

Tapes109-110(A/B) Tape 111 (A) Work Session: HB 2550 HOUSE COMMITTEE ON REVENUE AND SCHOOL FINANCE

March 11, 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 (arrived 8:18) Representative Mike Nelson (arrived 8:09) Representative Fred Parkinson Representative John Schoon (excused from 8:05-9:22) Representative Jim Whitty

Staff Present: Jim Scherzinger, Legislative Revenue Officer Linda Leach, Committee Assistant

Witnesses Present: Jim Kenney, Department of Revenue BJ Smith, League of Oregon Cities Noel Klein, Special Districts TAPE 109 SIDE A

005 CHAIR JONES called the meeting to order at 8:05 and conducted administrative business.

WORK SESSION - HB 2550

020 JIM SCHERZINGER reviewed revenue sharing formula in Section 349 of HB 255 0 which will be deleted when the committee deals with offsets. Section 434 changes true cash value to real market value. Section 237 deals with bonafide purchaser definition applied to ad valorem taxes.

049 JIM KENNEY clarified the definition of bonafide purchaser would hold harmless a purchaser in certain situations which he described.

059 REP. CLARK questioned the language of "full fee title interest".

063 JIM KENNEY will review the language as pointed out by Rep. Clark.

077 REP. BURTON questioned a distinction between mobile homes and real property.

081 JIM KENNEY explained that the transfer of mobile homes is different from real property and mobile homes are personal property in most cases.

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 March 11, 1991 Page 2 090 REP. BURTON suggested to include floating homes. JIM KENNEY will review this suggestion. 091 CHAIR JONES would prefer to reference definitions in existing law. 099 JIM SCHERZINGER reviewed repeal of targeted offsets and grants in Section 448 of HB 2550. 113 Questions and discussion regarding funding and treatment of low spending districts. 135 CHAIR JONES noted no objection from the committee to repealing targeted offsets. 138 JIM SCHERZINGER reviewed Department of Revenue rule authority in Sections 35 and 36. He referred to Proposed Amendments to HB 2550 from the Department of Revenue (DOR-6). Exhibit 1 159 Questions and discussion regarding proposed amendments from Department of Revenue (rule authority). 196 Discussion regarding effective date of amendments and reference was made to SB 550. 227 JIM SCHERZINGER commented on a emergency clause in SB 550 and it's limited effect. He noted an overlap should not occur between SB 550 and HB 255 0 which covered a concern noted by Rep. Clark. 245 REP. JONES pointed out

the proposed amendments regarding rule authority covered a prior concern of Association of Oregon Industries. 250 CHAIR JONES noted no objection to DOR-6 (2/12/91) proposed amendments to HB 2550. 252 JIM SCHERZINGER discussed other sections in HB 2550 which deal with rule authority for a specific area. 282 JIM SCHERZINGER pointed out the effective date of HB 2550 should start with 1991-92 which is covered in DOR-6 amendments (in HB 2550 the effective date is 1992). 302 CHAIR JONES noted no objection to the effective date of HB 2550 as described by Jim Scherzinger in DOR-6 proposed amendments. 340 JIM SCHERZINGER pointed out changes in exemption sections from real market value to true cash value. He commented on Section 44 which deals with a general application date for exemptions and a process for application. He emphasized a change in the repeal of the hardship appeal rights on lines 4 through 6 on page 28 of HB 2550 and Section 81 (repealer section). He referred to ORS 307.475 and described Hardship Situations. Exhibit 2, page 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 March 11, 1991
Page 3

407 CHAIR JONES questioned why hardship appeal rights should be repealed. TAPE 110 SIDE A 005 Questions and discussion regarding effects of repealing hardship section and late filing fee section. 038 JIM KENNEY clarified the intent of the hardship section in HB 2550. 051 Questions and discussion. 062 CHAIR JONES noted no objection to remove repealing in Section 81 of ORS 307 .475. 074 JIM SCHERZINGER reviewed Sections 40 and 41, page 24, which deals with leased public property and property use changes. 094 JIM KENNEY pointed out a need to review the language in Sections 40 and 41 to comply with the intent that the exemption would be terminated for the forthcoming tax year. 101 JIM SCHERZINGER reviewed state paid taxes on certain elderly housing in Sections 50 and 51 in HB 2550. He also reviewed Section 420 where the state pays taxes on some fish and game lands. 117 JIM KENNEY interjected an amendment is needed for Sections 50 and 51 to reflect that the state would only pay taxes imposed on the property, not taxes calculated before the cap is applied. 128 JIM SCHERZINGER reviewed repealed sections which originally contained a sunset provision and pointed out Single Family Dwelling Deferred Maintenance Projects ORS 308.690. Exhibit 2, page 1 176 CHAIR JONES suggested the issue of exemptions be reviewed in detail. 191 JIM SCHERZINGER reviewed local budget law in HB 2550, Sections 5 through 9. He pointed out these sections deal with combining a hearing notice with the budget publication. 220 Questions and discussion. 241 JIM SCHERZINGER reviewed portions of Section 9 of HB 2550 which deals with supplemental local budgets. 250 CHAIR JONES indicated the discussion is about a determination of revenue a local district will receive when there is a levy (authorizing a certain amount) and allowance of a streamline supplemental budget 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 March 11, 1991
Page 4

285 JIM SCHERZINGER referred to previous testimony from the City of Eugene requesting a percentage threshold of 20%. (See Exhibit 2 from House Revenue 2/4/91 meeting). 314 CHAIR JONES summarized three issues

dealing with a supplemental budget process: 1) Publication of the budget document and when notices will be available to the public. 2) Section 9 - the number of taxpayers which can require a budget committee be reconvened. 3) Taxes received are "significantly greater" than the amount estimated. (Linda Lynch requested a threshold of 20%) 307 BJ SMITH commented on a prior request from the City of Eugene to establish a 20% threshold in a supplemental budget process. 343 Questions and discussion regarding 20% figure. 364 Questions and discussion regarding definition of "significantly greater". 369 Questions and discussion regarding current supplemental process and proposed process under HB 2550. TAPE 109 SIDE B 001 Questions and discussion continued regarding supplemental budget process and any impact on level of services. 032 REP. CLARK preferred a number instead of "significantly greater" language. 041 REP. PARKINSON was concerned that 20% was too large. 057 BJ SMITH commented that the 20% figure was intended to establish a streamline rather than a substitute procedure. 073 Questions and discussion regarding ten taxpayers request of a supplemental budget process. 081 CHAIR JONES summarized that the committee was not comfortable with the language of "significantly greater" and preferred a figure for a threshold (but 20% is high). 093 Questions and discussion. 104 BJ SMITH clarified a streamline effect would be up to 20% greater and interjected that 20% would not be a problem for small cities. 110 Questions and discussion clarifying up to 20%.

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 March 11, 1991 Page 5 115 REP. CLARK suggested 10% or 15%. 125 BJ SMITH preferred 20% because of the uncertainties posed by Measure 5. 140 NOEL KLEIN commented on Section 9, lines 7 through 9 and pointed out the uncertainties with respect to Ballot Measure 5. 157 Questions and discussion. 172 JIM SCHERZINGER clarified two issues before the committee: 1) Whether a supplemental budget process be available for purposes in Section 9 - paragraph f. 2) When a streamline process would be available (Section 9, paragraph 3b) and which process the cap is applied. 206 Questions and discussion. 292 Questions and discussion regarding alternate methods to deal with provisions in Section 9. 307 CHAIR JONES suggested to revisit the supplemental budget issue on March 13 when proposed amendments could be available. 320 JIM SCHERZINGER reviewed a concept of apportioned property taxes relating to destroyed property, proposed amendments DOR15. Exhibit 3 341 CHAIR JONES commented on destroyed property compared to altered property. 358 Questions and discussion regarding destroyed property, proration provision and property value. - TAPE 110 SIDE B 005 JIM SCHERZINGER explained DOR-15 amendments pointing out if property is partially destroyed taxes would be prorated. Partial destruction would not be a reduction in value. 018 CHAIR JONES was concerned with a definition of destroyed property. 027 REP. SCHOON agreed with Chair Jones and discussed the language in Ballot Measure 5 of "minimum value during the year in which the property is tax". 034 Discussion regarding value provisions applied to partial or full destruction. 060 JIM KENNEY commented on changes in property value and a relationship between a "snapshot" of the property on 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 March 11, 1991 Page 6

074 CHAIR JONES referred to Section 88, page 46 of HB 2550 which is the real market value definition. 080 JIM SCHERZINGER provided an example of destroyed property and prorated taxes. 112 Questions and discussion regarding minimum value during the year. 129 CHAIR JONES requested input from the committee regarding proposed amendments from the Department of Revenue for destroyed property. 147 JIM KENNEY referred to page 46, line 35 of HB 2550 regarding real market value of all property (real and personal) as it exist on the date of assessment which means the minimum amount. 168 REP. HOSTICKA was concerned with minimum value for remodeled or partially altered property. 183 CHAIR JONES was concerned with the issue of minimum value during the year when changes are made to property. 191 Questions and discussion. 212 CHAIR JONES recessed the meeting at 9:45 and reconvened the meeting at 10:10. She referred to proposed amendments to HB 2550 (DOR-15) regarding destroyed property. Exhibit 3 237 CHAIR JONES referred to Section 88, page 46, line 35 and suggested the following language: "as the property exists on date of assessment". Jim Kenney agreed with Chair Jones. 258 CHAIR JONES pointed out an example entitled Property Identification Theory which depicts three options to deal with destroyed property. Exhibit 4 248 JIM SCHERZINGER reviewed options in Property Identification Theory. He explained the third option reflects DOR-15 proposed amendments. 286 Questions and discussion regarding market condition creating value reduction compared to an "act of God". 302 Questions and discussion regarding three options. 313 MOTION REP. PARKINSON moved adoption of Proposed Amendments to HB 2550, DOR-15 relating to destroyed property. 350 REP. WHITTY supported the motion.

. 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 March 1 1, 1991 Page 7 343 JIM KENNEY related information from Elizabeth Stockdale regarding "Snapshot Theory C" (reflected in DOR-15 amendments) which she believed could be successfully defended. 356 REP. CLARK was concerned with the language in Ballot Measure 5 and related "Snapshot Theory C" may not be upheld because of minimum value language. Option A would be upheld, but as a policy, Rep. Clark was not comfortable with Option A. 369 REP. CLARNO agreed with Rep. Clark and noted she was more ,comfortable with Option C than other Options provided. 378 REP. SCHOON will not support the motion because of Ballot 5 language of minimum value during the year for which the property is taxed. TAPE 111 SIDE A 002 CHAIR JONES clarified that the discussion is about a description of the property. 012 Questions and discussion. 032 VOTE In a roll call vote, the motion was adopted. (7 1) AYES: REP. WHITTY, REP. CLARK, REP. CLARNO, REP. NELSON, REP. PARKINSON, REP. HOSTICKA, REP. JONES. NAYS: REP. SCHOON. EXCUSED: REP. BURTON. 045 JIM SCHERZINGER referred to Proposed Amendments to HB 2550-5, LC 2386 relating to timber severance tax. Exhibit 5 060 CHAIR JONES explained first year calculation and a process for timber taxation as discussed in a prior House Revenue meeting and pointed out that HB 2550-5 contains a sunset provision. HB 2550-5 inserts a percent figure for each year. 083 JIM SCHERZINGER clarified that HB 2550-5 amendments impose a privilege tax on harvesting timber for two and one-half years at the rate listed in the amendments. The existing law remains and will resume upon sunset date (back to 6.5% - subject to Measure 5). 086 MOTION REP. WHITTY moved adoption of Proposed Amendments HB 2550-5 (LC 238 6). 089 REP. HOSTICKA interjected timber severance tax needs to be reviewed in detail as soon as possible. 096 ORDER There being no objection, CHAIR JONES so ordered.

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 March 11, 1991 Page 8 103 CHAIR JONES conducted administrative business and adjourned the meeting at 10:30.

Linda Leach, Committee Assistant

Kimberly Taylor, Officer Manager

EXHIBIT SUMMARY 1. Proposed Amendments to HB 2550, DOR-6, 2/12/91 - HB 2550 2. Portions of ORS, LRO, 3/11/91 - HB 2550 3. Proposed Amendments to HB 2550, DOR-15, 3/12/91 - HB 2550 4. Property Identification Theory, DOR, 3/11/91 - HB 2550 5. Proposed Amendments to HB 2550, HB 2550-5 (LC 2386), 3/11/91 - HB 2550 6. Testimony from Bonnie K. Namenuk, Jefferson County, 2/8/91 - HB 2550

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.