

Tapes115-116, (A\B)

Work Session: HB 2550-A

SENATE COMMITTEE ON REVENUE AND SCHOOL FINANCE

April 16, 1991 1:00 PM Hearing Room A State Capitol Building

Members Present: Senator Jane Cease, Chair

Senator Joan Dukes, Vice Chair (arrived 1:20)

Senator John Brenneman

Senator Ron Grensky (departed 2:52)

Senator Bill McCoy (departed 2:40)

Members Excused: Senator Shirley Gold

Senator Tricia Smith

Staff Present: Jim Scherzinger, Legislative Revenue Officer

Mary Ann Zimmermann, Committee Assistant

Witnesses Present: Kim Worrell, Association of Oregon Counties AOC

Gary Carlson, Association of Oregon Industries AOI Jim Kenney, Department of Revenue DOR

TAPE 115. SIDE

A

005 CHAIR CEASE called the meeting to order at 1:19 and conducted administrative business.

WORK SESSION - HB 2550-A

020 JIM SCHERZINGER presented a list of issues in HB 2550A. EXHIBIT 1

030 JIM SCHERZINGER discussed Section 210, Page 103 dealing with definitions.

040 Discussion follows regarding definitions. Reference is made to bonded indebtedness.

045 JIM SCHERZINGER discussed two other issues relevant to HB 2550-A are being dealt in other bills: HB 2609 deals with urban renewal and HB 3048 deals with reform of the bonding statutes. Discussion follows.

077 SEN. DUKES questioned the definitions of "actual cost", Page 103.

090 JIM SCHERZINGER explained "actual cost" relate to the exceptions in Measure 5 for the assessments of local improvements and incurred charges and does not relate to bonded indebtedness.

105 SEN. DUKES clarified actual cost to undertake a capital construction project would not be subject to Measure 5 limits.

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110 CHAIR CEASE pointed out that incurred charges can be controlled or avoided by the property owner, while the other are uncontrolled charges of the taxpayers which have to be paid as a direct consequence of owning property.

130 JIM SCHERZINGER presented the timing in HB 2550-A which involves two main issues one being the overall schedule timing of the system and the time crunch of the assessors for filing personal property returns with a proposal of moving the date.

179 JIM SCHERZINGER presented timelines to discuss the options involved with the timing issue. Discussion deals with the timeline under current law including the current appeals process. EXHIBIT 2

206 CHAIR CEASE questioned the law about the date a bill is sent.

209 JIM SCHERZINGER responded the roll has to be turned over to the tax collector by October 15 giving the taxpayer fifteen business days prior to November 15 in order to receive the three percent discount.

220 SEN. DUKES is interested in moving the date back two weeks making the

due date the end of November.

225 JIM SCHERZINGER explained the gross error appeal process by the DOR.

260 JIM SCHERZINGER referred to the timeline in HB 2550-A (EXHIBIT 1, Page 4) explaining the difference between HB 2550-A and current law, including moving the assessment date to July 1 and how the appeals process takes place after the tax bill is received. Reference is made to the gross error appeal remaining the same.

331 CHAIR CEASE questioned when the gross error appeal was instituted.

340 JIM SCHERZINGER explained the gross error appeal cannot be used on non residential property that has received a value notice. Reference was made to the decision in 1985 and 1987.

359 SEN. GRENSKY clarified the value notice goes out with the bill in late October according to HB 2550-A.

373 Discussion follows regarding the appeal process in HB 2550-A. It was noted there is less time to appeal under current law than in HB 2550-A.

388 Discussion follows regarding the 3 percent discount if there is an appeal and a rebate if the appeal is won.

410 JIM SCHERZINGER addressed the House Committee's discussion of the taxpayer not paying before an appeal. Discussion follows.

431 SEN. GRENSKY raised the point of taxpayers feeling penalized in appealing.

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TAPE 116 SIDE A

014 CHAIR CEASE questioned the necessity of the gross errors appeal process at the same time as the other appeal process.

020 Discussion follows regarding the gross error.

034 SEN. DUKES pointed out the unsegregated fund will be smaller this year and the assumption is there will be more appeals because it is being addressed at the time people receive tax bill. Also property taxpayers are expecting to get property tax relief from Measure 5.

055 CHAIR CEASE wanted to readdress the appeals process.

058 JIM SCHERZINGER explained two other timeline options that was under consideration in House Revenue Committee. One timeline is the first House Committee version of HB 2550 and the differences between this timeline and HB 2550-A were discussed. EXHIBIT 2, Page 3

084 JIM SCHERZINGER discussed the other timeline option labeled Early Appeal Proposal. EXHIBIT 2, Page 2

112 CHAIR CEASE commented on supporting the process of the value notice going out with the bill.

120 JIM SCHERZINGER pointed out the January 1 identification date which is not depicted in the chart.

124 JIM SCHERZINGER explained the legal argument is the value needs to be determined during the current tax year which does not need to be used to determine the tax but to determine the limit. Discussion in the House Committee led to the decision to use real market value to impose the limit and calculate the tax and move the identification and value date to July 1.

153 Discussion follows regarding the decision in the House Committee. Reference is made to tax payments made through an escrow account.

178 Discussion follows on maintaining the July 1 assessment date.

180 CONSENSUS CHAIR CEASE asked if there were any objections to keeping the July 1 assessment date.

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

190 Discussion follows regarding the agenda before the committee.

215 JIM SCHERZINGER presented a chart dealing with the personal and industrial property returns found in Section 108, Page 56-57 of HB 2550A. Discussion compared current law with what is found in HB 2550A. Reference is made to the assessors proposal to change the file return date July 15 instead of August 1. EXHIBIT 3

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297 SEN. DUKES questioned the proposal to change the assessment date.

298 GARY CARLSON responded the fifteen days turn-around is unrealistically short and more time is needed. It was clarified that the assessors proposal is to start the process two weeks earlier.

310 Discussion follows regarding the change of the return date.

330 SEN. GRENSKY questioned the date of identifying the personal property on the tax return and when it is currently filed. Discussion follows regarding the time period involved in filing returns with reference to businesses.

358 JIM SCHERZINGER clarified that July 1 is the date to determine what is taxable and HB 2550-A allows until August 1 to file the return with a possible thirty day extension. Current law has January 1 as the assessment date with March 3 being the filing date. The concern of the assessors is the time compression under HB 2550-A.

379 KIM WORRELL discussed the time compression before the county assessors in HB 2550-A.

TAPE 115 SIDE

B

009 SEN. GRENSKY asked if the July 1 date for identifying personal property could be changed. Discussion follows.

013 JIM SCHERZINGER explained much of the property is real property and not just personal property. Reference is made to a possible June 1 identification date.

018 GARY CARLSON explained the June 1 date would involve making estimates for the month of June which was not desirable.

024 KIM WORRELL discussed the main problem will be with large industries which will have movement of equipment around July 1.

033 SEN. DUKES asked why the entire process could not be moved to June 1 instead of July 1.

040 KIM WORRELL explained changing the assessment date for personal property creates more problems than real property which does not change that often. Potential problems could occur with the identification date of June 1 and the assessment date of July 1.

047 SEN. DUKES asked if the July 1 date for personal property as well as real property couldn't be change.

049 Discussion follows regarding changing the date to June 1.

061 GARY CARLSON explained there would be two returns (personal and real) instead of one for industrial taxpayers.

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070 SEN. GRENSKY referred to the assessors request for two more weeks and raised the question of who will have the greater burden, the assessors or the businesses. Sen. Grensky voiced concern in having two different filing dates.

090 JIM KENNEY discussed the assessors wanted the extra two weeks to process the personal property value before the bill is mailed. Historically about 90 percent of the personal property has no changes from year to year and the personal property form could be mailed out early.

114 SEN. GRENSKY asked if the 30-day extension is acceptable to the businesses.

118 GARY CARLSON responded the 30-day extension would be helpful.

122 Discussion follows regarding the timeline for businesses to file returns. Reference was made to the criteria for granting a 30 day extension to businesses.

149 JIM SCHERZINGER explained HB 2550-A gives the 30-day extension by rule of the DOR.

153 JIM KENNEY discussed the criteria for obtaining an extension with reference to Line 12, Page 57 in HB 2550-A.

169 JIM SCHERZINGER explained businesses would receive an extension "for good cause".

176 JIM KENNEY clarified that each county assessor establishes the criteria for an extension and there is no department rule.

183 SEN. DUKES asked if there could be a department rule to determine the criteria since there is a shorter timeline.

187 GARY CARLSON feels the language in HB 2550-A is okay for larger businesses but the bulk of the accounts (90%) will not be eligible for a 60 day return date. It was suggested to have a three week from July 1 deadline with a two week extension up to the county assessor to decide with a specification that the return must be sent to the tax payers no later than June 1.

204 Discussion follows regarding the suggestion by Mr. Carlson. Discussion also includes a department rule for extension.

225 KIM WORRELL explained that currently the extension process is relatively automatic.

237 SEN. GRENSKY supported moving the date back two weeks for the assessors, also the extension process for those taxpayers in a hardship situation, but the concern is the flexibility factor of 36 counties coming up with their own criteria for granting the extension.

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247 Discussion follows regarding the identification date and the date the return has to be in. Reference is made to the rule criteria for an extension.

324 KIM WORRELL referred to a process of a business just reporting personal property that has been deleted and added since the prior year which would make the process easier.

343 CHAIR CEASE discussed drafting an amendment of the July 15 date with a 30 day extension and the form must be out by June 1 and the DOR include a rule for uniformity.

358 Discussion follows regarding the process of a business reporting the change in personal property presented by Mr. Worrell. Reference is made to what is necessary to develop the program. Discussion follows.

TAPE 116 SIDE B

002 JIM SCHERZINGER presented an overview of the appeals issues listed in EXHIBIT 1. Reference is made to the unions feeling the appeals process is too long and the proposal by AOC to phase out the two year rollback of the supervisory appeal.

012 JIM SCHERZINGER explained the quarter of 1 percent issue under current law with the smaller amount of the uncontested value used to calculate the tax rates which tend to make the rate higher. The change in HB 2550-A was discussed with the process remaining the same for utilities but not for large industry because the appeal process does not begin until after tax bill is sent so there is no way to hold value off the roll. AOC and AOI propose the development of some process allowing that to happen for large industrial property.

044 SEN. DUKES clarified the appeal process and asked if the amount of money being challenged is not put on the tax statement then the tax rate is raised. If the appeal is lost the taxpayer cannot retrieve the money lost because of the increased rate.

061 JIM SCHERZINGER explained that if a taxpayer is over the Measure 5 limits the taking value off the roll reduces revenue to the local districts. If the assessor wins the case there will be more revenue and if the case is lost there will be less for those over the Measure 5 limit. Discussion follows regarding districts under the Measure 5 limit.

084 SEN. DUKES questioned districts being pushed over the Measure 5 limit if it is held on the roll causing a rise in tax rates.

093 Reference is made to AOI and AOC requesting not taxing for the amount that is being challenged for appeal.

102 CHAIR CEASE conducted administrative business and adjourned the meeting at 2:54.

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Mary Zimmermann, Committee Assistant

Kimberly Taylor, Office Manager

EXHIBIT SUMMARY

1. HB 2550-A Issues, LRO, 4/16/91 - HB 2550-A
2. Timeline Packet, LRO, 4/16/91 - HB 2550-A
3. Blackboard Illustration, 4/16/91 - HB 2550-A

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