

February 27, 1991 8:00 AM Hearing Room A State Capitol Building

Members Present: Representative Delna Jones, Chair Representative Carl Hosticka, Vice-Chair Representative Mike Burton (arrived 8:14) 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 Scott Ashcom, Oregon Association of Nurserymen Gil Riddell, Association of Oregon Counties Kim Worrell, Association of Oregon Counties TAPE 91 SIDE A 005 CHAIR JONES called the meeting to order at 8:11 and conducted administrative business. WORK SESSION - HB 255 0 014 JIM KENNEY explained in order to meet constitutional provision of Ballot Measure 5 a July 1 property identification date is required mainly because property will change from January 1 to July 1. If January 1 date is maintained, then there is a need for another system for calculation and identification (January 1 and July 1). He explained additional workload for double system and pointed out that the Department of Revenue is working on a problem raised by Association of Oregon Industries regarding personal property reporting (provide a 6/1 reporting date which provides same amount of time as current law). 065 Questions and discussion regarding personal property reporting and a June 1 date. 077 Questions and discussion regarding possible changes to property between January 1 and July 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 27, 1991 Page 2 092 JIM KENNEY clarified that July 1 must be property identification date which leads to a July 1 assessment date. 100 REP. CLARNO suggested similar problems could happen whether the date was January 1 or July 1. 111 JIM KENNEY explained an appeal process for a change in property after July 1 and reviewed a dual calculation and identification system if January 1 date is maintained. 135 Questions and discussion comparing eighteen months forecasting v. twelve months and trending. 140 JIM KENNEY noted in addition to a forecast problem there is the problem of the property itself. 151 CHAIR JONES clarified two issues before the committee: 1) Identification of property. 2) Value of property. 155 Committee procedure discussion. 162 Questions and discussion regarding personal property reporting timelines. 190 ELIZABETH STOCKDALE acknowledged that her previous testimony regarding dates was incorrect. She pointed out two issues relating to dates: 1) Identification of property subject to taxation. 2) Determination of value. The property identity is related to the application of limit as much as determining the value. The new constitutional provision imposes a limit on the taxes imposed on any property for a fiscal year. She explained a tie between what property is being taxed and the period over which it is being taxed and the valuation of that property. The issue of prediction reflects part of the problem and pointed out trending because of changing market conditions and changes in the property itself (being more critical). She provided an example of property zone change to illustrate the problem of property identity. 264 Questions and discussion regarding property changes within the tax year. 296 Questions and discussion regarding trending and notice to assessors. 322 Discussion comparing true cash value to real market value and a overlay

system. 342 REP. CLARNO questioned data used for valuation. 364 JIM KENNEY pointed out that property identification is more of a problem than trending. . . ,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 27, 1991 Page 3

400 Questions and discussion. TAPE 92 SIDE A 001 Questions and discussion. 015 REP. SCHOON requested clarification why July 1 date is better than January 1. 018 ELIZABETH STOCKDALE explained why she believed the property ,identification date should be July 1. 046 Questions and discussion regarding uncertainty of value and inconsistency of property. 069 Questions and discussion. 067 ELIZABETH STOCKDALE emphasized the identity of property has to occur within the fiscal period for which the taxes are being charged. 087 REP. CLARK and REP. SCHOON did not agree with Elizabeth Stockdale. 088 ELIZABETH STOCKDALE noted a decision on what date in the fiscal year is a policy question. 092 CHAIR JONES clarified recommendations from Elizabeth Stockdale. 101 Questions and discussion regarding language in Ballot Measure 5 and recommendations from Elizabeth Stockdale. Exhibit 1 147 ELIZABETH STOCKDALE interjected an interpretation problem exists because a date is not specified in Ballot Measure 5. 160 Questions and discussion regarding a previous example of rezoning of property and appeal rights. 201 Questions and discussion between Rep. Clark and Jim Kenney regarding an overlay property tax system (costs, constitutional requirement, administrative convenience). 225 REP. CLARK did not believe that a July 1 date was a constitutional requirement. 230 JIM KENNEY explained a January 1 date could be maintained, however a second assessment and property identification must take place on July 1 to comply with Ballot Measure 5. 236 Questions and discussion regarding personal property discovery date. s

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264 ELIZABETH STOCKDALE explained why her testimony on the issue of dates changed from previous testimony. She referred to language in Ballot Measure 5. 322 Questions and discussion regarding hold on county assessors ratio review because anticipation of SB 550. 355 JIM SCHERZINGER discussed a possible revenue impact (approximately \$30 million reduction in state replacement obligation) by moving the dates from January 1 to July 1. 384 REP. HOSTICKA was not sure of revenue impact if real market value predictions are placed on the roll. He requested clarification on committee decisions. TAPE 91 SIDE B 010 JIM SCHERZINGER agreed if decision is only property identification for changing dates then the revenue impact would be small. 012 CHAIR JONES commented on increase in property values and estimation of revenue. 020 CHAIR JONES commented on the disruption to the property system caused by Measure 5. The committee must decide how to make the system work, how to make public policy, comply with Ballot Measure 5 and review the impact from those decisions. She referred to HB 2550 As Changed By the Committee (2/22/91). Exhibit 2 040 Questions and discussion regarding revenue impact because of changing dates. Jim Scherzinger clarified the impact comes from the property valuation and not necessarily the identification date. 056 REP. SCHOON commented that HB 2550 seemed

"slanted" against the taxpayer and referred to a section in HB 2550 which would result in a penalty on farm property that grows into timber. 081 CHAIR JONES noted Rep. Schoon's concern would be a separate issue. 087 REP. HOSTICKA added criteria for the committee to consider of fairness (taxpayers paying equal) and workload for the taxpayer, assessor and collector. 104 MOTION REP. PARKINSON moved the committee adopt the timeline and assessment date as shown on handout HB 2550 as changed by committee (LRO 2/22/91). 112 REP. PARKINSON was convinced by today's (2/27/91) testimony and that timeline (2/22/91) will hold down the cost of government.

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 27, 1991 Page 5 128 Questions and discussion regarding appeals (first appeal, gross error, declining value) on timeline. 158 REP. PARKINSON was concerned about declining value appeal and appeals need more review. 167 CHAIR JONES clarified direction to the Department of Revenue for rules to implement process as outlined in the timeline. 169 REP. CLARK requested clarification of a previous discussion regarding potential revenue impact by moving dates from January 1 to July 1 (\$30 million). 186 JIM SCHERZINGER explained if the decision is about property identification date, then that revenue impact is not there. 189 CHAIR JONES clarified the first time cycle is eighteen months and not twelve months (the value could be higher). 206 REP. CLARK was not convinced that workload was sufficient reason to change the dates. This a policy decisions and not a constitutional issue. 217 REP. HOSTICKA commented on the issue of workload and explained the problem was more than property identification, but a system which would invite appeals and overwhelm the system. 240 REP. BURTON explained his support of the motion and interjected that the subcommittee will need to review issues related to dates. 263 REP. CLARNO voiced her concern regarding the committee's work on the issue of dates and new testimony presented today. 275 VOTE In a roll call vote, the motion failed (4-5). AYES: Rep. Parkinson, Rep. Burton, Rep. Hosticka, Rep. Jones. NAYS: Rep. Schoon, Rep. Whitty, Rep. Clark, Rep. Clarno, Rep. Nelson. 293 MOTION Rep. Schoon moved to delete the July 1 date on page 47, Section 90 in HB 2550 and reinstate January. 299 JIM SCHERZINGER clarified that changing the date will require many changes and a new system will need to be developed. 310 MOTION NOT ACCEPTED Rep. Jones did not accept Rep. Schoon's motion because lack of information at this time. 330 CHAIR JONES conducted administrative business. She recessed the meeting at 9:31 and reconvened at 10:15

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Schoon. (Final vote: 6-3) 440 MOTION REP. PARKINSON moved to adopt timeline as shown on HB 2550 as changed by the committee (LRO 2/22/91). 453 VOTE In a roll call vote, the motion was adopted (5-4). AYES: Rep. Burton, Rep. Parkinson, Rep. Schoon, Rep. Hosticka, Rep. Jones. NAYS: Rep. Clark, Rep. Clarno, Rep. Nelson, Rep. Whitty. TAPE 92 SIDE B INVITED TESTIMONY 025 SCOTT ASHCOM supported proposals submitted by Oregon Farm Bureau on February 26, 1991 dealing with farm use assessment. Exhibit 3 035 Questions and discussion regarding definition of unit of property. 051 GIL RIDDELL noted his support of changing the tax due date to December 15, but wanted to point out a state wide cost to the counties of \$7 million (first year only) in additional interest to lenders for tax anticipation notes and foregone interest on investments. 076 REP. HOSTICKA was concerned with the added cost to the counties for the first year. 084 CHAIR JONES commented that recommendations (bond bill) from the State Treasurer will have a positive impact on interest rates in the long term.

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 27, 1991 Page 7 087 KIM WORRELL believed tax shifts caused by farm use assessments, forest land assessments, severance taxes, exemptions, urban renewal may be the reason for Ballot Measure 5. He explained tax shifts. Exhibit 4 120 Questions and discussion regarding special farm use assessment and price of farm land. 138 KIM WORRELL was not opposed to special assessment for farms. He suggested an evaluation of farm use value method. 173 Questions and discussion regarding value set by sales data and causes for variation in farm assessments. 260 KIM WORRELL reviewed Timber Severance Taxes from his prepared testimony. Exhibit 4 328 GIL RIDDELL commented on distribution of Timber Severance Taxes from his handout under Timber Severance Taxes. Exhibit 4 370 Questions and discussion regarding history of timber valuation. TAPE 93 SIDE A 001 Discussion continued. 026 GIL RIDDELL explained why AOC supported timber severance taxes as a resource instead of an offset. 050 Questions and discussion regarding property exemptions. 064 KIM WORRELL reviewed Urban Renewal (definition, mechanism, impact on other taxing entities, impact on local taxpayer, impact on remote taxpayer, why show on tax statement, 3 options to urban renewal under Measure 5). Exhibit 4 Questions and discussion interspersed regarding urban renewal. 120 KIM WORRELL commented on a concern brought up by Rep. Schoon regarding farm land growing into timber (impacted by a penalty because of HB 2550). He noted this issue was covered by a separate bill. 125 ACTING CHAIR HOSTICKA recessed the meeting at 11:00. 127 CHAIR JONES reconvened the meeting at 11:10. WORK SESSION - SB 550 136 STEVE MEYER reviewed SB 550A which deals with the first six months of 199 1 in terms of the assessor functions. He listed three intents in the bill: 1) Board of equalization would meet in July instead of

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March. 2) Value notices would go out in November with the tax statement, rather than May. 3) Appeals will be heard after the value notice has been mailed. He referred to Proposed Amendments SB 550-A2 from the Department of Revenue which allows more time for certain activities relating to changes made in HB 2550 by the committee. Exhibit 5 165 REP. CLARK clarified the purpose of SB 550 was for the transition year only. 176 STEVE MEYER pointed out a repeal section on page 3 Section 12 of SB 550 . 184 STEVE MEYER referred to Repealed sections in SB 550. Exhibit 6 200 Clarification discussion of repealed sections in SB 550 (transition bill) and sections which will be replaced in HB 2550 (permanent system) 242 REP. BURTON was concerned with a taxpayer in a current appeal process (not to be impacted by SB 550). 260 JIM KENNEY responded that taxpayers under a current appeal process will not be affected. 292 REP. HOSTICKA was concerned with competition between taxing districts for spring 1991 elections and suggested language be included in SB 550 which would address his concern. 310 JIM SCHERZINGER explained a Senate proposal for non-school competition. 315 Questions and discussion regarding a self limiting distribution formula and election deadlines. 371 REP. HOSTICKA was not comfortable with dealing with competition later. He preferred language in SB 550 to place a moratorium on May tax elections. 396 Questions and discussion clarifying request from Rep. Hosticka. 406 Questions and discussion regarding constitutional provisions for tax base elections. TAPE 94 SIDE A 001 Questions and discussion regarding impact from Rep. Hosticka suggestion. 031 Questions and discussion regarding issue placed in another bill and committee process.

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 27, 1991 Page 9 042 MOTION Rep. Burton moved to amend SB 550A with proposed amendments (LC 2819) SB 550-A2. 050 ORDER There being no objection, Chair Jones so ordered. 054 Questions and discussion regarding timelines for May elections and a separate bill to address Rep. Hosticka's concerns. 076 MOTION REP. HOSTICKA moved to amend conceptually SB 550 as amended to include a moratorium on May tax elections. 080 Discussion 160 REP. CLARNO and REP. PARKINSON requested more information. 169 DISCUSSION 198 VOTE In a roll call vote, the motion was adopted. (5 4) AYES: Rep. Nelson, Rep. Schoon, Rep. Whitty, Rep. Burton, Rep. Hosticka. NAYS: Rep. Clark, Rep. Clarno, Rep. Parkinson, Rep. Jones. 223 CHAIR JONES adjourned the meeting at 11:45.

Linda Leach, Committee Assistant

Kimberly Taylor, Officer Manager EXHIBIT SUMMARY 1. Ballot Measure 5 (see Exhibit 4 from 1/25/91 House Revenue Meeting) - Measure 5 2. HB 2550 as changed by the committee, LRO, 2/22/91 (see Exhibit 3 from 2/22/91 House Revenue Meeting) - HB 2550 3. Testimony from Oregon Farm Bureau (see Exhibit 5 from 2/26/91 House Revenue Meeting) - HB 2550 4. Testimony from Association of Oregon Counties, 2/26/91 - HB 2550 5. Proposed Amendments SB 550-A2, 2/26/91 - SB 550 6. Repealed, LRO, 2/27/91 - SB 550 7. Testimony from Council of Governments, 2/19/91 - Measure 5

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