

Tapes 110-111, (A\B)

Tape 112 (A)

WorkSession:SB 814,SB 1185

Work Session: HB 2550-A

SENATE COMMITTEE ON REVENUE AND SCHOOL FINANCE

April 12, 1991 1:00 PM Hearing Room A State Capitol Building

Members Present: Senator Jane Cease, Chair

Senator Joan Dukes, Vice Chair

Senator Shirley Gold (arrived 1:19, departed 2:40, returned 3:03)

Senator Ron Grensky (arrived 1:08, departed 2:50)

Senator Bill McCoy

Senator Tricia Smith

Members Excused: Senator John Brenneman

Staff Present: Jim Scherzinger, Legislative Revenue Officer

Mary Ann Zimmermann, Committee Assistant

Witnesses Present: Fred Neal, Intergovernmental Relations Officer

Bob Cantine, Association of Oregon Counties (AOC)

Denise McPhail, Portland General Electric

B.J. Smith, League of Oregon Cities (LOC)

John Miller, Representing the Small Farmers of Oregon

David Carmichael, Attorney Eugene, Oregon

TAPE 110. SIDE A

005 CHAIR CEASE called the meeting to order at 1:07 and conducted administrative business.

WORK SESSION - 1185

024 FRED NEAL presented proposed amendments SB 1185-5. EXHIBIT 1

031 FRED NEAL explained the difference between SB 1185-5 (Exhibit 1) and SB 118 5-4 (EXHIBIT 2). The changes were addressed section by section in the bill. EXHIBIT 1 and 2

085 SEN. DUKES clarified there will be a meeting called by the county or designee and every district is required to come and file an inventory or the district cannot have a levy.

105 SEN. DUKES asked if the units can amend the plan.

110 FRED NEAL referred to Exhibit 1, Page 1 that the units can decide to bind together within a particular county.

These minutes paraphrase and/or summarize statements made during this meetings. Text enclosed in quotation marks reports the speakers exact words. For complete context of proceedings, please refer to the tape recording.

Senate Committee on

Revenue and School Finance

April 12, 1991 Page 2

115 Discussion follows regarding disagreement among the representatives at the county meeting. Reference is made to the public hearing of the taxing district. An example district is used to explain the process. It was noted that if a levy is taking money from another district that information must be stated on the ballot.

160 SEN. DUKES questioned who was staffing the joint county meeting. Reference is made to the reason for having the meeting.

190 Discussion follows regarding the joint county meeting.

201 SEN. DUKES asked how much and who was going to pay for the county meeting and that would be a factor in deciding if having a county meeting was necessary.

213 FRED NEAL referred to Section 5 dealing with the financial needs inventory.

219 Discussion follows regarding the process of the tax coordination plan and putting together the financial needs inventory. Reference is made to the cost involved.

234 BOB CANTINE explained it is not a policy plan but more of a document reflecting an inventory of information which is available to the public. It was clarified that the process is prior to the local units budgetary process and does not reflect what will come out of any unit of local government.

248 FRED NEAL pointed out this is for only two years during the implementation of Measure 5. Discussion follows.

262 BOB CANTINE indicated the AOC would prefer not to have SB 1185 but would not oppose it.

268 FRED NEAL explained Multnomah County already has a tax supervising conservation commission who already does what would be required in SB 1185.

277 B.J. SMITH explained the process involved in deciding there should be a Legislative decision requiring districts to meet for tax coordination. Reference was made to the concern of the Legislation detracting from the autonomy and responsibility of the elected officials.

320 SEN. DUKES asked if the cities were willing to share the cost of the meetings.

330 B.J. SMITH responded everyone should put forth effort including cities.

335 SEN. SMITH supported the concept of the bill to get the districts to sit down and work on tax coordination.

These minutes paraphrase and/or summarize statements made during this meetings. Text enclosed in quotation marks reports the speakers exact words. For complete context of proceedings, please refer to the tape recording.

Senate Committee on  
Revenue and School Finance  
April 12, 1991 Page 3

370 MOTION SEN. SMITH moved to amend SB 1185 with SB 1185-5 amendments (LC 3957) dated 4/10/91. EXHIBIT 1

375 ORDER There being no objection, CHAIR CEASE so ordered.

378 MOTION SEN. SMITH moved SB 1185 as amended to the Senate

floor

with a do pass recommendation.

380 DISCUSSION

395 VOTE In a roll call vote the motion was adopted (6-0). AYES: Senators: Gold, Grensky, McCoy, Smith, Dukes, Cease. Senator Brennehan was excused. Senator Smith will carry the bill to the Senate floor.

417 CHAIR CEASE conducted administrative business regarding the progress of SB 814.

425 SEN. GRENSKY commented on the density factor in the proposed transportation formula in SB 814 as being backwards indicating the more spread out districts would be worse off than under the current funding system. The request was to look into the issue.

TAPE 111 SIDE A

WORK SESSION HB 2550-A INVITED TESTIMONY

020 JOHN MILLER testified that land use is a threat to the small farmer and the proposed exclusion from the limitation on taxes for agricultural lands would be a disaster for agriculture as well as the land use system. Testimony also opposed the change in the capitalization rate proposed by the assessors.

045 JOHN MILLER supported Section 116 and 117 HB 2550-A which preserves the special assessment system for farm land. Reference is made to the implications that farmers abuse the tax system and HB 3345 and HB 3484 are bills providing standards for farm land income which would curb abuses.

075 JOHN MILLER explained that if the limits on Measure 5 are not applied to agricultural lands then an incentive would be provided for the urban or county interest to increase the agriculture taxes which would force the farmer to do something else with the farm land. The proposed capitalization rate would double the taxes paid by farms resulting in a decline in the

real value of farms.

098 CHAIR CEASE questioned the assessors proposal to change the capitalization rate would deal with specially assessed property.

099 JOHN MILLER felt this was a trick to increase farm land taxation. The farmers are not concerned with decreasing taxes but do not want a massive increase of taxes.

These minutes paraphrase and/or summarize statements made during this meetings. Text enclosed in quotation marks reports the speakers exact words. For complete context of proceedings, please refer to the tape recording.

Senate Committee on  
Revenue and School Finance

April 12, 1991 Page 4

113 SEN. DUKES commented on the idea "taxation without representation" with areas having large population within the incorporated city limits already at the limit while a smaller number of people (farmers) within the district are not yet at the limit. The urban area can vote in a levy which would not increase their taxes because of the limit but the smaller community in the districts would have tax increase. The farm tax deferral is good but the issue of shifting taxes is not good.

161 Discussion follows regarding hobby farms.

208 SEN. SMITH discussed that Measure 5 places taxes on real market value rather than special assessment value and asked why the special assessment should continue for farmers.

226 JOHN MILLER responded by giving an historical overview of establishing the special assessment which was to keep farmers farming.

259 SEN. SMITH commented on the current system in which farmers are subsidized by other taxpayers and now with Measure 5 there is a limit for everyone. If taxes are based on the current assessed value rather than the real market value the school taxes will be reduced an additional 60 percent. What will be the impact on basing the taxes on the value of the land rather than on an artificial assessed value?

287 JOHN MILLER explained the value of farm land has declined and this would further lower the land value which is determined by the farm's earning value. The economy of the farmer would be greatly impacted.

326 SEN. GOLD commented on the concerns of all special programs are impacted by Measure 5 and two programs (farm deferral and timber) are singled out in HB 2550-A. The question is why should those two be singled out and not consider other special programs.

360 JOHN MILLER responded with the increase of some taxpayers so another will not have a rise in taxes.

380 SEN. GOLD explained what is done by the committee will impact others and the decision will be on the most equitable.

393 SEN. DUKES referred to the special farms assessment which works well. Now many taxpayers will have taxes go up because of not being under the Measure 5 limit. The Farm Bureau is saying it is okay for the neighbor's taxes to go up as long as the farmers does not.

TAPB 110 SIDE

B

029 SEN. DUKES pointed out that the agricultural community is now asking for a special Measure 5 limitation in addition to the special assessment. Assessments should not be limited on farms if others have to pick up the slack.

040 JOHN MILLER clarified Measure 5 would not cause an increase in taxes for farmers but the assessors proposal could lead to a doubling

-

These minuter, paraphrase and/or summarize statements made during this meetings. Text enclosed in quotation marks reports the speakers exact words. For complete context of proceedings, please refer to the tape

recording.  
Senate Committee on  
Revenue and School Finance  
April 12, 1991 Page 5

in taxes because of the different way in calculating the formula.  
Discussion follows.

052 JOHN MILLER continued discussing the impact of Measure 5 on the farmer's taxation system.

076 Former Mayor of Salem, Sue Miller was welcomed by the committee.

085 DENISE MCPHAIL read prepared testimony. EXHIBIT 3

130 SEN. SMITH commented if money does not go through the Public Utility Commission (PUC) to the rate payers then it goes into the General Fund to finance services to the rate payers.

140 DENISE MCPHAIL referred to a survey asking what revenue sources would taxpayers make up under Measure 5 and six percent supported a surcharge on utility tax which means taxpayers do not want to see an increase in utility bills.

161 SEN. SMITH clarified the discussion was related to a further reduction in utility bills. Discussion follows.

169 DENISE MCPHAIL presented proposed changes in HB 2550-A, Section 215, Page 106. EXHIBIT 3, Page 5.

181 CHAIR CEASE explained that any proposed amendments need to be presented to the Legislative Revenue staff.

188 DENISE MCPHAIL presented another change in Section 154 of HB 2550A. EXHIBIT 3, Page 6

213 DAVID CARMICHAEL discussed concerns on the proposed phasing out of the two year window of supervisory authority repeal. An historical overview was presented on the normal appeal process and the extraordinary system which is the supervisory authority repeal. An outline of testimony was presented dealing with supervisory authority in Section 32, Page 19 of HB 2550-A. EXHIBIT 4

253 DAVID CARMICHAEL referred to a handout by AOC dealing with proposed changes of supervisory authority. EXHIBIT 5, Page 4

307 DAVID CARMICHAEL discussed there is more to supervisory authority than providing gross error. Other advantages of supervisory authority is presented in EXHIBIT 4.

330 It was clarified that supervisory authority is the same as supervisory appeal.

332 SEN. DUKES asked if there is any other way to appeal the things listed in Exhibit 4 with the new appeals process.

These minutes paraphrase and/or summarize statements made during this meetings. Text enclosed in quotation marks reports the speakers exact words. For complete context of proceedings, please refer to the tape recording.

Senate Committee on  
Revenue and School Finance  
April 12, 1991 Page 6

350 DAVID CARMICHAEL explained that once the current Board of Equalization filing deadline has passed, the taxpayer would not be able to appeal and get to market value.

357 DAVID CARMICHAEL referred to EXHIBIT 4, Page 2 which gives a timeline depicting the history of supervisory authority.

408 DAVID CARMICHAEL presented a 1985 court ruling finding the DOR administrative rule to be void because the definition of gross error was not clear although the intent is present. EXHIBIT 4, Page 3

TAPE 111, SIDE B

015 DAVID CARMICHAEL pointed out that the proposed phase out of the supervisory authority has nothing to do with Ballot Measure 5. A letter is presented from a county assessor questioning the repeal of gross error. Reference is made to being a notice issue. EXHIBIT 4

057 DAVID CARMICHAEL discussed the declining value appeal and the taxpayer will have to show a change in value between July 1 and June 30. The supervisory appeal allows the taxpayer to get to market value.

087 DAVID CARMICHAEL presented a sample appeal which was helped by the supervisory appeal. EXHIBIT 4, Page 7

104 DAVID CARMICHAEL commented on the potential revenue risk because the appeal period involves the two prior years. Summaries of the property tax collection for Multnomah and Marion County were presented illustrating there is no revenue risk. It is important that the Legislature does not appeal rights that existed before Measure 5. EXHIBIT 4, Pages 8-9

135 SEN. DUKES commented on basic assumptions that gross error will be most frequently used by large industry because of possible overestimation. HB 255 0-A provides the assessed or appraised value on the tax statement with the availability to appeal. Gross error allows going back three years which the average taxpayer can not do so the question is why is it necessary. There seems to be discrepancy between the average taxpayer and the person likely to use gross error.

210 DAVID CARMICHAEL explained gross error has a provision which says this appeal would not be available for anyone who has received a value change notice that was nonresidential. The 1987 statute limits the gross error appeal to residential property in the event value change notice was sent.

234 Discussion follows regarding taxpayers surprise with a value notice.

315 B.J. SMITH presented prepared testimony. EXHIBIT 6

These minutes paraphrase and/or summarize statements made during this meetings. Text enclosed in quotation marks reports the speakers exact words. For complete context of proceedings, please refer to the tape recording.

Senate Committee on

Revenue and School Finance

April 12, 1991 Page 7

TAPE 112 SIDE A

000 B.J. SMITH continued reading prepared testimony containing recommendations for proposed amendments to HB 2550-A. Discussion and questions are interspersed. EXHIBIT 6

089 CHAIR CEASE conducted administrative business and adjourned the meeting at 3:07.

Mary Ann Zimmermann , Committee Assistant

Kimberly Taylor, Office Manager

EXHIBIT SUMMARY

1. Proposed Amendments SB 1185-5, 4/10/91, LOC, SB 1185
2. Proposed Amendments SB 1185-4 (LC 3957), LOC, 4/9/91 (See Exhibit 4 from Senate Revenue Meeting 4/9/91 - SB 1185)
3. Written Testimony, PGE, 4/12/91 - HB 2550-A
4. Written Testimony, David Carmichael, 4/12/91 - HB 2550-A
5. Written Testimony, HB 2550-A Issues, AOC, 4/5/91 - HB 2550-A (See Exhibit 3 from Senate Revenue Meeting 4/5/91 - HB 2550-A)
6. Written Testimony, LOC, 4/12/91 - HB 2550-A

These minutes paraphrase and/or summarize statements made during this meetings. Text enclosed in quotation marks reports the speakers exact words. For complete context of proceedings, please refer to the tape recording.