

Tapes218-219(A/B) Work Session: HB 3050, HB 3057 HOUSE COMMITTEE ON REVENUE AND SCHOOL FINANCE May 31, 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: Steve Meyer, Legislative Revenue Office Dick Yates, Legislative Revenue Office Linda Leach, Committee Assistant Witnesses Present: David Lohman, Economic Development Department Jerry Fisher, Hewlett Packard Brian Peterson, Arthur Anderson & Company TAPE 218 SIDE A 005 CHAIR JONES called the meeting to order at 8:12. WORK SESSION - HB 305 0 009 CHAIR JONES referred to Proposed Amendments HB 3050-6, 5/30/91 (which reflect decisions made during May 28, 1991 meeting). Exhibit 1 011 REP. CLARK pointed out an issue which was not voted on May 28, 1991 meeting which is Section 10 as noted in Summary of Revised HB 3050 (-4) from AOI relating to a taxpayer opting out of the income approach. Exhibit 2 024 REP. CLARK reviewed Proposed Amendments HB 3050-6 beginning with Section 1 which is a proposed study (intangibles and current assessment of industrial appraisals) by the Department of Revenue. Exhibit 1 040 REP. CLARK reviewed Section 2 of HB 3050-6 relating to third party subpoenas and noted that the Department of Revenue opposes this section. 055 Questions and discussion regarding definition of secondary industrial property by statutory reference. 067 REP. CLARK reviewed Section 3 of HB 3050-6.

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073 REP. CLARK reviewed Section 5 of HB 3050-6 which prohibits an increase in the assessed value from the original value during an appeal process. 080 REP. CLARK reviewed Section 7 of Proposed Amendments HB 3050-6 (remains of ombudsman provision) and Section 8 is the effective date. He noted the committee conceptually adopted HB 3050-6 proposed amendments on May 28, 1991. 092 Questions and discussion regarding previous testimony from Elizabeth Stockdale relating to use of evidence after a tax year (committee voted not to adopt language) relating to Section 5. 122 REP. CLARK noted the value of property could decrease but not increase over the first value placed on the roll. 138 REP. SCHOON requested clarification regarding Section 5 (court finding fact) and a current law relating to a five year period where property value cannot be increased after a successful appeal. He suggested a limitation on Section 5 to the year for which an appeal is being made. 191 Questions and discussion regarding concerns noted by Rep. Schoon. REP. CLARK did not see inconsistencies between current law and Section 5. 200 REP. HOSTICKA commented on courts finding fact and real property value. 225 Questions and discussion regarding current five year rule (property value not increase after a successful appeal). 233 REP. SCHOON was concerned that one taxpayer would have an advantage over another taxpayer because of Section 5. 269 Questions and discussion. 298 Questions and discussion regarding a six year cycle for detailed appraisals and the appraisal process during the six year cycle. 327 Questions and discussion regarding Section 5 which does not prevent trending. 346 REP. CLARK reminded the committee of a previous vote on Section 5 (May 28, 1991 meeting). 355 REP. CLARK reviewed a remaining issue relating to Section 10 of Proposed Amendments HB 3050-4 (taxpayer

opt out of income approach and limitation of requests made by the Department of Revenue).

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 May 31, 1991 Page 3 380 REP. CLARK reviewed the history of a current provision and testimony received that the limitation placed on economic obsolescence when a taxpayer opted out of the income approach was punitive in nature. Exhibit 3 TAPE 219 SIDE A 007 CHAIR JONES clarified that the limitation imposed when a taxpayer opts out of the income approach is in statute. 006 REP. SCHOON explained why he believed that economic obsolescence should not be considered when a taxpayer opts out of the income approach. 023 Questions and discussion. REP. CLARK provided examples of economic obsolescence which should be considered when a taxpayer opts out of the income approach. 032 REP. CLARK explained Subsections 1, 2 and 3 of Section 10 of HB 3050-4 relate to the committee's current discussion. 050 MOTION REP. CLARK moved adoption of Subsections 1, 2, and 3 of Section 10 of Proposed Amendments HB 3050-4. Exhibit 3 055 VOTE In a roll call vote, the motion failed (3-6). AYES: Rep. Clark, Clarno, Whitty. NAYS: Reps. Nelson, Parkinson, Schoon, Burton, Hosticka, Jones. 064 MOTION REP. CLARK moved adoption of Proposed Amendments HB 3050-6. Exhibit 1 073 MOTION AMENDED REP. HOSTICKA suggested to amend Rep. Clark's motion by deleting Sections 4 and 5 from Proposed Amendments HB 3050-6. 079 REP. CLARK noted the committee already voted on issues in Proposed Amendments HB 3050-6. 083 VOTE In a roll call vote, Rep. Hosticka's amendment to Rep. Clark's motion failed (3-6). AYES: Reps. Burton, Schoon, Hosticka. NAYS: Reps. Whitty, Clark, Clarno, Nelson, Parkinson, Jones. 090 Questions and discussion regarding limitations on Section 5. 096 CHAIR JONES noted portions of Section 5 affects all property and has no limitation on time.

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Clarno, Nelson, Hosticka, Jones. 218 CHAIR JONES recessed the meeting at 8:58 and reconvened the at 9:10.

These minutes paraphrase sad/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 May 31, 1991 Pages Worr Session - HB 305 7 231 CHAIR JONES pointed out HB 3057 was reviewed in the Subcommittee on Income Taxation and relates to a "throwback rule". 240 DICK YATES referred to four handouts: -HB 2344, HB 2345, HB 3057, HB 3058 - Exhibit 4 -Letter from Joe Phillips, Legislative Counsel - Exhibit 5 -Throwback Rule, Cost of Excluding Sales From Oregon Sales - Exhibit 6 Throwback Rule, Arthur Anderson & Co Survey - Exhibit 7 267 DICK YATES explained HB 3057 relates to taxation of multistate corporations and a need to proportion their total income among various states or foreign counties. The problem is how to divide up the income. He reviewed the current apportionment formula. Exhibit 4 Questions and discussion interspersed. TAPE 218 SIDE B 004 DICK YATES explained the issue in HB 3057 is the throwback rule and HB 305 7 proposes it's repeal and the use of a sales factor on a destination basis. He provided examples. Questions and discussion interspersed regarding benefits to Oregon if the throwback rule is repealed. 036 Questions and discussion regarding competing issues among other states and tax structures in relationship to income tax. 064 CHAIR JONES explained not all states comply with the Multistate Commission guidelines. 075 DAVID LOHMAN qualified his support for HB 3057 from an economic development point of view. 100 CHAIR JONES referred to Oregon Council Position Paper - Why Oregon Should Repeal the Throwback Rule which is presented by Jerry Fisher. Exhibit 8 145 Questions and discussion regarding the revenue impact from HB 3057. 153 BRIAN PETERSON reviewed a survey from Arthur Anderson & Co. which is in response to earlier numbers from the Department of Revenue which Arthur Anderson & Co. believes to be high (impact from repeal of throwback rule). Exhibit 7 205 BRIAN PETERSON compared his revenue impact numbers to revenue impact numbers from Legislative Revenue Office. Exhibits 6, 7

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which needs to be addressed: -The lack of evidence in the sales to government and a possibility of substantial errors occurring. 034 CHAIR JONES conducted administrative business and adjourned the meeting at 9:54.

Linda Leach, Committee Assistant Kimberly Taylor, Officer Manager

These minutes paraphrase and/or summarize stateaents 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 May 31, 1991 Page 7 EXHIBIT SUMMARY 1. Proposed Amendments HB 3050-6, 5/30/91, LRO - HB 3050 2. Summary of Revised HB 3050, AOI, 5/28/91 - HB 3050 3. Proposed Amendments HB 3050-4, LRO, 5/27/91 (see Exhibit 2 from House Revenue May 28, 1991 meeting) - HB 3050 4.HB 2344, HB 2345, HB 3057, HB 3058, LRO, 5/31/91 - HB 3057 5.Letter from Joe Phillips, Legislative Counsel, 3/15/91 - HB 3057 6. Throwback Rule, Cost of Excluding Sales from Oregon Sales, LRO, 5/31/91 - HB 3057 7. Throwback Rule, Arthur Anderson & Co. survey of 33 corporation, LRO, 5/31/91 - HB 3057 8. Oregon Council Position Paper, Why Oregon Should Repeal the Throwback Rule, AEA, 5/31/91 - HB 3057

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