

Tapes 17-18, (A/B)
Public Hearing -
Measure 5 Overview
SENATE COMMITTEE ON REVENUE AND SCHOOL FINANCE

January 25, 1991:00 PM Hearing Room A State Capitol Building

Members Present: Senator Jane Cease, Chair
Senator Joan Dukes, Vice-Chair
Senator John Brenneman (departed 2:05, returned 2:25, departed 2:51)
Senator Shirley Gold (arrived 1:17, departed 2:45)
Senator Ron Grensky (departed 2:20, returned 2:40, departed 2:51)
Senator Bill McCoy
Senator Tricia Smith

Staff Present: Jim Scherzinger, Legislative Revenue Officer
Mary Ann Zimmermann, Committee Assistant

Witnesses Present: Jim Kenney, Department of Revenue
Elizabeth Stockdale, Department of Justice

TAPE 17 SIDE A

005 CHAIR CEASE called the meeting to order at 1:09 P.M. and conducted administrative business.

MEASURE 5 ORIENTATION

013 JIM SCHERZINGER referred the members to the following handouts:

- Exhibit 1 - Impact of Measure 5 Research Report
- Exhibit 2 - Outline of Measure 5 Proposed Legislation
- Exhibit 3 - Draft LC 2386 will be HB 2550
- Exhibit 4 - Ballot Measure 5
- Exhibit 5 - Taxes on Property Subject to the Limit
- Exhibit 6 - Attorney General Opinion, Summary 9/7/90
- Exhibit 7 - Attorney General Opinion, No. 8216, 9/7/90
- Exhibit 8 - Measure 5 Issues
- Exhibit 9 - Attorney General Opinion on Emergency Clause, 1/21/91

053 JIM SCHERZINGER reviewed a chart entitled Example Property Tax Reductions and explained the effects on property after full phase-in of Measure 5. Clarification was established that Measure 5 will work on a property by property basis. Exhibit 1, Page 3

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097 Discussion and questions follow regarding how Measure 5 places limitations on certain properties and how the rate is established.

175 Discussion and questions follow regarding the establishment of county rates versus city rates on the same property.

225 CHAIR CEASE commented on the Competition Issue which will be worked on at a later date.

259 JIM SCHERZINGER discussed a concept currently in the statutes called "true cash value" and a constitutional concept introduced by Measure 5 called "real market value". True Cash Value is used to calculate taxes and real market value, under Measure 5, can only be used in calculating a limit. Another difference was explained between the two concepts being that true cash value is of January 1 of the prior year, and real market value is the minimum value during the current year. Problems caused by using a value during the current year was discussed.

325 Discussion and questions follow regarding the legal definition of determining the true cash value.

MEASURE 5 - PUBLIC HEARING - INVITED TESTIMONY

349 JIM KENNEY gave a brief review of how Draft LC 2386 came into existence and how Measure 5 created provisions for extensive change to the current property tax system. The main provisions include:

- A redefinition of value which is used as a base for the levy of the property taxes.
- The elimination of a fixed point in time to determine that value. - A redefinition of tax to include some fees and charges.
- Tax limit would be calculated on a property by property basis rather than uniformly identical rate for all properties.

TAPE 18 SIDE A

000 JIM KENNEY continued explaining the provisions for change in the current property tax system due to Measure 5.

015 SEN. DUKES asked if the county assessors will now determine the various fees.

020 ELIZABETH STOCKDALE responded that the various fees and charges that can be affected by Measure 5 have fallen into three classes:

- 1. The type imposed by state law and collected by state agencies. (motor vehicle registration)
- 2. The local fees and charges assessed by state law. (Special district assessments)
- 3. The fees and charges that are not a state law, but established on a local ordinance. (system development charges)

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095 ELIZABETH STOCKDALE noted that the local charges by ordinance and not by state law can revise the ordinances to pull them out from under the limits of Measure 5.

115 Discussion and questions regarding the compliance of the fees and charges.

159 JIM KENNEY explained how fees not collected through the ad valorem system will have to be certified to the assessor so the total taxes, fees, and charges do not exceed the limit.

169 JIM KENNEY set the stage on going through the outline of the bill. The current property tax system has been a building process over many Legislative Sessions and Measure 5 means this system has to be revised. A major portion of this session will be to make a new structure for the property tax system.

191 JIM KENNEY explained the two charts which compare the current property tax system and the proposed property tax system beginning the 1992-93 tax year. The comparisons are under four main functions of the property tax system: 1) Appraisal 2) Local Budget Law 3) Collection and Distribution 4) Appeals Process. EXHIBIT 2

200 JIM KENNEY explained the main differences in the two systems in regard to Appraisal are being the definition of value and the timeline.

255 Discussion and questions follow regarding establishing property value.

297 JIM KENNEY referred to the Appeals Process explaining it is "after the fact" that the value is determined. The current system had the appeals and the establishment of the value occurring prior to sending a tax bill. Now the appeal will occur after the property owner receives the tax statement.

341 SEN. SMITH asked about calculating the implementation cost of Measure 5 because the change in date will increase the number of appeals.

350 JIM KENNEY responded more appeals will be expected and an increase cost

has been estimated in the Department of Revenue.

374 JIM KENNEY explained that once the new system is in place the value notice will be part of the tax statement along with the appeal right.

390 JIM KENNEY explained the Board of Equalization has been split into the Board of Ratio Review and the Board of Value Appeals.

400 JIM KENNEY continued reviewing the comparison between the current property tax system and the proposed property tax system explaining

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there being little change in the local budget law or in collection and distribution.

TAPE 17 SIDE

B

000 JIM KENNEY presented a narrative comparison of the activities prior to and after Measure 5. Exhibit 2, Page 3 & 4

018 JIM KENNEY referred to the outline (EXHIBIT 2) titled, Implementation of Measure 5, giving major changes according to the ORS chapters found in Draft LC 2386. EXHIBIT 3

025 JIM KENNEY began with the major changes in Chapter 294 which deals with Local Budget. Exhibit 2, Page 5

030 SEN. DUKES asked what changes were made in the publication of the budget.

035 ELIZABETH STOCKDALE responded there have been two publications. The first being published 20 to 25 days before the budget hearing. The second publication being 8 to 14 days before the budget hearing day. That has now changed and there is only one publication 15 to 25 days before the hearing.

055 Discussion and questions regarding public notification of the budget hearings.

071 ELIZABETH STOCKDALE commented on the massive job in preparing this draft. Because of things being overlooked, questions will arise causing many amendments.

116 JIM KENNEY returned to the outline of major changes with reference to Chapter 305 on General Administration. The only major change is relating to the appeals and putting in a 10 percent value range.

128 SEN. DUKES asked what changes were made in the Supplemental Budget.

135 ELIZABETH STOCKDALE responded a provision was added allowing a local government unit to use the supplemental process if they collected more than they estimated.

153 SEN. SMITH expressed discomfort in the wording in Chapter 294 on supplemental budget not being able to convene unless ten or more citizens request.

186 CHAIR CEASE commented on the local budget in relation to the collection and distribution asking if there will be a change in the receipt of revenue by the local government.

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192 ELIZABETH STOCKDALE responded that the collection of taxes and distribution will be the same at least for the first year. One change is in

reporting on distribution of funds which would be quarterly instead of monthly.

213 ELIZABETH STOCKDALE continued the presentation with reference changes in Chapter 305 dealing with the Appeal Process for taxpayers.

275 SEN. DUKES questioned if bonded indebtedness has been defined in this bill.

280 ELIZABETH STOCKDALE responded that attempts have been made to define the various phrases in the bill.

284 SEN. DUKES asked who is required to certify to the assessor.

295 ELIZABETH STOCKDALE explained the way the bill draft is constructed. Any unit of government that imposes a charge, fitting the definition of tax on property, is required to certify in the same way that an ad valorem tax levy certifies.

334 Discussion and questions follow regarding the certification process.

347 ELIZABETH STOCKDALE clarified that the things taken into account and collected through the current ad valorem system are those fees and charges on the same property that the ad valorem system addresses.

365 Discussion and questions regarding the \$10 limit under Measure 5.

393 ELIZABETH STOCKDALE explained why the two numbers both LC 2386 and LC 214 5 have been integrated into the same bill.

TAPE 18 SIDE

B

422 JIM KENNEY explained the need of additional rule making authority for the Department of Revenue during the transition as seen in Chapter 306 (Property Tax General-General Supervision). Exhibit 2, Page 5

043 JIM KENNEY made reference to Chapter 307 which attempts to change filing dates for exemptions and a change to penalty upon disqualification in order to remove that from the limitation. EXHIBIT 2, Page 5

075 JIM KENNEY presented the changes in Chapter 308 dealing with Methods of Assessment. Discussion and questions are interspersed. Exhibit 2, Page 6

110 JIM KENNEY clarified that almost everything in the draft refers to the tax year, which is the fiscal year, so it will no longer be called the assessed year.

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127 JIM KENNEY explained the changes of Chapter 309 with reference to Equalization of Taxes. The current functions of the Board of Equalization (BOE) will be split into two boards Board of Ratio Review (BORR) and Board of Value Appeals (BOVA). The BORR will be dealing with an analysis of the assessors ratio study to determine not only the level of assessment but also the projection used by the assessor. Discussion and questions are interspersed.

170 Discussion and questions regarding the timeline of serving on the Boards.

223 JIM KENNEY continued explaining the changes of Chapter 309 with reference to the timeline of the Appeal period.

245 JIM KENNEY explained the appeal rights of the taxpayer being changed to after receiving their tax statement is the reason for the supervisory action change.

263 Discussion and questions referring to the appeals process.

271 ELIZABETH STOCKDALE referred to a provision in Chapter 311 which adds a refund reserve account.

295 ELIZABETH STOCKDALE added that on appeals where the value is very high

with central assessed properties, utilities, the process is still a front end process but for industrial or large value properties that aren't centrally assessed by the Department of Revenue, will go to the BOVA.
340 Discussion and questions regarding the appeals process and it's effectiveness.

340 ELIZABETH STOCKDALE clarified the assessing of utility properties is done by the Department of Revenue, but a major property holder in the county will be treated like all other taxpayers in reference to the Appeals Process.

400 Discussion and questions continue regarding disputed amounts in the appeals process and the refund reserve account.

410 CHAIR CEASE adjourned the meeting at 3:00 P.M.

Mary Ann Zimmermann, Committee
Assistant

Kimberly Taylor , Office Manager

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EXHIBIT SUMMARY

1. Impact of Measure 5, 1.5% Property Tax Limit Research Report, LRO, 9/6/90 - Measure 5
2. Overview of Draft LC 2386, DOR, 1/15/91 - Measure 5
3. Draft LC 2386, DOR, 1/24/91 - Measure 5
4. Ballot Measure 5, LRO, 1/25/91 - Measure 5
5. Taxes on Property Subject to the Limit, LRO, 9/7/90 - Measure 5
6. Summary of Attorney General's Opinion, LRO, 9/7/90 - Measure 5
7. Attorney General Opinion, LRO, 9/7/90 - Measure 5
8. Measure 5 Issues, LRO, 1/25/91 - Measure 5
9. Attorney General Opinion, Emergency Clause question/answers, 1/21/91 - Measure 5

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