

Tapes 42-43 (A/B)
Tape 44 (A)
Public Hearing: HB 2521,
HB 3077
Work Session: HB 2419A,
HB 2320
HOUSE COMMITTEE ON REVENUE AND SCHOOL FINANCE
SUBCOMMITTEE ON PROPERTY TAXATION

April 25, 1991 8:00 AM Hearing Room A State Capitol Building

Members Present: Representative Fred Parkinson, Chair
Representative Kelly Clark
Representative Carl Hosticka
Representative Delna Jones
Representative Jim Whitty

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

Witnesses Present: Representative Gene Derfler, District 31
Cecil Edwards, Million Mill Museum
Bruce Wulf, Mission Mill Museum
Milo Pearmine, Mission Mill Museum
Berniece Smith, Mission Mill Museum
Representative Kevin Mannix, District 32
Jim Craven, Oregon Advocates for the Arts
Kim Worrell, Association of Oregon Counties
Jim Wilcox, Department of Revenue
Patrick Harris, Aurora Colony Museum
Eric Mahaffy, Springfield
Roger Martin, Oregon Amusement and Music Operators
George Mardikes, Attorney, Oregon Amusement
Operators
Rick Davis, Asterick's Amusement
Jerry Johnston, Amusement Unlimited
Donald Lewis, Salem Amusement
Leroy Stroeder, Department of Revenue
Gil Riddell, Association of Oregon Counties
Ray Wilkeson, Oregon Forest Industries Council
TAPE 42 SIDE A (note: meter 001-040 blank)
041 CHAIR PARKINSON called the meeting to order at 8:09.

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PUBLIC HEARING - HB 2 521

050 REP. DERFLER introduced Cecil Edwards and Bruce Wulf. He reviewed his sponsorship background for HB 2521.

055 CECIL EDWARDS supported HB 2521 and noted the educational and historical significance of the Mission Mill Museum.

082 BRUCE WULF supported HB 2521 and read his prepared testimony. Exhibit 1

128 MILO PEARMINE supported HB 2521 and read his prepared testimony.
Exhibit 2

145 BERNIECE SMITH supported HB 2521 and read her prepared testimony.
Exhibit 3

168 Questions and
discussion

177 REP. MANNIX explained HB 2521 provides additional support for museum locations or clusters of historic buildings. He provided examples. He explained an effort to generate income which provides funding for maintaining and restoring properties. The locations will rent out a portion of the facility for income which subjects them to ad valorem property taxes. HB 2521 would exempt certain narrowly defined properties from paying those property taxes.

217 Questions and discussion regarding local discretion in interpretation of the tax code and narrow property definition in HB 2531. -

270 CHAIR PARKINSON commented on the impact from Measure 5.

264 Questions and discussion regarding "unfair competition" between businesses located on tax exempt properties and those paying taxes.

328 Questions and discussion regarding special assessment v. tax exempt and requirements under the National Historic Preservation Act.

368 REP. HOSTICKA addressed a distinction relating to church owned property to a museum or a hospital and current law (the nature of an organization determines the taxability of the property and not the use of the property). He was concerned with consistency.

400 REP. MANNIX referred to the narrow definition of property in HB 2531 and requirements for use of income.

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410 JIM CRAVEN supported HB 2521 and noted the narrow definition. He discussed the benefits of Mission Mill Museum to the City of Salem and noted the on site Deli is used as a convenience for touring groups. HB 2521 will help struggling organizations which provide a public service.

TAPE 43 SIDE

A

019 Questions and discussion regarding functions held at Mission Mill ,and a business competition issue.

027 CHAIR PARKINSON questioned discretion on a state wide basis.

033 KIM WORRELL discussed his opposition to the shift in taxes when exemptions are granted and he gave examples. He believed that exemptions are overused. Mission Mill uses the services of police and fire and are competing with other businesses. He reviewed the administration of exemption statutes and gave examples. He suggested an interim study to review exemptions and special assessments.

070 Questions and discussion.

080 JIM WILCOX addressed the nature of the proposed exemption in HB 2531 as taking a significant departure from prior policy in terms of destination of income. Another policy shift is the exemption of a portion of the property used for profit making purposes.

097 PATRICK HARRIS reviewed the history of Aurora Colony Museum. He provided examples of taxes the museum has paid which could have been use for interpretative use. The people of Aurora believe the museum benefits

the city and business competition is not an issue.

PUBLIC HEARING - HB

307 7

141 STEVE MEYER explained HB 3077 relates to amusement devices and restores the tax rate to the pre-July 1990 rate (\$100 to \$50 per machine).

152 Questions and discussion regarding an Attorney General opinion relating to amusement device taxes (subject or not subject to Measure 5).

155 STEVE BENDER referred to Department of Justice Opinion No. 8218, dated March 29, 1991 which states that the amusement device tax is not subject to the limits of Ballot Measure 5. The Attorney General suggested the statutory language be changed to make the tax a tax on the operator of the device instead of the owner of the device. The reason for the suggestion is because the tax is on the privilege of operating the devices for money.
Exhibit 4

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170 Questions and discussion regarding a distinction between owner and operator.

211 ERIC MAHAFFY reviewed his background relating to amusement devices and amusement device tax. He noted his frustration with a lack of distinction between the various types of machinery that are operating under the amusement device tax. He presented a booklet of newspaper articles relating to amusement devices. Exhibit 5

390 ERIC MAHAFFY referred to Chapter 320 Privilege Taxes and pointed out problems with existing law. Exhibit 8

TAPE 42 SIDE

B

021 ERIC MAHAFFY explained a number of bills were introduced relating to amusement device tax, but HB 3077 is the only scheduled bill. He supported a review of the amusement device issue.

034 Questions and discussion regarding value range of video games.

042 Questions and discussion regarding limits of Ballot Measure 5.

048 Questions and discussion regarding other taxes amusement device owners pay and the history of amusement devices.

080 Questions and discussion regarding games of skill, length of games and games of chance.

088 ERIC MAHAFFY referred to a news article entitled Arcade owners endure new Policy and a letter from Video Amusements Service, Inc. Exhibits 6, 7

104 ERIC MAHAFFY compared poker machines to video game machines and noted income differences. Video game machines should not be in the same category as poker machines. He urged the committee to review definitions of game machines (games of skill and games of chance).

154 ROGER MARTIN noted his frustration with an Attorney General Opinion (change in previous opinion) that amusement device tax is not subject to the limits of Ballot Measure 5.

174 GEORGE MARDIKES reviewed a previous Attorney General opinion relating a broad interpretation of what was subject to the limits of Ballot Measure 5.

He noted his concern with a subsequent Attorney General opinion that amusement device tax is not subject to the limits of Ballot Measure 5.

229 Questions and discussion regarding a privilege tax.

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250 ROGER MARTIN commented about other legislation relating to a ban on video poker machines. He provided qualified support for HB 3077.
280 Questions and discussion regarding Oregon Amusement and Music Operators Association membership and the history of amusement device taxes.
318 RICK DAVIS gave qualified support of HB 3077. He addressed ,differences between poker and video games.
TAPE 43 SIDE
B
001 RICK DAVIS continued with his testimony and discussed the value of his business and problems with older machines.
030 Questions and discussion.
084 JERRY JOHNSTON reviewed the tax burden on video machine owners. He provided qualified support of HB 3077. He provided examples of his business in Eugene and suggested a review of poker and video machines.
145 Questions and discussion.
161 DONALD LEWIS supported HB 3077 and summarized his prepared testimony.
Exhibit 9
191 Questions and discussion regarding an Attorney General opinion. Exhibit 4
200 Questions and discussion regarding machine maintenance and locations.
265 LEROY STROEDER was neutral on HB 3077 and estimated revenue from amusement devices at \$2 million per biennium.
279 GIL RIDDELL suggested the committee return to the pre-July 1990 tax distribution if the committee passes HB 3077 (he noted the Youth Conservation Corp Program). He reminded the committee that the fee on amusement devices is a long standing source of revenue to counties. An interim study may be appropriate.
300 Questions and discussion regarding a county personal property tax (subject to Ballot Measure 5) and county license fees.

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WORK SESSION - HB 2419A

360 RAY WILKESON presented Proposed Amendments HB 2419-A4 and noted

support of amendments from Rep. Schroeder. He reviewed four changes:

Exhibit 13

- 1) Changes term of office for board of directors from 4 to 3 years.
- 2) Deletes a section which would require employees of the institute who collect revenues to be bonded.

- ,3) Establishment of first year harvest tax rate of 31 cents per thousand.
- 4) Amends current law which provides an exemption from the confidentially of timber tax records.

TAPE 44 SIDE A

035 REP. HOSTICKA was concerned with a relationship to commodity commissions and the use of the state's taxing power. He questioned legal issues relating to the state's taxing power and a limited board of directors. He provided examples to illustrate his concerns. He did not want to "derail" HB 2419, but wanted HB 2419 to withstand questions.

Questions and discussion interspersed regarding Rep. Hosticka's concerns.

083 MOTION REP. WHITTY moved adoption of Proposed

Amendments

HB 2419-A4, dated 4/24/91.

087 ORDER There being no objection, CHAIR JONES so ordered.

090 MOTION REP. WHITTY moved HB 2419A as amended to the full committee with a do pass recommendation.

095 REP. HOSTICKA will support the motion, but requested a review of his concerns in the full committee and make appropriate modifications if necessary.

100 MOTION In a roll call vote, the motion was adopted (30). AYES: Reps. Hosticka, Whitty, Parkinson. EXCUSED: Reps. Jones, Clark.

WORK SESSION - HB 2320

104 MOTION CHAIR PARKINSON moved HB 2320 to the full committee with a recommendation for an

interim

study.

106 ORDER There being no objection, CHAIR PARKINSON so ordered.

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110 CHAIR PARKINSON adjourned the meeting at 10:07.

Linda Leach, Committee Assistant

Kimberly Taylor, Office Manager

EXHIBIT SUMMARY

1. Testimony from Bruce Wulf, 4/24/91 - HB 2521
2. Testimony from Milo Pearmine, 4/24/91 - HB 2521
3. Testimony from Berniece Smith, 4/23/91 - HB 2521
4. Department of Justice Opinion No. 8218, 3/29/91, LRO - HB 3077
5. Information Concerning Video Games, Eric Mahaffy, 4/25/91 - HB 307 7
6. Testimony from Video Amusements Service, Inc., 4/24/91 - HB 3077
7. Newspaper Article, Eric Mahaffy, 4/25/91 - HB 3077
8. ORS Chapter 320, 1989, Eric Mahaffy, 4/25/91 - HB 3077
9. Testimony from Donald Lewis, 4/25/91 - HB 3077
10. Amusement Device Tax, LRO, 4/24/91 - HB 3077
11. Revenue Analysis HB 3077, 4/24/91, LRO - HB 3077
12. Fiscal Impact HB 3077, 4/19/91, LFO - HB 3077
13. Proposed Amendments HB 2419-A4, 4/24/91, Rep. Schroeder - HB 2419
14. Testimony from Louis Sather, 4/24/91 - HB 3077

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