

Tapes137-138, (A\B)

Work Session: HB 2550A

SENATE COMMITTEE ON REVENUE AND SCHOOL FINANCE

May 2, 1991 1:00 PM Hearing Room A State Capitol Building

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Members Present: Senator Jane Cease, Chair

Senator Joan Dukes, Vice Chair

Senator John Brenneman

Senator Shirley Gold (arrived 1:25)

Senator Ron Grensky (arrived 1:17)

Senator Bill McCoy (arrived 1:23)

Senator Tricia Smith

Staff Present: Jim Scherzinger, Legislative Revenue Officer

Mary Ann Zimmermann, Committee Assistant

Witnesses Present: Jane Myers, Oregon Forest Industries Council (OFIC)

TAPE 137. SIDE A

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

WORK SESSION - HB 2550-

A

015 CHAIR CEASE announced a working group of assessors are working on a different calculation of the capitalization rate on farm value. Also the working group is dealing with the nonfarm use income test.

030 SEN. DUKES questioned there being little difference from pulling cities out of the calculations for severance tax reduction.

038 JIM SCHERZINGER responded that is correct when pulling out all taxes within a city and only addressing the noncity. Reference is made to a list of tax rate reductions during the discussion. EXHIBIT 1

080 JIM SCHERZINGER discussed the calculation of severance rates. EXHIBIT 3

095 Discussion follows regarding the effective tax rate reductions in EXHIBIT 1 as compared with the calculation of severance rates in EXHIBIT 3 which is how the House Revenue Committee chose to calculate the severance rates.

149 JIM SCHERZINGER explained the figures during the second year are a little less than 9 percent.

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.

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156 CHAIR CEASE questioned when the timber section in HB 2550A sunsets. The response is in the middle of 1993.

167 CHAIR CEASE clarified the decision before the committee is whether to retain the timber severance tax as a privilege tax as in HB 2550A or to change it.

180 JIM SCHERZINGER referred to questions regarding the decisions in the House committee on timber severance. EXHIBIT 2

190 SEN. DUKES would like further discussion on removing the cities from the calculation of severance rates.

216 JIM SCHERZINGER addressed the four questions regarding the timber issue. EXHIBIT 2

233 JIM SCHERZINGER discussed the decisions made in the House committee dealing with the timber issues as presented in EXHIBIT 2.

260 SEN. DUKES questioned why just some of the urban taxing districts were excluded.

263 JIM SCHERZINGER responded the other options were not available at the time the House Committee discussed the proposals.

280 SEN. GRENSKY questioned the districts that were excluded by the forest industry would not experience reduction in property taxes. Reference is made to there not being much timber in the districts removed from the calculations.

296 SEN. GOLD recapped there is a sunset on the timber section of HB 2550A.
314 Discussion follows regarding the sunset of the timber issue in HB 2550A which is December 31, 1993.

333 SEN. GOLD suggested drafting an amendment directing an interim study be done on the timber issue and report back to the 67th Legislative Session with recommendations for treatment of the timber severance tax issue.

367 SEN. BRENNEMAN supported the suggestion of Sen. Gold and discussed the reasons. It was clarified to address not only severance tax but the timber taxation system during the interim.

400 SEN. SMITH agreed with Sen. Gold to include the study in the bill and suggested leaving the timber severance as a privilege tax as is in HB 255 0A.

TAPE 138 SIDE A

010 SEN. GOLD questioned the revenue and rate involved in changing the tax from a severance tax to a privilege tax.

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024 JIM SCHERZINGER discussed the reduction of taxes with reference to the research report dealing with the implementation of Measure 5, Page 10. The effect of Measure 5 without changing the severance tax to a privilege tax would be about a 30 million dollar loss to school districts the first year.
EXHIBIT 4

051 SEN. GRENSKY agreed with having an interim study but would like the study to be a working group made up of interested citizens rather than just legislators.

072 SEN. GRENSKY addressed the issue of altering Measure 5 which was not the intent of the people. Timber severance tax was proposed as something in leu of property tax and the majority of Oregonians will experience some relief and those that do not will experience increased benefits from the state in the form of additional school finance. It is a short term solution but equitable and therefore Sen. Grensky supports the House Committee's decision as in HB 2550A.

108 CHAIR CEASE voiced comfort with the House decision especially since there is a sunset and supports the interim study of timber taxation involving people from the timber industry.

119 SEN. GOLD questioned the use of the timber tax and voiced concern with regard to schools and would like to know the use of the statewide resource. The study should go beyond what timber pays but how the money is used.

137 Discussion follows regarding changing property taxes to a privilege tax. Reference is made to the intent of Measure 5 was to reduce property tax and not severance tax and given the crisis in the budget and schools not everyone can receive a tax break.

186 SEN. GRENSKY questioned the argument to rewrite Measure 5 to receive more property tax in some way. It was clarified that Measure 5 was built as a property tax limitation and should not be altered.

205 Discussion follows regarding the interpretation of Measure 5. Reference is made to the Attorney General's opinion prior to the passage of Measure 5 regarding severance tax.

249 CHAIR CEASE recapped the question before the committee is whether to retain the current treatment of severance tax.

259 Discussion follows regarding the sunset of severance tax in HB 2550A. It was clarified that the sunset dates allow the 67th Legislative Session to handle the transition period.

289 MOTION SEN. DUKES moved Sections 330 and 277 in HB 2550A be amended changing severance taxes from a 10 to an 8 percent reduction in Western Oregon and from a 13 to a 10 percent reduction in Eastern. The rates would be adjusted accordingly.
Correction: the Sections are 301 and 277.

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319 CHAIR CEASE clarified the concept of the motion.

333 SEN. DUKES explained the figures reflect the non city reduction from Measure 5 in Western and Eastern Oregon as opposed to the formula introduced by the timber industries which does include some cities.

345 Discussion follows regarding Sen. Dukes motion which is not a major reduction but more of an equity issue with the timber industry paying slightly more and the state would offset slightly less.

382 SEN. BRENNEMAN discussed the issues of forest land inside cities.

TAPE 137 SIDE B

011 JANE MYERS explained the effort of OFIC was to remove cities that would not have a significant amount of revenue raised from timber. Discussion follows regarding the taxing within cities and OFIC does not believe removing all cities would be an equitable way to handle the rates.

026 SEN. MCCOY asked for the difference in figures for the tax rate reductions.

030 JANE MYERS explained OFIC used all the tax levying districts to calculate the reductions and Legislative Staff has reconstructed tax code areas which is a consolidated tax rate.

039 Discussion follows regarding the tax rate reduction figures.

050 SEN. GRENSKY pointed out that severance tax will apply to cities even though the timber was not grown there because of the benefits from the offsets.

067 SEN. DUKES addressed the equity of who is receiving the relief and there is not as much relief going to the nonincorporated areas where the timber is being grown. Giving more relief to the timber industry is not equitable.

088 SEN. MCCOY recapped the motion to reduce the Western and Eastern relief and asked what would be the difference in relief with the change.

101 JANE MYERS responded there is little difference in relief and there is no scientific way to determine the relief until the tax assessors figure out exactly how much relief was received.

118 Discussion follows regarding the lowering of the timber tax rate reductions as moved by Sen. Dukes.

145 JIM SCHERZINGER clarified that HB 2550A has the timber tax as an offset but in the areas over the Measure 5 limit it becomes like a resource. As the Measure 5 limit drops it will become more and more like a resource.

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160 SEN. GOLD asked for an explanation by example of the effect of the motion.

166 JIM SCHERZINGER used sample figures to explain the motion.

188 It was clarified that the motion deals with what is used to determine the rate of taxation for the privilege tax. What is in HB 2550A is an average reduction of property taxes received from Measure 5. Sen. Dukes wants to use the average reduction of timber land that is outside all cities. The offset, in the motion, would be in favor of citizens in areas where commercial timber is harvested.

216 Discussion follows regarding the motion. It was pointed out that more revenue will be generated from the timber industry.

299 SEN. DUKES clarified the way HB 2550A is written the reductions will go back to the Measure 5 formula and more Oregonians will experience more tax relief the second year.

310 VOTE In a roll call vote the motion failed (2-5).

AYES:

Senators McCoy and Dukes. NAYS: Senators: Smith,
Brenneman, Gold, Grensky, Cease.

325 MOTION CHAIR CEASE moved to adopt the timber severance/
privilege tax treatment as in HB 2550A with an
additional amendment to mandate the interim

Revenue and School Finance Committee to study timber taxation
with a report back to the 67th Legislative Session. The

interim study will involve citizens from affected
industries and communities in the state.

333 SEN. MCCOY asked why other people should be included in the interim since the legislature is operating on limited funds.

347 Discussion follows regarding an interim working group. It was clarified that the members of the working group do not receive pay.

409 CHAIR CEASE recapped the motion.

430 VOTE In a roll call vote the motion passed (6-1). AYES: Senators
Brenneman, Gold, Grensky, McCoy, Dukes, Cease. NAYS: Senator Smith.

433 CHAIR CEASE conducted administrative business and adjourned the meeting at 2:40.

Mary Ann Zimmermann, Committee
Assistant
Kimberly Taylor, Office Manager

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EXHIBIT SUMMARY

1. Effective Tax Rate Reductions, LRO, 4/26/91 - HB 2550A
2. Timber Issues, LRO, 5/2/91 - HB 2550A
3. Calculation of Severance Rated, LRO, 5/2/91 - HB 2550A
4. Research Report: Implementation of Measure 5, LRO, (See Senate Revenue and School Finance Committee Minutes from 4/3/91 meeting) - HB 2550

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