

Tapes 1 17-1 18, (A\B)  
Work Session: HB 2550-A  
SENATE COMMITTEE ON REVENUE AND SCHOOL FINANCE

April 17, 1991 1:00 PM Hearing Room A State Capitol Building

Members Present: Senator Jane Cease, Chair Senator Joan Dukes, Vice Chair  
Senator John Brennehan (departed 2:40) Senator Ron Grensky {departed 2:55}  
Senator Bill McCoy

Members Excused: Senator Shirley Gold Senator Tricia Smith

Staff Present: Jim Scherzinger, Legislative Revenue Officer

Mary Ann Zimmermann, Committee Assistant

Witnesses Present: Jim Kenney, Department of Revenue DOR

Kim Worrell, Association of Oregon Counties (AOC) Gary Carlson, Associated  
Oregon Industries (AOI)

Gil Riddell, AOC

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

TAPE 117 SIDE A

005 CHAIR CEASE called the meeting to order at 1:14 and conducted  
administrative business.

WORK SESSION - HB 2550-A

021 JIM KENNEY presented a copy of the new tax statement that would be sent  
out with the new Constitutional provisions including the HB 2550-A  
provision of the value change notice to be included with the tax statement.  
The significant things to notice will be highlighted in red. The statement  
will include comparison of the new valuation with the prior year. It was  
pointed out that the sample statement contains all possible scenarios  
including the appeal rights and the taxing district detail broken down to  
include the Measure 5 tax limitation. EXHIBIT 1

055 JIM KENNEY continued explaining EXHIBIT 1. Discussion and questions are  
interspersed.

070 SEN. GRENSKY pointed out enlarging the words "property tax reduction".  
Discussion follows.

080 JIM SCHERZINGER commented a grand total will be included in the  
statement which is not on the example.

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meetings. Text enclosed in quotation marks reports the speakers exact  
words. For complete context of proceedings, please refer to the tape  
recording.

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090 Discussion and questions follow regarding the sample tax statement.  
EXHIBIT 1

199 JIM SCHERZINGER referred to a list of HB 2550A issues. EXHIBIT 2

225 JIM SCHERZINGER discussed Section 32 in HB 2550-A dealing with  
supervisory appeals.

239 JIM SCHERZINGER presented a copy of the DOR administrative rule dealing  
with supervisory appeal and discussed the changes that can be found in  
Section 32, Page 19-20 in HB 2550-A. EXHIBIT 3

320 JIM SCHERZINGER continued addressing the supervisory appeals process in  
Section 32, Page 20 of HB 2550-A. Reference is made to gross error. It was  
noted there is no policy change on gross error in HB 2550A but there are  
proposals before the committee to make a change. The definition of gross  
error is included.

406 JIM SCHERZINGER discussed the rules from the DOR dealing with  
supervisory authority. EXHIBIT 3

TAPE 118 SIDE

A

006 JIM SCHERZINGER discussed the proposal from AOC regarding the phase out of the two year rollback regarding supervisory appeals.  
016 GIL RIDDELL pointed out the issue was to deal with only phasing out gross error appeal.  
022 SEN. GRENSKY asked why the 2-year roll back has received such notice.  
026 GIL RIDDELL explained why the gross error appeals is no longer necessary and AOC feels that taxpayers will receive adequate notice for appeal and payment for the reachHB ack comes out of current collections which will decrease due to Measure 5.  
044 SEN. GRENSKY explained then there will be no gross error appeal.  
055 GIL RIDDELL responded a person could have an opinion from a realtor to make an appeal. The act of filing the appeal creates workload.  
077 JIM KENNEY explained the written opinion gets the person in the door but more definitive evidence is required before winning an appeal. A hearing will be held on the appeal with pressure placed on the assessor. The number of appeals filed each year under supervisory is about 1000 per year with the larger portion dealing with gross errors.  
109 SEN. GRENSKY asked why gross error appeal was left in HB 2550-A.  
114 JIM SCHERZINGER explained gross error was put back into HB 2550-A because the House did not want to change the current appeal process.

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124 SEN. GRENSKY felt one right to appeal is enough but would support leaving in gross error with the two year reach back.  
136 SEN. DUKES asked what involvement the county assessor has in the direct appeal to DOR.  
148 JIM KENNEY explained the assessor must make a report defending the appraisal.  
165 CHAIR CEASE recessed the meeting at 1:56 and reconvened at 2:01.  
173 CHAIR CEASE felt the committee was in favor of removing the supervisory appeal from the bill.  
178 CONSENSUS CHAIR CEASE asked if there was objection to remove the supervisory appeal from HB 2550-A and restoring the original, unengrossed language in Section 32, Page 19-20 of HB 2550  
180 ORDER There being no objection, CHAIR CEASE so ordered.  
191 CHAIR CEASE announced the meeting was in a subcommittee at 2:03 until a quorum was reached at 2:07.  
200 JIM SCHERZINGER referred to Section 83 of HB 2550-A dealing with 1/4 of 1 percent property explaining the current law. The condition is an appeal has to be made prior to the tax roll being certified to the collector and in HB 2550-A the only provision for that appeal process is for utilities in Section 154, Page 77-78. The process of a proposed assessment for utilities was addressed. An appeal process for large industrial properties is needed prior to the roll being turned.  
259 JIM KENNEY felt the DOR could not find an efficient way to develop an early appeal on industrial property. AOC requested a change in the refund portion to trigger on the same basis as the 1/4 of 1 percent.  
272 KIM WORRELL requested a mechanism to appeal before the September 25 date when assessors have to certify values to joint counties that would trigger the quarter of one percent.  
298 Discussion follows regarding the current use of the 1/4 of 1 percent appeal and the possibility of an early notification for the larger industries under HB 2550-A  
332 JIM KENNEY explained the difficulty in an early notification because

the real property returns are not received until August 31.  
A possible change in when the real property returns were received was discussed.

359 CHAIR CEASE suggested AOC and AOI work out the details of an earlier timeline on real property returns with the Department of Revenue.

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371 GARY CARLSON discussed the difficulty of the timeframe involved.

376 Discussion follows dealing with the impossibility of extending the 1/4 of 1 percent to large industrial properties.

TAPE 117 SIDE

B

000 JIM SCHERZINGER addressed the next issue under appeals listed in Exhibit 2 which deals with refunds. Measure 5 will probably create more refunds since appeals take place after the bills go out. HB 2550A in Section 265, Page 132 offers various procedures for refunds.

Discussion follows regarding the setting aside of money to pay for a potential refund after the end of the year for large properties.

020 JIM SCHERZINGER explained Section 266 which permits a county to maintain a refund reserve account for any size property.

043 JIM SCHERZINGER read the new language in Section 260, Page 130.

076 JIM SCHERZINGER discussed the proposals before the committee is to change the mechanism to say 1/4 of 1 percent up to \$250,000. AOI also proposed to change the wording assuring it only applied to a single taxpayer.

092 CHAIR CEASE asked what would be the affect of the proposed changes.

104 GARY CARLSON explained the wording in HB 2550-A imply the possible grouping of appeals. Reference is made to a railroad litigation in which several railroads were involved. The language in the bill seems to be grouping taxpayers into one order for purposes of allowing the five year payback.

131 JIM KENNEY explained the only possible time the property owners would be grouped if the appeal dealt with a single issue on a general adjustment. Normally a separate order is sent out for each taxpayer. Questions are interspersed.

148 SEN. DUKES questioned a cooperative mill which wanted to challenge the appraisal but is owned by 350 people. It was clarified that would be a single appeal because it is a single tax bill.

163 GIL RIDDELL explained the refund would be with interest providing a strong incentive for the county governing body not to use it. Discussion and questions are interspersed.

179 SEN. DUKES questioned what would be the problem to change the language suggested by AOI. -

181 JIM KENNEY explained there is an amendment being worked on in this Section 260 and the language could be addressed.

189 GIL RIDDELL explained AOC could work with the DOR on new language.

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196 CHAIR CEASE asked AOC and AOI to work with the DOR and bring new language back to the Committee.  
200 GARY CARLSON suggested allowing an appeal under hardship for an immediate refund rather than a five year payback.  
208 JIM KENNEY pointed out an amendment the DOR would like to see is on Page 130 by substituting "not more than" for the word "over".  
223 JIM SCHERZINGER discussed a blackboard illustration depicting refund amounts that would trigger the five year provision. EXHIBIT 4  
248 SEN. DUKES questioned where the reserve accounts in Section 265 and 266 came from.  
257 JIM SCHERZINGER explained the money will come from the unsegregated tax account which is the way the current system operates.  
270 SEN. DUKES pointed out that some districts are going to get smaller in terms of taxing ability and don't want anyone to pay more than their fair share.  
284 JIM SCHERZINGER clarified the account is shared in proportion to the levies by all the districts in the county.  
293 JIM SCHERZINGER explained the clarifying amendment, with reference to appeals, presented by LOC dealing with when Measure 5 applies to particular tax or charge.  
320 B.J. SMITH presented proposed amendments to HB 2550-A which deals with the appeals process to challenge the characterization of whether a fee, charge, assessment, or tax is subject to the limits of Measure 5 dealing with the assessment for local improvements. The proposed change was discussed. EXHIBIT 5  
357 CHAIR CEASE clarified the change and did not see any objection to have the language drafted.  
378 B.J. SMITH explained the second proposed amendment. EXHIBIT 5  
394 JIM SCHERZINGER clarified the intent of LOC is to say the newspaper notice is not required if individual notice is not given.  
400 CHAIR CEASE conducted administrative business and adjourned the meeting at 2:44.

Mary Ann Zimmermann, Committee  
Assistant

Kimberly Taylor, Office Manager

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EXHIBIT SUMMARY

1. Sample Tax Statement, DOR, 4/17/91 - HB 2550-A
2. HB 2550A Issues, LRO, 4/17/91 - HB 2550-A
3. DOR Rules Supervisory Authority, LRO, 4/17/91 - HB 2550-A
4. Blackboard Illustration, LRO, 4/17/91 - HB 2550-A
5. Proposed Amendments, LOC, 4/17/91 - HB 2550-A
6. Oregon Economic Indicators, 4/17/91 - Reading Material

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