

Tapes151-
154 , (A\B)
Public Hearing:
SB 440

SENATE COMMITTEE ON REVENUE AND SCHOOL FINANCE

May 14, 1991 1:00 PM Hearing Room A State Capitol Building

Members Present: Senator Jane Cease, Chair Senator Joan Dukes, Vice Chair (arrived 1:5`, departed 3:00) Senator John Brennehan Senator Shirley Gold (arrived 1:35, departed 3:00) Senator Ron Grensky (departed 3:00) Senator Bill McCoy (departed 3:00) Senator Tricia Smith (arrived 1:23, departed 3:30, returned 6:07)

Staff Present: Steve Meyer, Legislative Revenue Office
Mary Ann Zimmermann, Committee Assistant

Witnesses Present: Kim Worrell, Association of Oregon Counties (AOC) Jim Brown, Department of Revenue (DOR) Senator Lenn Hannon, District 26 Ellen Lowe, Ecumenical Ministries of Oregon Representative John Meek, District 5 David Johnson, Scottish Rite Herman Kuppler, Grand Masonic Lodge Stanley Schmidt, Grand Masonic Lodge Ted Corsones, Shriners Hospital Webber Harrington, Shriners Hospital Patti Sadowski, Shriners Hospital Wayne Kuni, Shriners Hospital Representative Margaret Carter, District 18 Art Lauback, Oregon State Grange Thurman Smith, Oregon State Grange Marc Gale, East Hill Church, Gresham Bob Castagna, Oregon Catholic Conference Mrs. Henri Dill, Shriners Hospital Chuck Faes, Al Kader Shrine Wendell Patch, Wilsonville, Oregon Jack Risner, Mt. Hood Christian Center, Gresham Tom Smart, Superintendent Salem Academy Pastor Erin Veach, First Christian Church Mill City Dan McCulloch, Seventh Day Adventist Jerry Propst, First Baptist Church Hillsboro Dorothy Churchill, Senior Centers and Public Health Nancy Hart-Fishwick, YWCA Teen Parent Program Priscilla Seaborg, United Way Allan Hunt, Rosemont School for Girls Chris Krenk, Rosemont School for Girls Daryl Hubler, Sacred Heart General Hospital

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005 CHAIR CEASE called the meeting to order at 1:15 and conducted administrative business.

INFORMATIONAL BACKGROUND ON TAX EXEMPTION

031 STEVE MEYER presented and discussed property tax exemptions using exempt value estimates. It was noted that the figures are rough estimates and not current. The exemptions are divided into four categories: exemptions to preserve the environment, to encourage or preserve business, to reserve social welfare, and "other exemptions". EXHIBIT 1

085 STEVE MEYER explained the "other exemptions" in EXHIBIT 1.

093 STEVE MEYER addressed the first category dealing with the exemptions to preserve the environment. EXHIBIT 1

105 STEVE MEYER discussed the second category in EXHIBIT 1 dealing with exemptions to encourage or preserve business.

108 STEVE MEYER described the three types of exemptions:

1) An "out right" exemption in which the property is totally exempt

(personal property);

- 2) A partial exemption with subcategories: a) special assessment
 - b) veterans exemptions in which a part of the value is subtracted
 - c) freezing the value as in historic property
- 3) The property may be exempt from a tax of a particular type of taxing district such as school property tax.

150 STEVE MEYER pointed out that exempt property may have to pay an in leu tax such as the timber severance tax.

154 STEVE MEYER continued addressing the exemptions in the second category in EXHIBIT 1 dealing with exemptions to encourage or preserve business.

166 STEVE MEYER presented the third category in EXHIBIT 1 regarding exemptions to preserve social welfare. This is the category that affects SB 440 .

175 STEVE MEYER discussed the final category in EXHIBIT 1 dealing with "other exemptions."

194 STEVE MEYER presented 1988-89 figures giving the true cash value of totally and partially tax exempt property which contain numbers for veterans exemptions. The data is broken down according to counties and the figures are what have been reported to DOR from the county assessors.

EXHIBIT 2

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230 SEN. SMITH clarified the figures in EXHIBIT 2 relate to the amount of value that tax is not paid on.

241 STEVE MEYER continued by addressing Page 2, EXHIBIT 2 dealing with exempt public property. Discussion and questions are interspersed.

266 SEN. SMITH asked if the assessors physically assess exempt property and questioned the accuracy in the figures in EXHIBIT 2.

280 STEVE MEYER responded the figures are from the assessors and how accurate they are is unknown. Reference was made to HB 2338 (assessors funding bill).

303 KIM WORRELL explained many of the figures are estimated and very outdated. HB 2338 has provided the opportunity for the assessors to update the figures but the data will not be available for 4-5 years.

326 JIM BROWN commented on the funds in HB 2338 will go down due to cutbacks from Measure 5.

341 STEVE MEYER pointed out that exempt property does not sell often so the market value is not readily available.

360 STEVE MEYER discussed Page 3, EXHIBIT 2 dealing with exempt private property. A correction was made on page 3 in that the 1990 dates should be 198 9.

390 STEVE MEYER presented a research report dealing with property tax exemptions. EXHIBIT 3

402 CHAIR CEASE asked for the earliest types of exemptions and are any particular to the state of Oregon.

410 STEVE MEYER responded that some exemptions go back to the early 1850's before Oregon became a state. Reference was made to Page 37 and 42, EXHIBIT 3 dealing with the religious and charitable organizations. Every Legislation Session since 1854 has either added or modified the exemptions.

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028 STEVE MEYER explained there is nothing unique to Oregon's property tax exemptions compared to other states.

035 STEVE MEYER continued discussing an historical overview of exempt

organizations with reference to EXHIBIT 3.

048 STEVE MEYER explained exempt property does not have to be owned but could be leased and the organization does not have to be nonprofit but the use is the determining factor for the charitable organization.

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069 STEVE MEYER presented changes that have taken place since the 1979 research report (EXHIBIT 3).

095 STEVE MEYER discussed how exempting property value did not result in loss of revenue to the taxing district before the passage of Measure 5. Now the property tax system will be rate based and there will be a loss of revenue on property at the Measure 5 limit.

125 STEVE MEYER explained SB 440 in which exempt property will have to pay for emergency services such as police and fire. The calculation of the two city rates (police/fire and other services) was addressed.

153 SEN. DUKES asked how the Measure 5 limitation would apply to each district.

157 STEVE MEYER responded the limit would still apply to each property.

165 Discussion follows regarding the effects of Measure 5 with respect to SB 440. Reference was made to SB 440 not adding taxing authority to any district.

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205 CHAIR CEASE conducted administrative business.

219 SEN. HANNON presented concerns for SB 440. If the true issue is the cost of emergency services then a group could be approached to pay for the services rather than tamper with the tax exempt system.

255 SEN. HANNON discussed how tax exempt organizations have affected his life in past years and urged the committee to table SB 440.

291 ELLEN LOWE testified in opposition of SB 440 with reference to the first amendment of the U.S. Constitution.

355 ELLEN LOWE continued addressing the value of churches to the state.

367 ELLEN LOWE addressed revenue sharing for cities with the advocacy for unrestricted funds pay for public safety services. SB 440 could alter the assignment of general fund dollars in cities and distort the historic justification for shared revenues.

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B

008 REP. MEEK testified in opposition to SB 440 because citizens would be taxed twice. Charitable organizations are a value to the citizens far more than the dollar that would be collected. Discussion continues addressing the benefits of charitable organizations.

035 REP. MEEK addressed the historical importance of establishing charitable organizations and urges the committee to table SB 440.

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070 DAVID JOHNSON read prepared testimony in opposition to SB 440. EXHIBIT 4
090 DAVID JOHNSON presented a brochure explaining the Scottish Rite of Freemasonry. EXHIBIT 5
110 HERMAN KUPPLER read prepared testimony in opposition to SB 440. EXHIBIT 6
152 STANLEY SCHMIDT read prepared testimony against SB 440. EXHIBIT 7
244 THEODORE CORSONES testified in opposition to SB 440 by reading prepared testimony. EXHIBIT 8
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000 THEODORE CORSONES continued reading EXHIBIT 8.
035 WEBBER HARRINGTON presented prepared testimony in opposition to SB 440. The testimony focused on what Shriners Hospitals for Crippled Children does for the state of Oregon. EXHIBIT 9
122 PATRICIA SADOWSKI presented facts of how the Portland Shriners Hospital works in conjunction with other medical institutions and rehabilitations centers in Oregon and the United States. EXHIBIT 10
216 WAYNE KUNI testified in opposition to SB 440 with reference to the importance of the Portland Shriners Hospital to the state of Oregon. Reference was made to the national funding of the Portland Shriners Hospital which could be moved to a neighboring state if taxes were incurred.
276 SEN. GRENSKY asked if all the states offer a nonprofit status to Shriners Hospital. The response was yes.
285 REP. CARTER testified on behalf of the church organizations in District 18 and in opposition to SB 440. Rep. Carter relayed the personal support her daughter has received from Shriners Hospital.
358 SEN. GRENSKY pointed out some nonprofit organizations do not deserve the tax exempt status.
372 REP. CARTER responded the charitable organizations that do deserve the tax exempt status should not be penalized by those that do not.
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005 ART LAUBACK testified in opposition to SB 440 by explaining the importance of the Oregon State Grange.
034 THURMAN SMITH explained the background of the Oregon State Grange with reference to the building of strong character to the people of the

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United States. Examples of charitable activities provided by the Oregon State Grange were presented.

109 ART LAUBACK pointed out a positive aspect of SB 440 is the citizens of Oregon can come together relaying the good things that are being done in the state.
120 MARC GALE read prepared testimony in opposition to SB 440. EXHIBIT 11
184 BOB CASTAGNA opposed SB 440 and addressed the public/private partnership being the gift of Catholic education to Oregon. The number of catholic schools and examples of their contributions to Oregon was addressed.
232 MRS. HENRI GILL testified in support of Shriners Hospital and in opposition to SB 440. An historical overview of her life being born without legs and the "million dollar care" she received from Shriners Hospital. Mrs. Gill questioned the committee about going to Fairview compared to her

present life because of Shriners Hospital. The benefits to patients, to the state, and to the people who work for the fraternal organizations was reviewed.

381 CHARLES FAES testified in opposition to SB 440 with reference to prepared testimony. EXHIBIT 12

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000 CHARLES FAES continued testifying in opposition to SB 440 with reference to EXHIBIT 12.

022 WENDELL PATCH read prepared testimony in opposition to SB 440. EXHIBIT 13

148 JACK RISNER read prepared testimony in opposition to SB 440. EXHIBIT 14

202 TOM SMART testified in opposition to SB 440 with a discussion on the significant contributions of Salem Academy to the community.

250 PASTER ERIN VEACH testified in opposition to SB 440 and urged the committee to table the bill.

286 DAN MCCULLOCH presented written testimony in opposition to SB 440. EXHIBIT 15

320 JERRY PROPST addressed prepared testimony providing an outline of reasons why SB 440 should be tabled. EXHIBIT 16

446 CHAIR CEASE recessed the meeting at 4:05 P.M.

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000 CHAIR CEASE reconvened the meeting at 6:04 as a subcommittee.

014 DOROTHY CHURCHILL testified in opposition to SB 440 by addressing the services provided by Senior Centers. Reference was made to the importance of transportation services that are provided by-Senior Centers.

078 NANCY HART-FISHWICK testified in opposition to SB 440 with reference to prepared testimony. EXHIBIT 17

120 PRISCILLA SEABORG read prepared testimony is opposition to SB 440. EXHIBIT 18

153 ALLEN HUNT testified in opposition to SB 440 with reference to written testimony. EXHIBIT 19

165 CHRIS KRENK testified by urging the committee to oppose SB 440 since the additional tax will cause a reduction in the service delivery system in the state of Oregon.

182 DARYL HUBLER read prepared testimony in opposition to SB 440. EXHIBIT 20

285 CHAIR CEASE pointed out that SB 440 was not developed because of the passage to ballot Measure 5 but was introduced during the interim because of the interest shown during a statewide study on school finance.

305 CHAIR CEASE adjourned the meeting at 6:25.

Mary Ann Zimmermann, Committee Assistant
Kimberly Taylor, Office Manager

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EXHIBIT SUMMARY

1. Exempt Value Estimates, LRO, 5/14/91 - SB 440
2. County Runs of Exempt Property, LRO, 5/14/91 - SB 440
3. Research Report Property Tax Exemptions, LRO, 12/17/79 - SB 440
4. Written Testimony, David Johnson, 5/14/91 - SB 440
5. Brochure, David Johnson, 5/14/91 - SB 440
6. Written Testimony, Herman Kuppler, 5/14/91 - SB 440
7. Written Testimony, Stanley Schmidt, 5/14/91 - SB 440
8. Written Testimony, Shriners Hospital, 5/14/91 - SB 440
9. Written Testimony, Webber Harrington, 5/14/91 - SB 440
10. Written Testimony, Patricia Sadowski, 5/14/91 - SB 440
11. Written Testimony, Marc Gale, 5/14/91 - SB 440
12. Written Testimony, Al Kader Shrine, 5/14/91 - SB 440
13. Written Testimony, Wendell Patch, 5/14/91 - SB 440
14. Written Testimony, Jack Risner, 5/14/91 - SB 440
15. Written Testimony, Dan McCulloch, 5/14/91 - SB 440
16. Written Testimony, Jerry Propst, 5/14/91 - SB 440
17. Written Testimony, YWCA, 5/14/91 - SB 440
18. Written Testimony, United Way, 5/14/91 - SB 440
19. Written Testimony, Allen Hunt, 5/14/91 - SB 440
20. Written Testimony, Daryl Hubler, 5/14/91 - SB 440
21. Written Testimony, Barry Snyder, 5/14/91 - SB 440
22. Written Testimony, American Cancer Society, 5/14/91 - SB 440
23. Written Testimony, First Baptist Church, 5/14/91 - SB 440
24. Written Testimony, City of Portland, 5/14/91 - SB 440
25. Written Testimony, City of Salem, 5/14/91 - SB 440
26. Correspondence, Church in Canby, 5/14/91 - SB 440
27. Correspondence, Jane and John Moore, 5/14/91 - SB 440
28. Correspondence to LRO, 5/14/91, SB 440
29. Correspondence, Clatsop Post #12, 5/14/91 - SB 440
30. Correspondence to Senator Cease, 5/14/91 - SB 440
31. Correspondence to Senator Cease, 5/14/91 - SB 440
32. Correspondence to Senator Cease, 5/14/91 - SB 440

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