

Tapes123-124, (A\B)

- Work Session: HB 2550-A

SENATE COMMITTEE ON REVENUE AND SCHOOL FINANCE

April 22, 1991 1:00 PM Hearing Room A State Capitol Building

Members Present: Senator Jane Cease, Chair

Senator Joan Dukes, Vice Chair (arrived 1:24)

Senator John Brenneman

Senator Shirley Gold (arrived 1:20)

Senator Ron Grensky (arrived 1:25, departed 1:55)

Senator Bill McCoy

Senator Tricia Smith

Staff Present: Jim Scherzinger, Legislative Revenue Officer

Mary Ann Zimmermann, Committee Assistant

Witnesses Present: Jim Wilcox, Department of Revenue DOR

Kim Worrell, Association of Oregon Counties AOC

TAPE 123. SIDE A

.
005 CHAIR CEASE called the meeting to order at 1:17 and conducted administrative business. Members of OSEA were welcomed along with students from Napa, Oregon.

WORK SESSION - HB 2550-

A

048 JIM SCHERZINGER discussed the urban renewal bill HB 2609. Measure 5 puts urban renewal in the position of either giving up the concept of urban renewal (holding value off the tax roll for urban renewal use) or discontinue urban renewal. HB 2609 imposes urban renewal taxes on all taxpayers in the creating city or county which gives schools and other districts access to that increment value (excess in urban renewal).

080 SEN. SMITH asked where the districts get the tax increment or revenue.

083 JIM SCHERZINGER explained the taxes are imposed on all taxpayers in the city or county outside of the Measure 5 limitation and compete with any other non-school levy.

090 SEN. SMITH commented that HB 2609 removes the idea of tax increment financing and sets it up as another taxing jurisdiction within the city or county.

094 JIM SCHERZINGER presented three differences between the urban renewal districts and regular districts: 1)they don't obtain authority in the same way as regular districts but by a mathematical calculation;

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 22, 1991

Page 2

127 SEN. MCCOY pointed out that everyone within an urban renewal district is paying a portion of the urban renewal.

137 JIM SCHERZINGER pointed out there is a difference on the total tax a property is going to pay under Measure 5 when there is a definition of who is paying for urban renewal. HB 2609 defines all the taxpayers in the city or county are going to pay for urban renewal.

148 SEN. BRENNEMAN clarified there is not a change in the total amount of tax dollars paid within the district with HB 2609.

153 JIM SCHERZINGER explained the total calculation of levying authority will not change but it does effect who pays the taxes because of the Measure 5 limitations. An example is addressed and discussion follows.

180 JIM SCHERZINGER addressed the options involving urban renewal. The second option is the original Attorney General's opinion which is the property within the urban renewal area bearing the burden. The third option is in HB 2550-A in which the taxes are carried by property within the creating city or county, and the first option found in HB 2550, the taxes are carried by everyone touching the urban renewal area.

199 SEN. DUKES asked how many cases will this push a school district up to the limit sooner for replacement purposes.

207 JIM SCHERZINGER responded the opposite will work because the school districts are under a different cap and because schools have access to the increment value, they are less likely to hit the cap and that is why the 18 million additional revenue for schools is produced in the first year.

213 JIM SCHERZINGER presented the second difference between the urban renewal and regular districts; 2) because Measure 5 exempts bonded indebtedness, then urban renewal district debt would be outside the Measure 5 limits.

245 JIM SCHERZINGER discussed the third difference; 3) the rate is not even across the city because urban renewal gets levying authority from the tax rates of all the districts in the area.

279 JIM SCHERZINGER presented the Staff Measure Summary (SMS) of HB 2609A. Reference is made to imposing bonded indebtedness outside of Measure 5 limits for urban renewal and the limitations on ability. EXHIBIT 1

300 Discussion follows regarding the capabilities of a city or county to limit the certified levy of the urban renewal district below the Measure 5 limitation.

331 JIM SCHERZINGER continued addressing the SMS of HB 2609A. EXHIBIT 1

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 22, 1991 Page 3

350 SEN. SMITH questioned existing law requiring a sunset date on the urban renewal plan.

354 JIM SCHERZINGER responded there is no current requirement in statute.

370 JIM SCHERZINGER continued addressing HB 2609-A with reference to EXHIBIT 1.

394 SEN. SMITH asked where the \$18 million in 1991-92 came from in the revenue impact analysis. EXHIBIT 3

402 JIM SCHERZINGER responded that the incurring urban renewal taxes on property within the urban renewal area causes the effective rate for schools to be very low because of small base value.

TAPE 124 SIDE

A

010 JIM SCHERZINGER discussed the creating of more school revenue.

023 Discussion follows regarding who is carrying the burden in the creation of more school revenue. Reference is made the increase of taxes outside the urban renewal district within the city.

049 SEN. DUKES clarified that the base of school districts is enlarged creating more revenue and that is also happening with cities. The excess value within the urban renewal has not been used in calculating taxes but now will be used in calculating the limit.

063 JIM SCHERZINGER explained the cities and counties are getting access to the increment but are getting more compression outside the district.

066 SEN. DUKES clarified that if an urban renewal district is within a city then the shift in taxes will stay within the city.

079 Discussion follows regarding reduction of taxes outside the urban renewal districts. Reference is made to the \$18 million dollar increase in

revenue because of the urban renewal shift but it is short term because the 18 million declines as the Measure 5 limits get lower.

107 SEN. SMITH asked if the \$18 million is coming out of the urban district.

111 JIM SCHERZINGER responded no that the burden is on the taxpayers within the creating city or county. Discussion follows.

127 JIM SCHERZINGER referred to Page 13 in the Implementation Report of Measure 5 explaining how much revenue would be raised for schools under the current system if Measure 5 did not exist. Discussion continues explaining how the \$18 million dollars creates a smaller reduction in revenue for schools due to Measure 5. EXHIBIT 4

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 22, 1991 Page 4

157 SEN. DUKES discussed the increase in taxes in Seaside.

178 JIM SCHERZINGER explained that SB 815-B has received about 22 million of the 30 million dollars (lost due to changes in offsets) because of the increased revenue from urban renewal and from Western Oregon Severance Tax (WOST).

210 Discussion follows regarding value growth and the loss of the \$30 million dollars. Reference is made to the possibility of losing the 18 million dollar revenue from urban renewal.

238 JIM SCHERZINGER continued addressing the staff measure summary explaining HB 2609A. EXHIBIT 1

258 CHAIR CEASE commented on the choice of the committee to restore urban renewal back into HB 2550-A.

270 CHAIR CEASE referred to the request of county assessors to address the issue of calculating farm value. A discussion of exemptions and partial exemptions was also addressed.

287 JIM SCHERZINGER presented a list of four identified partial exemptions in which the real market value is larger than the value on the roll with no specific identification in the property from the exempt portion and the taxable portion. Reference is made to partial exemptions basing the limit on real market value instead of specially assessed value. EXHIBIT 5

312 JIM SCHERZINGER explained the veterans exemption.

338 JIM SCHERZINGER continued addressing the Veteran's property tax exemption with reference to the Department of Revenue's information circular. Discussion and questions are interspersed. EXHIBIT 6

380 JIM SCHERZINGER reported the exemptions will reach the cap very quickly. Reference is made between partially exempt property and farm/forest property.

407 Discussion follows regarding partially exempt property with the people in rural areas not at the cap receiving the most benefit from the exemption.

TAPE 123 SIDE

B

014 JIM SCHERZINGER discussed the partial exemptions for historic property. EXHIBIT 5

022 JIM SCHERZINGER addressed the rehabilitated residential housing exemption which is an incentive to try to rehabilitate housing.

033 SEN. DUKES questioned the DOR on how much advertising is done to make taxpayers aware of the existence of partial exemptions.

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 22, 1991 Page 5

038 JIM SCHERZINGER explained there is a required notice sent to the taxpayer on down-zoned property which is in Section 112, Page 58 in HB 255 0-A.

047 JIM WILCOX discussed the process of notification to taxpayers of down-zoned property.

060 SEN. DUKES questioned the notification of taxpayers in Clatsop County when a comprehensive land use planning classification was instituted. Reference is made to the change in zone decreased the property value.

073 JIM WILCOX explained the market influence needs to be addressed because there may not be an effect in value.

083 JIM SCHERZINGER commented on the assessor lowering the value on property will trigger the down-zoning.

095 SEN. DUKES felt the taxpayers should have the option to address the issue of down-zoning which must be well advertised. Reference is also made to notifying widows of veterans.

109 JIM WILCOX explained the veteran associations are active in notifying veterans of the eligibility for partial exemptions.

115 SEN. DUKES suggested sending out the notification of the exemptions with the tax statement.

120 JIM WILCOX explained brochures are circulated to all parts of the county. Question was raised regarding the notification of veteran widows.

124 KIM WORRELL explained the majority of exemptions are widows of veterans which are notified by the veteran service officer upon the death of the veteran.

133 SEN. DUKES voiced interest in having widows notified of tax exemptions.

137 KIM WORRELL commented on the down-zoned property in Clatsop County was probably specially assessed and the county assessors do not keep a market value on specially assessed land therefore there would be no decline in market value.

140 SEN. DUKES responded the landowners in Clatsop County may be an EFU zone now but there was no thing at the time.

143 CHAIR CEASE explained the question before the committee is if parallel treatment should be addressed with partial exemption.

146 SEN. SMITH supported to address all partial exemptions and asked what the fiscal impact would be to include all partial exemptions.

These minutes paraphrase end/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 22, 1991 Page 6

151 JIM SCHERZINGER responded that the veteran's exemption was about one million dollars a year for schools at full phase in and about \$200 thousand for non schools. The other exemptions would be less.

166 SEN. SMITH questioned weighing who needs exemptions and felt widows of veterans were above major forest land holders on the list.

175 Discussion follows regarding having uniform treatment for all partial exemption property.

198 JIM SCHERZINGER addressed the penalty issue under farm and forest land which is the roll back of taxes under Measure 5. Changing the use of farm and forest land under current law was discussed followed by an explanation of HB 2550-A creating a rollback. This only applies to specially assessed property.

257 SEN. SMITH questioned the roll back process being more accurate than using the current system for a penalty in changing land use.

259 JIM SCHERZINGER discussed an historical outlook involving the difficulty is determining the true cash value on property and the conversion to the "times type" additional tax as a penalty.

279 JIM SCHERZINGER explained the penalty process in HB 2550-A by converting the additional tax into a penalty on the person who changed the land use. Reference is made to Section 246 of the bill and the language is in the process of being amended for more clarity.

328 JIM SCHERZINGER read Section 246 dealing with the penalty in changing specially assessed property creating a personal debt.

356 SEN. DUKES questioned removing small farms from the category in Section 246 .

364 JIM SCHERZINGER referred to allowance for change in small farms (hobby farms) with reference to HB 3345.

377 SEN. SMITH questioned the impact in HB 2550-A with reference to other land bills in Legislation changing land use designation.

389 JIM SCHERZINGER responded that specially assessed property does not have to be in an EFU zone as long as the income test is met. Discussion follows.

411 Discussion follows regarding changing the qualifications in farm/forest use assessment. Reference is made to special assessment continuing if a secondary land bill passes in legislation.

TAPE 124 SIDE
B

015 Discussion follows regarding specially assessed property and penalties imposed if land use changes. Reference is made to dealing with the issue in 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.

Senate Committee on
Revenue and School Finance
April 22, 1991 Page 7

029 CHAIR CEASE pointed out-that the committee wants to address the penalty issue in HB 2550-A even if done in a generic way pending the passage of other land use bills.

038 CHAIR CEASE conducted administrative business and adjourned the meeting at 2:50.

Mary Ann Zimmermann, Committee Assistant

Kimberly Taylor, Office Manager
EXHIBIT SUMMARY

1. Staff Measure Summary, LRO, 4/22/91 - HB 2609A
 2. Fiscal Analysis, LFO, 4/22/91 - HB 2609
 3. Revenue Analysis, LRO, 4/22/91 - HB 2609-A
 4. Research Report: Implementation of Measure 5, LRO, 3/25/91 - HB 2550
- 255 0 (See Exhibit 1 Senate Revenue and School Finance Meeting 4/3/91 - HB 2550)
5. Partial Exemptions, LRO, 4/22/91 - HB 2550A
 6. Veteran's Property Tax Exemption, LRO, 4/22/91 - HB 2550A
 7. Blackboard Illustration, LRO, 4/22/91 - HB 2550A

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.