

March 19, 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: Elizabeth Stockdale, Department of Justice Jim Kenney, Department of Revenue Don Schellenberg, Oregon Farm Bureau Kim Worrell, Association of Oregon Counties Jim Wilcox, Department of Revenue Gil Riddell, Association of Oregon Counties
TAPE 125 SIDE A 005 CHAIR JONES called the meeting to order at 8:05 as a subcommittee until a quorum was reached at 8:07. She referred to Proposed Amendments to House Bill 2550, DOR-24. Exhibit 1 WORK SESSION - HB 255 0 036 ELIZABETH STOCKDALE reviewed DOR-24 amendments which relate to judicial review of whether local government taxes, fees, charges or assessments are subject to the limits of Ballot Measure 5. She reviewed there types of appeals (charges subject to the limit) relating to DOR24. She started with appeals from a group of interested taxpayers. 113 Questions and discussion. 208 CHAIR JONES noted no objection to change "December 1" to "November 15" on page 2, Section 3(a) of Proposed Amendments to HB 2550 (DOR-24) to coincide with previous decided dates. 209 ELIZABETH STOCKDALE continued review of Proposed Amendments (DOR24) and pointed out Subsection 4, page 2 deals with taxes, fees, charges and assessments imposed after HB 2550 becomes law. 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 March 18, 1991 Page 2 226 ELIZABETH STOCKDALE reviewed Subsection 5, page 2 OF DOR-24 amendments which deals with assessments for local improvements. Subsection 6, page 3 deals with bonds. Subsection 7, page 3 deals with state imposed fees and charges. Subsection 8 relates to a notification process from a local government unit adopting an ordinance classifying taxes, fees, charges, assessments outside the limit of Measure 5. 280 Questions and discussion. 299 ELIZABETH STOCKDALE referred to Section 26a, page 4 of DOR-24 , Proposed Amendments which is a process where local government units can ask the court to review a determination by another local government unit whether certain fees and charges are under the limits of Measure 5 (relates to compression and competition issues). 320 ELIZABETH STOCKDALE reviewed Section 26b, page 4 of DOR-24 Proposed Amendments which is a relief provision if a court finds a fee subject to the limits of Measure 5. 370 ELIZABETH STOCKDALE reviewed a process of a local government unit requesting a tax court declaration if a fee is subject to the limits of Measure 5. TAPE 126 SIDE A 003 ELIZABETH STOCKDALE continued her review of Proposed Amendments DOR24 regarding tax court proceedings for appeals (taxes, fees, charges subject to the limit). 034 Questions and discussion regarding changes on DOR-24 Proposed Amendments as pointed out by Elizabeth Stockdale: Page 2, 3a change December 1 to November 15. Page 5, line 3 change 8d to 27. 042 MOTION CHAIR JONES moved adoption of Proposed Amendments to HB 2550, DOR-24, March 19, 1991, with changes as noted. 050 ORDER There being no objection, CHAIR JONES so ordered. 046 JIM SCHERZINGER referred to Proposed Amendments to HB 2550 (DOR13), Section 27a, relating to certification of taxes (issue brought to the committee by the City of

Portland). Exhibit 2 068 Questions and discussion. 074 REP. CLARK did not want to limit remedial authority that a court may have. With this understanding, Rep. Clark supported Section 27a of DOR-13 Proposed Amendments.

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086 CHAIR JONES clarified the purpose of Section 27a is to provide direction to assessors if a court determines a fee or charge is outside the limit and needs to be collected. -092 MOTION REP. WHITTY moved adoption of Section 27a of Proposed Amendments to HB 2550, DOR-13. 095 ORDER There being no objection, CHAIR JONES so ordered. 097 JIM SCHERZINGER reviewed Proposed Amendments to HB 2550, ,Department of Revenue HB 2550-18 which deals with the calculation of the state obligation (Section 229a of HB 2550). Exhibit 3 145 Questions and discussion. 171 REP. HOSTICKA suggested to flag issues which will cause a loss of revenue to districts (does this add to state obligation and does the district absorb the loss?). 189 Questions and discussion regarding revenue loss calculation by each district. 223 JIM SCHERZINGER continued his review of Proposed Amendments to HB 2550 (DOR-18) Section 229b relating to calculation of school taxes levied. 250 Questions and discussion regarding a report from the Department of Revenue (Section 229b). 340 REP. HOSTICKA was concerned about timing when replacement revenue numbers will be available to districts. 373 Questions and discussion regarding state obligation and distribution to districts (language in SB 815). TAPE 125 SIDE B 001 Questions and discussion continued. 030 CHAIR JONES summarized that the committee must be careful with decisions regarding policy (impact on state obligation and distribution). 033 Questions and discussion regarding a challenge to a report issued by the Department of Revenue (Section 229b). 047 JIM SCHERZINGER continued review of Proposed Amendments to HB 2550 (DOR-18) Section 229c regarding calculation of state's replacement obligation. 078 Questions and discussion.

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097 REP. HOSTICKA would support language of the state's "minimum" obligation is the "lessor of" and then provide two options (Section. 229c) 103 Questions and discussion. 130 CHAIR JONES referred to Ballot Measure 5 (subsection 5) relating to replacement obligation. Exhibit 4 155 Questions and discussion. 161 JIM SCHERZINGER reviewed Section 229d of HB 2550 Proposed Amendments (DOR-18) and pointed out Subsection (2) regarding an impact of the state's obligation for a subsequent year (because of the amount certified the previous year). He addressed a process to minimize this impact - a floating calculation of minimum obligation. Exhibit 3 191 Questions and discussion. 217 CHAIR JONES requested to return to Section 229d later. 222 JIM SCHERZINGER reviewed Section 229e (HB 2550-DOR-18) relating to corrections on Department of Revenue reports regarding distribution (similar to basic school support

calculation corrections). 244 Questions and discussion regarding decline in value appeals and an impact on amount of taxes collected under Measure 5 limits for purposes of calculated the state's obligation. 268 CHAIR JONES recessed the meeting at 9:22 and reconvened at 9:49. 305 JIM SCHERZINGER reviewed State Replacement Obligation blackboard illustration. Exhibit 5 378 Questions and discussion interspersed. TAPE 126 SIDE B 001 JIM SCHERZINGER continued his review of State Replacement Obligation. Exhibit 5 018 Questions and discussion interspersed. 076 Questions and discussion regarding farm use assessment, and Ballot Measure 5 language. 214 CHAIR JONES pointed out that there is no definition of the certified levy in terms of first year amounts lost. 222 REP. HOSTICKA supported language of the state's "constitutional" obligation. ~- 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 18, 1991 Page 5 243 Questions and discussion regarding calculation of first year amounts lost to school districts. 336 CHAIR JONES referred to testimony from Columbia County Assessor and pointed out a table entitled Farm Use Special Assessment. Exhibit 6 355 Questions and discussion regarding uncertainties of real market value of farm use property. 377 JIM SCHERZINGER pointed out state obligation figures in the September Measure 5 report reflect farm use assessed values. He referred to Section 229 a of DOR-18 and discussed possible language to reflect real market value for farm use property. 461 Questions and discussion (amount imposed reduction based on committee decisions). - TAPE 127 SIDE A 001 DISCUSSION continued. 022 CHAIR JONES was concerned about committee actions which could obligate future legislators to the same standard (using farm use assessment for calculation). 033 MOTION REP. CLARK moved to recalculate the amounts lost by not considering farm use assessment as required by Ballot Measure 5. 037 Questions and discussion clarifying Rep. Clark's motion. 055 NOT ACCEPTED CHAIR JONES did not accept REP. CLARK'S motion. 059 CHAIR JONES suggested the committee indicate a desire for the 1993 Legislature review the issue of farm use assessment for calculation purposes. 067 Questions and discussion regarding total state obligation (compared to individual districts). 105 CHAIR JONES summarized an issue if committee action will impact future years of replacement requirement because of calculation formula (based on prior state replacement). 109 CHAIR JONES noted consensus from the committee to add language of "constitutional" requirement on page 3 of Proposed Amendments to HB 255 0-DOR-18 . Exhibit 3 118 Questions and discussion regarding basic school support funds and replacement funds. Replacement funds include farm and forest deferral.

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 18, 1991 Page 6 149 REP. CLARK discussed Section 229b regarding a one time Department of Revenue report (total amount of levies) and suggested language for the report to be presented to the Interim Revenue Committee. 164 MOTION CHAIR JONES moved Proposed Amendments to HB 2550 (DOR-18) with conceptual amendments (Section 229b Department of Revenue present report to Interim Revenue Committee) and addition of state "constitutional" obligation on page 3. ,170 ORDER There being no objection, CHAIR JONES so ordered. 172 JIM SCHERZINGER referred to Proposed Amendments to HB 2550 (DOR-8) relating to tax collector notification to taxing district. Exhibit 7 190 MOTION REP. HOSTICKA moved adoption of Proposed Amendments to HB 2550 (DOR-8). 195

ORDER There being no objection, CHAIR JONES so ordered. 200 JIM SCHERZINGER reviewed Proposed Amendments to HB 2550-15 (LC 2386) relating to timber severance tax which move the calculation of offsets to districts from August 20 to August 31 to provide more accuracy. Exhibit 8 226 Questions and discussion. 233 MOTION CHAIR JONES moved adoption of Proposed Amendments HB 255015. 240 ORDER There being no objection, CHAIR JONES so ordered. 236 JIM SCHERZINGER reviewed Proposed Amendments to HB 2550 (DOR-22) which relate to exemptions, restore hardship appeal, leased property to an exempt organization, state paid limited amount of taxes on certain properties, clarifying some partial exemptions (real market value). Exhibit 9 260 Questions and discussion regarding partial exemption clarifications. Exhibit 9 351 MOTION CHAIR JONES moved adoption of Proposed Amendments to HB 2550 (DC R-22) . 360 ORDER There being no objection, CHAIR JONES so ordered. 360 JIM SCHERZINGER reviewed Proposed Amendments to HB 2550 (DOR-25) which deals with utility appeals. Exhibit 10

- 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 18, 1991 Page 7 382 JIM KENNEY explained DOR-25 Proposed Amendments are a result of conversations with committee members and Association of Oregon Industries to make appeals on centrally assessed properties flow better. 415 Questions and discussion. TAPE 128 SIDE A 002 JIM KENNEY addressed an early appeal process for centrally ,assessed properties relating to the 1/4 of 1% trigger and maintaining July 1 identification date. 008 JIM SCHERZINGER added that DOR-25 Proposed Amendments create four new sections in HB 2550 which deal with making a supplemental statement and creating a tentative roll that is subject to update in July. Additional changes relate to a proposed assessment subject to adjustment. 030 Questions and discussion regarding proposed language change on line 21 of Hand Engrossed HB 2550. Exhibit 10 034 CHAIR JONES requested time certain language for line 21 of Hand Engrossed HB 2550. The committee agreed. Exhibit 10 056 MOTION REP. CLARNO moved adoption of Proposed Amendments to HB 2550 (DC R-25) as amended. 065 ORDER There being no objection, CHAIR JONES so ordered. 069 JIM SCHERZINGER referred to Proposed Amendments to House Bill 255022 (LC 2386) which deals with the timeline, 3% discount, corrections and refunds. He included Hand-Engrossed HB 2550 reflecting HB 2550-22 amendments. Exhibit 11 084 JIM SCHERZINGER reviewed a new section 211(a) regarding unit of local government and compliance with prorated refunds. Exhibit 11 098 JIM SCHERZINGER commented Section 229 (a) requires the assessor to turn the tax rolls by the date the tax statements are mailed. Exhibit 11 108 JIM SCHERZINGER referred to page 114 of Hand-Engrossed HB 2550 (reflecting HB 2550-22) which are technical changes regarding corrections to the tax roll. Exhibit 11 130 JIM SCHERZINGER pointed out a correction on lines 16 and 17 on page 114 : delete "the earlier of" and "or October 15". Exhibit 11

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 18, 1991 Page 8 147 JIM SCHERZINGER reviewed page 115 of Hand-Engrossed HB 2550 (HB 255 0-22) which changes value appeals to equalization and restoring

language regarding clerical errors (5 year spread). Section 233 states correction for prior years. Section 237 relates to definition of bonafide purchaser (floating home added and fee simple interest change). Page 117, line 38 insert October 25 mailing date. Page 118 relates to information on tax statement. Section 252 restores 3% discount, and removes interest charges (back to current system). Sections 256 and 257 are removed. Page 131 reflects the authority of the tax collector to credit a liability from a refund due. Section 266, page 133 relates to a refund reserve account. Exhibit 11 257 Questions and discussion regarding refund reserve account. 300 JIM KENNEY noted a correction to line 24, page 133, insert November in place of December. Exhibit 11 293 JIM SCHERZINGER continued review of proposed amendments in Section 266. Exhibit 11 311 Questions and discussion. 333 JIM KENNEY related a concern from Association of Oregon Industries regarding Section 266 (3), a large refund from a small county. 377 JIM SCHERZINGER continued his review of HB 2550-22. 384 MOTIONREP. NELSON moved adoption of Proposed Amendments to HB 2550-22, with changes of: 1) Page 133, line 25 change December to November. 2) Page 114, lines 16 and 17 delete "the earlier of" and "or October 15". 415 ORDER There being no objection, CHAIR JONES so ordered. TAPE 127 SIDE B 009 Questions and discussion regarding committee procedure. 030 JIM SCHERZINGER reviewed Proposed Amendments to HB 2550-21 (LC 2386) which restore offsets. Exhibit 12 039 MOTION REP. PARKINSON moved adoption of Proposed Amendments to HB 2550-21 (LC 2386). 050 ORDER There being no objection, CHAIR JONES so ordered.

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055 JIM SCHERZINGER reviewed Proposed Amendments to HB 2550-8 (LC 2386) and HB 2550-23 (LC 2386) which deal with irrigation, drainage, water improvement and water control districts. Kip Lombard presented amendments to the Subcommittee on Property Taxation which allow assessments or charges imposed upon the water user (not on the property) which will make the charges outside the limits of Measure 5. Exhibits 13, 14 080 Questions and discussion regarding "not proofread" on HB 2550-23. 087 MOTION REP. PARKINSON moved adoption of Proposed Amendments to HB 2550-8 and HB 2550-23 with a clarification that the amendments will be proofread. 104 Questions and discussion. 116 ORDER There being no objection, CHAIR JONES so ordered. 120 JIM KENNEY referred to Proposed Amendments to HB 2550 (DOR-26) dated March 19, 1991 which relate to a penalty becoming a personal lien (specially assessed property). He explained a concern from the Oregon Farm Bureau. He was concerned with language in Section 122a (2). 175 Questions and discussion regarding additional tax and penalties and the committee's concern regarding correcting a problem with language prior to HB 2550 going to Senate Revenue. 234 DON SCHELLENBERG interjected his concern could be dealt with in Senate Revenue Committee. 238 REP. NELSON wanted to resolve the language in Section 122a (2) in House Revenue Committee. 244 Questions and discussion regarding committee procedure. 290 REP. PARKINSON wanted to review language in Section 122a (2) prior to sending out HB 2550. 299 Questions and discussion regarding committee

procedure. 328 Questions and discussion regarding a tax collection issue relating to Sherman County (Section 390 - road assessment). 335 KIM WORRELL related that the road assessment issue could be dealt with outside of HB 2550. 344 JIM WILCOX commented that the road assessment issue was a minor bookkeeping issue.

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 18, 1991 Page 10 390 MOTION REP. PARKINSON moved to delete Section 390 from HB 2550 (road assessment). 400 ORDER There being no objection, CHAIR JONES so ordered. 380 CHAIR JONES recessed the meeting at 11:45 and called the meeting back to order 5:05. 390 JIM KENNEY reviewed Proposed Amendments to HB 2550 (DOR-26) dated March 20, 1991 relating to penalties (reviewed by Elizabeth Stockdale, Don Schellenberg and Department of Revenue. Exhibit 16 TAPE 128 SIDE B 004 Questions and discussion. 016 DON SCHELLENBERG was comfortable with HB 2550 (DOR-26) amendments dated March 20, 1991. 026 JIM SCHERZINGER pointed out DOR-26 proposed amendments apply only to farm, forest and open space. 030 Questions and discussion. 054 MOTION REP. PARKINSON moved adoption of HB 2550 (DOR-26) dated March 20, 1991. 055 ORDER There being no objection, CHAIR JONES so ordered. 056 JIM SCHERZINGER reviewed utility appeals relating to a decision from the Department of Revenue (page 81 of HB 2550). He reviewed a proposal to move a date to meet the filing timeline concerns (June 5 for filing and July 15 for the Department's response). 074 JIM SCHERZINGER reviewed reduced value appeals, page 181 HB 2550, lines 26 and 27. It was suggested to delete "third Thursday in July if possible" and insert "August 15". 090 MOTION REP. JONES moved conceptually in Section 154, page 81 of HB 2550, line 21, delete "if possible" and make the filing deadline June 5. Lines 26 and 27, remove "the third Thursday in July if possible" and insert no later than "the following August 15". 101 ORDER There being no objection, CHAIR JONES so ordered.

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102 JIM SCHERZINGER referred to Section 260, page 131, line 31 of HB 2550 which deals with large refunds. He reviewed suggested language of any refund that exceeds 1/4 of 1% of the total tax roll for all counties in place of "\$50,000 or more" 104 GIL RIDDELL added suggested language of except counties with a tax roll of \$250 million or greater, which would be 1/8 of 1%. 117 CHAIR JONES noted committee agreement with suggested language in concept to Section 260. 127 GIL RIDDELL clarified how a refund would be handled. The county court or board of county commissioners would decide whether to refund money over a period of years not to exceed five years of equal payments. He pointed out an incentive for the county to pay the refund because of 12% interest. 137 Questions and discussion. 150 CHAIR JONES referred to 1990-91 Tax Roll

numbers and noted a considerable drop from 1/4% to 1/8%. Exhibit 17 169
MOTION REP. NELSON moved the language of 1/4 of 1% for all counties,
except for counties with tax rolls over \$250 million or more, which
would be 1/8 of 1%, with the criteria stated previously of the payment
process. 186 ORDER There being no objection, CHAIR JONES so ordered.
180 CHAIR JONES conducted administrative business and adjourned the
meeting at 5:20.

Linda Leach, Committee Assistant Kimberly Taylor, Office Manager EXHIBIT
SUMMARY

1. Proposed Amendments to HB 2550, DOR-24, 3/19/91 - HB 2550
2. Proposed Amendments to HB 2550, DOR-13 (See Exhibit 3 from 3/18/91
House Revenue Meeting) - HB 2550 3. Proposed Amendments to HB 2550,
DOR-18, 3/13/91 - HB 2550 4. Ballot Measure 5 (see Exhibit 4 from
1/25/91 House Revenue Meeting) - Measure 5

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- Exhibit Summary continued: 5. State Replacement Obligation HB 2550A,
LRO, 3/19/91 - HB 2550 6. Testimony from Columbia County Assessor,
3/18/91 - HB 2550 7. Proposed Amendments to HB 2550, DOR-8, 2/12/91 -
HB 2550 8. Proposed Amendments to HB 2550-15, LRO, 3/19/91 - HB 2550
9. Proposed Amendments to House Bill 2550, DOR-22, 3/15/91 - HB 2550
10. Proposed Amendments to House Bill 2550, DOR-25, 3/19/91 - HB 2550
11. Proposed Amendments to House Bill 2550-22, 3/18/91, LRO - HB 2550
12. Proposed Amendments to House Bill 2550-21, 3/18/91, LRO - HB 2550
13. Proposed Amendments to House Bill 2550-8, 3/12/91, LRO - HB 2550 14.
Proposed Amendments to House Bill 2550-23, 3/19/91, LRO - HB 2550 15.
Proposed Amendments to House Bill 2550, DOR-26, 3/19/91 - HB 2550 16.
Proposed Amendments to House Bill 2550, DOR-26, 3/20/91 - HB 2550
17. 1990-91 Tax Roll, 1/4% - 1/8%, Gil Riddell, 3/19/91 - HB 2550

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