

Tapes 164-165 (A/B) Tapes 166-167 (A) Public Hearing: HB 2222A, HB 2984, HB 3050 Work Session: HB 2222A, HB 2984 HOUSE COMMITTEE ON REVENUE AND SCHOOL FINANCE

April 22, 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 8:13) Representative Kelly Clark (arrived 8:20) Representative Bev Clarno Representative Fred Parkinson Representative John Schoon (arrived 8:10) Representative Jim Whitty (arrived 8:12) Members Excused: Representative Mike Nelson

Staff Present: Steve Bender, Legislative Revenue Office Steve Meyer, Legislative Revenue Office Linda Leach, Committee Assistant

Witnesses Present: Pat Fawcett, Public Utilities Commission Jim Sexson, Public Utilities Commission Ron Eachus, Commissioner, Public Utility Commission Jack Cassell, Public Utilities Commission Jim Kenney, Department of Revenue Kim Worrell, Association of Oregon Counties Jim Gangle, Lane County Assessor David Carmichael, Eugene, Oregon Ralph Groener, AFSCME Jeanine Meyer Rodriguez, Oregon Public Employees Union John Danielson, Oregon Education Association - Jim Brown, Department of Revenue Elizabeth Stockdale, Department of Justice TAPE 164 SIDE A

005 CHAIR JONES called the meeting to order at 8:08 as a subcommittee until a quorum was reached at 8:10. She conducted administrative business.

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PUBLIC HEARING - HB 2222A 026 STEVE BENDER reviewed HB 2222 which is from the House Committee on Business and Consumer Affairs and relates to two Public Utility Commission (PUC) programs. The Oregon Telephone Assistance Program (OTAP) provides reduced telephone rates to eligible low income individuals. Telecommunications for the Deaf Access program provides hearing and speech impaired individuals with telecommunication devices and a relay service (for hearing persons). HB 2222A extends the sunset date from January 1, 1992 to January 1, 1998. HB 2222A also expands the eligibility for the telephone assistance program (low income). 047 Questions and discussion regarding poverty level which varies by household size. 056 STEVE BENDER reviewed current and prior surcharges for funding of the programs from a charge levied on each telephone line. -Current law allows up to 25 cents total, current charge is 15 cents (per line). -Current charge for low income is 5 cents and current limit is 15 cents. -HB 2222A reduces limit for low income program to 10 cents. -Current charge and current limit for OTAP is 10 cents. -HB 2222A proposes a limit of 15 cents for OTAP (because of concerns that additional federal regulations may cause increase in costs). 085 REP. SCHOON supported HB 2222A and discussed work in the House Committee on Business and Consumer Affairs. 095 Questions and discussion. 103 PAT FAWCETT discussed OTAP and testified in support of HB 2222A. Exhibit 1 227 Questions and discussion regarding OTAP budget

and establishment of a telephone bill surcharge. 292 REP. BURTON referred to Fiscal Analysis dated 2/14/91 and questioned if the program could be "self funded". Exhibit 2 313 STEVE BENDER estimated the amount generated (based on the current 15 cent total surcharge) of \$4 million for the 1991/93 biennium (18 months). 331 JIM SEXSON discussed future projections for OTAP. 360 Questions and discussion regarding flexibility of the telephone bill surcharge.

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392 JIM SEXSON noted that an increase in the OTAP surcharge is not in the "foreseeable" future, but HB 2222A would provide the flexibility for an increase if necessary. 400 Questions and discussion. TAPE 165 SIDE A 001 Questions and discussion regarding factors affecting costs of programs. 035 RON EACHUS noted that a telephone bill surcharge is a common method of financing similar programs on the national level. 050 Questions and discussion regarding uncertainties with projecting costs and why the PUC believes flexibility is necessary. 100 REP. SCHOON supported the flexibility as proposed in HB 2222A (surcharge rates). 128 STEVE BENDER clarified the funding of two separate programs. 148 JACK CASSELL testified in support of HB 2222A and summarized his prepared testimony. Exhibit 3 233 Questions and discussion regarding average cost of operator per call, dynamics of communication, blockage rates and length of calls. WORK SESSION - HB 2222A 313 REP. SCHOON reviewed testimony from House Committee on Business and Consumer Affairs relating to telephone access for the handicap which was not addressed today. 338 MOTION REP. PARKINSON moved HB 2222A to the floor with a do pass recommendation. DISCUSSION 356 REP. BURTON supported HB 2222A but questions remain regarding interest earned and administrative costs in OTAP and other programs. 393 REP. SCHOON suggested an interim review of fees (capped and uncapped), interest earned and administrative costs of many programs. TAPE 164 SIDE B 001 CHAIR JONES supported HB 2222A but noted her concern regarding accumulation of funds and expansion of programs.

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Page 4 010 RON EACHUS estimated interest earned for 1991/93 at \$714,000 of a total budget of \$5.8 million. 027 Questions and discussion regarding the PUC's budget process. 037 VOTE In a roll call vote, the motion was adopted (8-0). AYES: Reps. Clark, Clarno, Parkinson, Schoon, Whitty, Burton, Hosticka, Jones. EXCUSED: Rep. Nelson ADMINISTRATIVE BUSINESS - REPLACEMENT REVENUE 040 CHAIR JONES reviewed issues relating to replacement revenue and announced a public hearing for Saturday, May 4, 9:00 - 12:00. 115 Questions and discussion. 143 CHAIR JONES recessed the meeting at 9:15 and reconvened at 9:48. She conducted administrative business. PUBLIC HEARING - HB 298 4 169 JIM KENNEY reviewed 1989 legislation which provided a \$20 recording fee (HB 2338) when real property interest is conveyed. HB 2984 will exempt certain transfers from the \$20 recording fee relating to land sale contracts. 230 REP. CLARK pointed out an inequity concern regarding two transfer

fees assessed for land contracts and effects on timeshares financed through land sale contracts. 250 Questions and discussion. 254 JIM KENNEY estimated an annual loss of \$100,000 from HB 2984. He addressed other revenue losses because of Ballot Measure 5. 270 JIM KENNEY estimated current annual income of \$12.5 million and predicted a loss of revenue for other reasons. He noted excess interest and recording fees are included in this amount. 285 STEVE BENDER related revenue from recording fees for the 1990 calendar year of \$3.8 million. 294 REP. CLARK questioned from a policy view why one conveying instrument should be taxed twice. 301 JIM KENNEY addressed the mechanics of a land sale contract. 316 REP. CLARK questioned if a manner could be established to define and exempt timeshares. 329 JIM KENNEY discussed workload issues.

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340 REP. CLARK noted his concerns relating to timeshare assessments. 350 KIM WORRELL explained the recording fee is paid by the purchaser and he provided examples. He did not support an exemption of timeshares based on a quantity issue. 379 Questions and discussion regarding prior discussions of the Joint Interim Committee on Revenue and School Finance regarding the recording fee (one fee per transaction). TAPE 165 SIDE B 002 JIM KENNEY reviewed the process of a land sale contract. 020 REP. HOSTICKA wanted clarification if a land sale contract is one transaction or two transactions. 024 JIM GANGLE addressed the workload and the process in the county assessor's office when a land sale contract is recorded and the process when a land sale contract is finalized. 048 Questions and discussion regarding land sale contracts (legally defined as two transactions, legal rights of contract purchaser, county assessor records, foreclosure proceedings). WORK SESSION - HB 2984 . 128 MOTION REP. CLARK moved HB 2984 to the floor with a do pass recommendation. 137 REP. SCHOON could not support Rep. Clark's motion because there is the same amount of work involved in a land sale contract as with a mortgage or trust deed. 156 VOTE In a roll call vote, the motion was adopted (5-3). AYES: Reps. Clarno, Parkinson, Whitty, Clark, Jones. NAYS: Reps. Schoon, Burton, Hosticka. EXCUSED: Rep. Nelson PUBLIC HEARING - HB 305 0 187 DAVID CARMICHAEL presented a handout entitled Property Taxpayer Bill of Rights which reflects his ideas of what should be included in a Taxpayer's Bill of Rights. He supported and opposed sections of HB 3050. He reviewed his law practice clientele. Exhibit 6 TAPE 166 SIDE A 001 DAVID CARMICHAEL continued with his testimony. Questions and discussion interspersed.

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Page 6 124 RALPH GROENER testified in opposition to HB 3050 and read his prepared testimony. Exhibit 7 257 Questions and discussion regarding Fiscal and Revenue Impact of HB 3050 from the Department of Revenue. Exhibit 8 300 JEANINE MEYER RODRIQUEZ opposed HB 3050 and read her prepared testimony. Exhibit 9 401 JOHN DANIELSON testified in opposition to HB 3050. He believed HB ,3050 was premature in light of Ballot Measure 5. HB 3050 benefits industrial taxpayers and will result in loss of revenue. TAPE 167 SIDE A 020 JIM BROWN outlined the Department of Revenue's presentation of appraisal theory and how HB 3050 will impact income tax and property tax administration. 048 JIM KENNEY

reviewed appraisal and valuation of properties for assessment purposes. He reviewed market value as the standard and market related cost approach. Land is valued by sales or income. Commercial properties use a cost approach, income approach and sales approach (if available). He reviewed varying factors within the three approaches. Industrial properties need to use the income approach to determine the economic obsolescence factor and gave examples (current and past). 140 Questions and discussion regarding comparable practice in other states for appraisal theory (taxation). 147 JIM KENNEY reviewed Fiscal and Revenue Impact of HB 3050 and pointed out an estimated \$50 million loss to counties per biennium because of Section 4 in HB 3050. He reviewed Who Benefits From the Tax Savings. Exhibit 8 165 Questions and discussion regarding Department of Revenue's cost analysis. 191 ELIZABETH STOCKDALE reviewed legal consequences from HB 3050. She began with Section 13, page 5 of HB 3050 which relates to intangibles. She informed the committee that the intangible issue is currently in litigation before the Oregon Tax Court (Boise Cascade v. DOR). The dispute is about how to value industrial property which relates primarily to the use of the income approach (and if that approach improperly taxes certain intangibles qualities).

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 April 22, 1991 Page 7 226 ELIZABETH STOCKDALE reviewed the definition of intangibles (law since 193 5) and referred to lines 32 and 33 on page 5 of HB 3050. She provided examples and responded to a statement (from a prior witness) regarding items added in HB 3050 are currently taxed under the income tax law. She pointed out that income tax taxes profits and provided examples. 247 Questions and discussion regarding projected \$46 million loss applied to all properties. 284 Questions and discussion regarding cable television generated income value. Reference was made to litigation involving cable television. 297 REP. BURTON reviewed items which are taken into account when property is sold and effects from language in Section 13. 327 Questions and discussion regarding language affecting value placed on good will, conveyance, not to compete, patent, trademark, copyright and license. 382 CHAIR JONES conducted administrative business and adjourned the meeting at 11:28.

Linda Leach, Committee Assistant Kimberly Taylor, Office Manager EXHIBIT SUMMARY 1. Testimony from Pat Fawcett, 4/22/91 - HB 222 2 2. Fiscal Analysis, 2/14/91 - HB 2222 3. Testimony from Jack Cassell, 4/22/91 - HB 2222 4. Staff Measure Summary, House Committee on Business and Consumer Affairs, 4/22/91 - HB 2222 5. Oregon Department of Revenue, Division 205, County Clerks, 1/91 - HB 298 4 6. Testimony from David Carmichael, 4/22/91 - HB 3050 7. Testimony from Ralph Groener, 4/22/91 - HB 3050 8. Fiscal and Revenue Impact of HB 3050, DOR, 4/19/91 - HB 3050 9. Testimony from Jeanine Meyer Rodriguez, 4/22/91 - HB 305 0 10. Taxpayer Bill of Rights, Portion of ORS Chapter 305, LRO, 4/22/91 HB 3050 11. Reading Material, LRO/ 4/91 - Miscellaneous

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