

Tapes106-107, (A\B)  
Work Session: SB 1185  
Public Hearing: HB 2550-A  
SENATE COMMITTEE ON REVENUE AND SCHOOL FINANCE  
April 10, 1991 1:00 PM Hearing Room A State Capitol Building  
Members Present: Senator Jane Cease, Chair  
Senator Joan Dukes, Vice Chair (arrived 1:55)  
Senator Shirley Gold (arrived 1:31)  
Senator Ron Grensky  
Senator Bill McCoy (arrived 1:15)  
Senator Tricia Smith (arrived 1:16)

Members Excused: Senator John Brenneman

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

Witnesses Present: Irv Fletcher, Oregon AFL-CIO  
Ralph Groener, Oregon AFSCME  
Jeanine Meyers Rodriguiz, Oregon Public Employees Union -  
Greg Teeples, Oregon State Building & Construction Trades Council  
Linda Wisher, Oregon Council of the Communication Workers of America (CWA)  
Representative Carl Hosticka, District 40  
Greg Sweek, Morrill County, Oregon Association of County Assessors  
Janice Druian, Director of Assessment & taxation in Multnomah County  
Jim Gangle, Lane County, Oregon Association of County Assessors  
Tom Linhares, Columbia County, Oregon Association of County Assessors  
Harvey Boyle, Butte Falls School District

TAPE 106. SIDE A

005 CHAIR CEASE called the meeting to order at 1:10 as a subcommittee until a quorum was reached at 1:16. Administrative business was conducted.

PUBLIC HEARING - HB 2550-A

025 IRV FLETCHER read prepared testimony. EXHIBIT 1

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079 SEN. GRENSKY questioned the logic of the taxpayers who passed Measure 5 receiving a tax break on personal property while the farm and forest lands are not getting a tax reduction but are asking for the same assessment prior to Ballot Measure 5.

092 IRV FLETCHER continued reading prepared testimony.  
EXHIBIT 1

130 RALPH GROENER explained the reference to 30 million dollar revenue lost as being agriculture and timber combined not related to breakup of units of commercial property. Mr. Groener continued by reading prepared testimony.  
EXHIBIT 2

230 CHAIR CEASE clarified that AFSCME does not want to change the deferral system.

237 SEN. GRENSKY referred to the taxpayers argument of treatment in HB 2550-A as being singled out and penalized by not getting the tax break other taxpayers are receiving.

248 RALPH GROENER responded with the significant revenue reduction with the timber severance tax in 1977 and the timber industry now want the same relief as the homeowner under Measure 5.

266 SEN. GRENSKY commented on the severance tax is in lieu of a property tax.

275 RALPH GROENER discussed not changing the rate for agriculture, they have received a significant break above what Measure 5 would have allowed.

297 CHAIR CEASE questioned where the 30 million dollars came from in Mr. Groener's testimony.

301 RALPH GROENER explained the money came from increased exemptions to timber and agriculture in HB 2550-A.

313 Discussion follows regarding the 30 million dollar figure.

322 CHAIR CEASE clarified the 30 million dollar figure used in SB 815 does not relate to the 30 million dollar in the presented testimony.

334 JEANINE MEYER RODRIGUEZ responded to Sen. Grensky with regard to farm and forest land retaining the special assessment and the issue is whether Measure 5 is tested against the special assessment or the real market value and under Measure there would be no tax break because it says to use real market value.

348 SEN. GRENSKY discussed farm and forest land being penalized and the other issue is cities and counties have the ability to levy beyond their current level because of already being at the limit.

363 JEANINE MEYER RODRIGUIZ commented on the unfairness and inequity Measure 5 has brought throughout the state and to solve the problem

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would be in another bill dealing with raising more revenue.

380 Discussion follows regarding farm and forest land tax breaks versus the homeowner.

406 JEANINE MEYER RODRIGUEZ read prepared testimony.

EXHIBIT 3

TAPE 107 SIDE A

006 JEANINE MEYER RODRIGUIZ continued reading prepared testimony.

Discussion and questions are interspersed. EXHIBIT 3

075 CHAIR CEASE commented on the testimony of believing the intent of Measure 5 is for property tax relief and asked if the intent of Measure 5 is to shift the severance tax as an offset to become a revenue to local government.

083 JEANINE MEYER RODRIGUIZ explained the local governments will suffer as a result of Measure 5 and now is a good time for the Legislature to evaluate assessment.

087 GREG TEEPLES expressed caution and frustration in how the Oregon State Building and Construction Trades will be able to do their job with no capital construction funds coming from the General Fund. Reference is made to the effect on bonds. The request was to address the issue in HB 2550-A.

110 LINDA WISHER testified on the impact to CWA by Ballot Measure 5. Reference is made to the impact in Marion/Polk County because of the large number of state employees that are facing cutbacks. Examples of the cutbacks are addressed.

152 SEN. GOLD commented on the questions raised by the testimony and addressed the bottom line choice for the Committee is to decide if HB 2550-A should be an interpretation of implementation of Measure 5 or should HB 2550-A address the concerns of the special interest groups.

198 REP. CARL HOSTICKA commented that Sen. Gold raised the primary issue of taking the passage of Measure 5 to rethink and reform the tax system in Oregon or to attempt to hold the system together. Rep. Hosticka feels the House Revenue Committee did the minimum in order to hold the system together and passed up the opportunity to reform the Oregon tax system.

229 CHAIR CEASE asked Rep. Hosticka to flag items which provide benefits to certain parties.

231 REP. HOSTICKA addressed the issues requiring much scrutiny including: The timing of assessment notification, appeals, and taxation system; the appeals process; the reevaluation of what is a property tax and what is not; the question of dealing with the timber issue;

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the relationship between special assessment of farm/forest and land use questions.

265 REP. HOSTICKA commented on the opportunity to overcome short term difficulties to arrive at a long term solution of the tax system and the passage of Measure 5 is offering the opportunity to reform the Oregon tax system.

275 CHAIR CEASE asked if the long term suggestion is related to the mechanics of the value assessments/taxation system or to the revenue replacement.

280 REP. HOSTICKA referred to three major issues which keep getting passed over including: 1) school finance, 2) the overall reform of the tax system, and 3) the timber issue.

295 Discussion follows regarding the historical passover of these major issues and now is the time to deal with it. Reference is made to the Safety Net.

319 SEN. DUKES asked for suggestions for the timing in the assessment/taxation issue.

324 REP. HOSTICKA addressed the proposal adopted by the House Revenue Committee which began with a July assessment date, a late August notification, an appeals process which was orderly with the only hangup being of going into January and the effect on the income tax.

349 REP. HOSTICKA testified on the Amusement Device Tax issue which was in HB 2550 but removed from HB 2550-A. There are several bills on the House side which are getting hung-up on the question of video lottery and if the question of Amusement Devices is not dealt with in HB 2550-A and the effect on the property tax system, the state will be overwhelmed by the video lottery issue. The Attorney General interpreted the amusement tax as a property tax which will be limited on the value of the device therefore the value of the machines will have to be assessed. Reference is made to past problems with the amusement device tax.

403 REP. HOSTICKA proposed separating games of chance from games of skill and eliminate the tax on games of skill and raise the tax on games chance to a level that would make the entire system revenue neutral. The change would be from a property tax to a privilege tax.

TAPE 106 SIDE

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014 SEN. DUKES referred to a prior discussion with reference to a gross receipts tax which would be an equitable way to address the issue without being involved with Measure 5.

020 REP. HOSTICKA addressed the problem of auditing the machines and it

would be easier to place a "fat" flat fee on the privilege of using the machine. Discussion follows.

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053 GREG SWEEK testified in support of HB 2550-A but have concerns on three main categories: 1) the compression of time for assessors, 2) the farm/forest land issues with regard to special assessed value and real market value, and 3) the problem with the definition of "unit of property."

065 JANICE DRUIAN testified on the personal property timeline issue.  
EXHIBIT 4

083 JANICE DRUIAN referred to the current personal property filing calendar in EXHIBIT 4, page 3 and requested moving the filing date up fifteen days than what is in HB 2550-A. Discussion follows.

106 CHAIR CEASE asked what the effect is on other counties.

112 JIM GANGLE explained that the proposed July 15 filing date will help spread out the process time.

121 JANICE DRUIAN testified the compression problem is also in Washington County.

125 SEN. DUKES clarified the request is to move the filing date back two weeks and asked what the objection was in the House Revenue.

133 JANICE DRUIAN felt the assessors could not physically do the job in the time frame in HB 2550-A.

145 JIM SCHERZINGER explained the decision process in the House Revenue Committee and the objection from the Majority Caucus in the date change. The opposition came from industry in the date change and there were different standards on the local level and the industrial property.

186 SEN. DUKES asked if the date would be for all personal property.

190 JANICE DRUIAN responded the date would be for all personal property filing except those classified as "large" property. Most of the industrial property is already handled by the Department of Revenue.

200 Discussion follows regarding handling the problems of working with the smaller as well as the larger industrial properties.

215 SEN. DUKES voiced interest in buying the assessors more time on both ends of the assessors calendar. Discussion follows.

252 TOM LINHARES read prepared testimony regarding farm and forest special assessments. EXHIBIT 5

379 CHAIR CEASE questioned the interpretation in Section 216 of HB 2550-A which allows the Legislature to set policy.

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408 SEN. SMITH clarified if the point is to address HB 2550-A as an implementation of Measure 5 then the issue of the farm/forest special assessments was not the intent of Measure 5.

421 SEN. GRENSKY referred to the testimony in EXHIBIT 5 in which farm and forest properties would receive a second tax break and questioned what the first tax break was.

426 TOM LINHARES responded with reference to EXHIBIT 5, Page 3 and the tax break being the difference between figures of residential and farm properties.

TAPE 107 SIDE

B

000 SEN. GRENSKY declared that the way property is assessed is a tax break. Special assessment reflects that farm land can not be used the same way industrial or residential property can be used. The terminology of a second tax break is not accurate.

026 TOM LINHARES commented on the negative connotation of the wording "tax break" and discussed farm use special assessment being justified because of the exclusive zoning but many are receiving special assessments that are not in a farm use zone.

041 TOM LINHARES also commented on the farm use value being the farm use market value which is not accurate when comparing the income capitalization approach for determining farm use assessed value and the approach for assessing commercial or other income producing property. Comparison of the two are discussed with reference to how the capitalization rate is determined.

065 Reference was made to hobby farms which are a different issue.

070 TOM LINHARES explained commercial farms have three values: 1) the assessed value; 2) the farm use market value; and 3) the farm use value.

082 SEN. GRENSKY asked if an assessor can determine what the farm use market value is.

083 TOM LINHARES discussed the gap between the second and third value on farms is a concern since Measure 5 deals with the market value.

098 Discussion follows about determining the farmer to farmer value. Reference is made to the capitalization rate formula.

111 SEN. DUKES asked if the agricultural community worked with the county assessors couldn't a more accurate formula be developed.

114 TOM LINHARES addressed the differences in farming between the various regions in Oregon but some formula could be developed.

117 SEN. DUKES asked what the main problem is in developing a formula.

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120 TOM LINHARES responded what income figure should be used.

125 Discussion follows regarding prior debates over the issue.

127 TOM LINHARES explained there was a working group in November 1990 and has been cooperative at looking at new ideas.

138 SEN. DUKES wants all involved parties to sit down and attempt negotiation.

144 CHAIR CEASE conducted administrative business.

176 JIM GANGLE voiced concern with Section 215 in HB 2550-A dealing with unit of property. The concerns included the necessity of the Section, implementation of the Section, and problems identifying the affected property. Discussion follows.

208 JIM GANGLE addressed a final concern in how the tax statement would be put together to reflect one unit of property that is split into different accounts carrying different values. Problems could be avoided with the modification of Section 215.

226 SEN. DUKES questioned the language in Section 215 with an example of two parcels of property with different value in determining the Measure 5 limits.

241 JIM GANGLE explained the same ownership tax lots would be combined and the Measure 5 limits would be determined on the total figure.

248 Discussion follows regarding the different tax rates on single owner property.

279 HARVEY BOYLE testified in opposition to a change of the severance tax rate. A story was shared involving the impact of the severance tax on Butte Falls with reference to local taxpayers making up the difference in the tax rate for the timber industry. If the severance tax was reduced the large timber holdings would have an additional source of revenue. Reference was made to a large timber owner who lives out of state. Mr. Boyle urged the Legislature to maintain the severance tax at the current rate. Discussion follows.

366 CHAIR CEASE conducted administrative business and adjourned the meeting at 3:00.

Mary Ann Zimmermann, Committee  
Assistant

Kimberly Taylor, Office Manager

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EXHIBIT SUMMARY

1. Written Testimony, Oregon AFL-CIO, 4/10/91 - HB 2550-A
2. Written Testimony, Oregon AFSCME, 4/10/91 - HB 2550-A
3. Written Testimony, OPEU, 4/10/91 - HB 2550-A
4. Written Testimony, Janice Druian, 4/10/91 - HB 2550-A
5. Written Testimony, Tom Linhares, 4/10/91 - HB 2550-A

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