. He did not feel there would be additional inequity and discussed a balance of predictions for assessors. 050 Questions and discussion regarding equity issue as raised by Chair Jones. 075 Questions and discussion regarding determination of what property exists on January 1. 108 Questions and discussion comparing a January 1 assessment date to July 1 (additional appeals, predicting future value). 155 DAVID CANARY commented on a two step assessment process because of Ballot Measure 5. 186 Questions and discussion regarding pick up of additional property when changing assessment date from January 1 to July 1. 197 GARY CARLSON believed the issue before the committee of changing from a January 1 to a July 1 assessment date is a policy issue and not a constitutional issue. 210 JIMMIE GLEASON was concerned with an equity issue in changing the assessment date from January 1 to July 1. His concern with a July 1 assessment date was one of orderly administration of tax laws. Exhibit 2 236 Questions and discussion. 287 CHAIR JONES summarized the concerns of Jimmie Gleason as sufficient time to respond to value assessment (because of large number of properties). 337 GIL RIDDELL supported a July 1 property assessment date and interjected July 1 was a balance for timelines and a fair date according to counties.

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390 Questions and discussion. TAPE 87 SIDE B 006 GIL RIDDELL viewed the assessment date as a policy issue. 022 Questions and discussion. 040 ELIZABETH STOCKDALE explained that the issues in HB 2550 brought by the Department of Revenue reflect a logical response for administration because of the requirements of Ballot Measure 5. She agreed with the

testimony from Bogle and Gates that Measure 5 does not require an assessment date be established on a particular date. 090 REP. SCHOON questioned an issue of two values and a relationship to January 1 or July 1. 092 ELIZABETH STOCKDALE emphasized a requirement of uniformity - to be consistent with all property in relationship to the definition of real market value. 106 Questions and discussion regarding prospective valuation amounts and moment in time amounts. 127 ELIZABETH STOCKDALE explained how a dual value system would work. She believed the committee was comfortable with a single standard of real market value as opposed to a true cash standard which would require double checking for purposes of a limit with real market value. The policy issue before you is what date - which brings in the issue of projection. 134 REP. SCHOON pointed out a remaining issue of property identification. 145 REP. HOSTICKA questioned legal implications of guessing and provided an example. 160 ELIZABETH STOCKDALE explained a process for arrival of base for evaluation (residential and industrial) and noted a projection forward. 180 Questions and discussion regarding declining value appeal requirements. 220 JIM KENNEY reviewed why the Department of Revenue supported a July 1 assessment under Measure 5. He pointed out: 1) Develop a value which has greatest certainty (July 1). 2) Problems with longer projection time (if keep January 1). 3) Adjustments needed because most sales are in spring and summer. 4) Bring property identification close as possible to tax year. 5) January 1 would require additional work for assessors and increase cost.

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325 ELIZABETH STOCKDALE commented on taxpayer limitations for pursuing a value dispute under current system and as proposed under HB 2550. 350 ELIZABETH STOCKDALE reviewed range of options for assessment dates and noted a need to provide a determination of real market value if January 1 is the property existence date. 360 ELIZABETH STOCKDALE explained a two step process for appeals under HB 2550. 387 CHAIR JONES recessed the meeting at 9:32 and reconvened the meeting at 10:00. TAPE 88 SIDE B 001 PETE HARVEY testified in support of urban renewal programs and read his prepared testimony. Exhibit 3 077 DICK HAYDEN reviewed the history of urban renewal in Oregon and commented on the goals of urban renewal. He referred to his handout which provides examples of urban renewal efforts of four Oregon cities. Exhibit 4 175 GLENN KLEIN reviewed authorized bonded indebtedness and explained different collection options for urban renewal funds. He explained an impact on urban renewal because of Measure 5. He gave examples on the differences between an urban renewal agency and a local improvement district. He interjected that a detailed presentation of policy choices will follow when the committee deals with urban renewal. 337 Questions and discussion regarding the number of Oregon urban renewal districts and the use of tax increment financing. 360 REP. WHITTY pointed out an unsuccessful urban renewal project in Coos Bay. 390 Questions and discussion regarding time limitations on urban renewal projects. 396 Discussion regarding incentives for private investments in urban renewal projects. TAPE 89 SIDE A 005 Discussion continued. 038 MIKE DEWEY reviewed presentation for meeting. Don Schellenburg will discuss concerns regarding HB 2550 and Carl Hagerud will discuss impacts from Ballot Measure 5 pertaining to agriculture and land use planning.

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047 DON SCHELLENBERG related concerns regarding farm use assessment and summarized his prepared testimony. Exhibit 5 094 Questions and discussion. 114 DON SCHELLENBERG continued with his prepared testimony and referred to Sections 118 and 123 of HB 2550. Exhibit 5 220 CARL HAGERUD related the impact from Measure 5 on his farm in Scio. He reviewed the current farm use value system and noted it's importance in the land use laws of Oregon. He provided an example which illustrated under Measure 5 limitation (applied against farm use value) and the end result was no change on taxes paid from the current system. Oregon Wheat Growers League supported legislation (HB 3458) which states farm use value (as now determined) will be considered market value for the purposes of implementing Ballot Measure 5. He urged the committee to support HB 3458. 308 Questions and discussion. 330 Questions and discussion regarding impacts on local units of government where the area is predominately farm land with relatively high tax rates. 390 REP. SCHOON was concerned with an artificial low assessment of farm property related to fairness for the state to pay a difference compared to other properties. TAPE 90 SIDE A 001 Questions and discussion regarding a fairness issued raised by Rep. Schoon. 014 REP. SCHOON emphasized the language in Ballot Measure 5 of "real market value". 030 Questions and discussion. 050 MIKE DEWEY and DON SCHELLENBERG supported a goal of tax neutrality. 060 Questions and discussion. 064 REP. CLARNO interjected that a willingness of people to tax themselves may not be influenced because of a tax break, but rather because of their priorities. She provided an example of Sherman County taxpayers. 095 JIM GLEASON referred to his written testimony and pointed out his concern with the language of "penalty" placed on back taxes because penalties are not deductible on income taxes. Exhibit 2

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 26, 1991 Page 7 117 CHAIR JONES clarified Mr. Gleason's concerns and suggested the Department of Revenue review the concerns. 131 Questions and discussion regarding an example of back taxes. 143 KIP LOMBARD explained the goal of the Oregon Water Resources Congress (irrigation, drainage and other water districts which provide irrigation water) which is to exclude these districts charges and assessments from the tax limitation of Ballot Measure 5. He reviewed the current laws relating to water rights and reviewed the current ,system of charges and assessments into two categories (operation/ maintenance and bonded indebtedness/federal contract payments). 292 CHAIR JONES conducted administrative business and adjourned the meeting at 11:20.

Linda Leach, Committee Assistant

Kimberly Taylor, Office Manager EXHIBIT SUMMARY 1. Testimony from Bogle & Gates, 2/25/91, Rex Armstrong - HB 255 0 2. Testimony from Jimmie Gleason, Pacificorp Electric Operations, 2/26/91 - HB 2550 3. Testimony from League of Oregon Cities, Peter Harvey, 2/26/91 - HB 2550 4. Urban Renewal at Work, Dick Hayden, 2/26/91 - HB 2550 5. Testimony from Oregon Farm Bureau, Don Schellenberg, 2/26/91 HB 2550

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