

Tapes 176-177, (A\B)

Work Session: HB 2550A, SB 814

SENATE COMMITTEE ON REVENUE AND SCHOOL FINANCE

May 31, 1991 1:00 PM Hearing Room A State Capitol Building

Members Present: Senator Jane Cease, Chair

Senator Joan Dukes, Vice Chair

Senator John Brenneman

Senator Shirley Gold (arrived 1:25)

Senator Ron Grensky (arrived 1:50)

Senator Bill McCoy

Senator Tricia Smith

Staff Present: Jim Scherzinger, Legislative Revenue Officer

Steve Bender, Legislative Revenue Office

Mary Ann Zimmermann, Committee Assistant

Witnesses Present: Jane Myers, Oregon Forestry Industries Council

Jim Kenney, Department of Revenue (DOR)

Elizabeth Stockdale, Department of Justice

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005 CHAIR CEASE called the meeting to order at 1:18 and conducted administrative business.

WORK SESSION - HB

255 0A

052 JIM SCHERZINGER presented an updated list of HB 2550A amendments.

EXHIBIT 1

059 JIM SCHERZINGER presented reorganized tax collectors amendments HB

255 0-A78 (EXHIBIT 2) which are an updated version of HB 2550-A63 (EXHIBIT 3) that include the conceptual amendments adopted on 5/30/91.

070 JIM SCHERZINGER explained the HB 2550-A78 amendments. It was clarified that the League of Oregon Cities is satisfied with the HB 2550-A78 changes.

EXHIBIT 2

131 CONSENSUS CHAIR CEASE noted no objection to adopt HB 2550-A78 (LC 2386) dated 5/31/91. EXHIBIT 2

134 JIM SCHERZINGER presented HB 2550-A77 amendments. EXHIBIT 4

140 JIM SCHERZINGER explained the HB 2550-A77 amendments dealing with personal and industrial property returns. The issues in the amendments include a combined personal/industrial return for those filed with the Department of Revenue (DOR). A different due date for the return filed

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with the assessor is also addressed. The third issue is the ability to have an extension for the local filing to August 15 and an extension by rule from the DOR be extended to August 31. EXHIBIT 4

163 JIM SCHERZINGER discussed the requirement that blank tax forms be sent out prior to June 1, Page 57, Line 5 of HB 2550A. Discussion and questions are interspersed.

206 CHAIR CEASE referred to Page 3, Line 16, EXHIBIT 4.

215 SEN. GOLD suggested a change in Line 1, Page 4 of HB 2550A77 to make the study as broad as possible by deleting "severance" because there are other taxes besides timber. Also on Page 4, Line 5-6 Sen. Gold recommended deleting "severance and property taxes on timber production" and include "tax responsibilities on timber and timber properties."

238 JIM SCHERZINGER responded that by removal of the word "severance" does

not make a broad statement because of the intention to include the land value or property tax value for timber. It was suggested on Line 30, Page 3 to include language that would refer to "values". The question is how broad should the statement be.

263 SEN. SMITH pointed out it was recommended to study timber tax in relation to property tax during the interim and questioned the relationship of the issue to income taxes.

282 SEN. GOLD explained the intent of her suggestion was to have language broad enough not to be limited to severance taxes.

298 SEN. BRENNEMAN suggested addressing the timber issue in broad terms to include exported timber and production which should be studied during the interim.

304 CHAIR CEASE suggested including language in Line 30, Page 3 to read "Sixty-seventh Legislative Assembly appropriate timber taxation". EXHIBIT 4

319 JIM SCHERZINGER suggested the "impact of exported timber" be included as an addition to the list of things to be considered on Page 4, EXHIBIT 4.

328 Discussion continues regarding addressing the timber issue.

375 NOTION SEN. GOLD moved to delete the words "the" and "rate or rates of" on Page 3, Line 30, EXHIBIT 4 and on Page 4, Line 1 delete the words "severance taxes" and insert the word "taxation."

416 JANE MYERS suggested the sentence to read after the word "the" on Page 3-4, Line 30, "appropriate types and levels of taxation on timber and timber property." This is a broader statement than just the timber taxation.

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004 AMENDED

MOTION SEN. GOLD amended her previous motion to read "appropriate types and levels of taxation on timber and timber property." Page 3-4, Line 30, EXHIBIT 4

008 CHAIR CEASE restated the suggested change beginning on line 29, Page 3, EXHIBIT 4.

018 CONSENSUS CHAIR CEASE noted no objection to accept the amended motion.

023 Discussion follows regarding the interpretation of "similarly situated property" on Line 4, Page 4 of HB 2550-A77. Reference is made to keeping the interim study recommendations very broad. EXHIBIT 4

070 MOTION SEN. GOLD suggested changing Line 5, Page 4, EXHIBIT 4 to read: "The historic levels of tax responsibility on timber and timber property."

083 DISCUSSION

155 VOTE In a roll call vote the motion failed (2-5). AYES: Senators Brenneman, Gold. NAYS: Senators McCoy, Smith, Grensky, Dukes, Cease.

170 JIM SCHERZINGER explained the remainder of HB 2550-A77 deals with restoring the original language in HB 2550A that made the oil and gas severance tax a privilege tax therefore clarifying it is outside the limits of Measure 5. Reference is made to Page 161 of HB 2550A.

185 CONSENSUS CHAIR CEASE noted no objection to change June 15 to June 1 on Line 6, Page 1, EXHIBIT 4

191 CONSENSUS CHAIR CEASE noted no objection to adopt the LC amendments HB 255 0-A77 as amended, dated 5/31/91. EXHIBIT 4

197 STEVE BENDER explained there are three sets of amendments that deal with amusement devices. HB 2550-A45 (EXHIBIT 5) is included in HB 2550A79 (EXHIBIT 6) which is an updated version with technical corrections.

220 HB 2550-A45 was tabled. (EXHIBIT 5)

223 STEVE BENDER presented HB 2550-A76 (EXHIBIT 7) and HB 2550-A79 (EXHIBIT 6) which deal with amusement devices. A review of the amusement device issue was presented with reference to the Attorney General's opinion.
251 STEVE BENDER discussed the similarities between HB 2550-A76 and HB 2550-A79. Reference is made to HB 3151 which will make it a felony to

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possess certain devices but if HB 3151 does pass, the Lottery Commission will establish a video lottery system.

260 STEVE BENDER explained either amendment would apply the tax upon any video lottery machine should the Lottery Commission establish such a system.

275 SEN. SMITH asked if both amendments would continue to tax video devices should HB 3151 fail.

282 STEVE BENDER clarified that either way the machines will be taxed.

296 STEVE BENDER addressed the HB 2550-A79 amendments which continue the taxes at the existing rate of \$100 per year. It was clarified that both the poker machines and the video games such as "Pac Man" both pay \$100. EXHIBIT 6.

324 STEVE BENDER explained HB 2550-A76 amendments in which the video games such as Pac Man remain at \$100 per year but the poker machines are raised to \$500.

345 Discussion follows regarding the HB 2550-A76 amendments.

361 STEVE BENDER presented corrections to HB 2550-A76 which clarifies the existing lottery terminal machines are not considered a game of chance and will remain as is in current law.

391 SEN. SMITH asked if the money collected on these machines goes into the General Fund.

394 STEVE BENDER responded that 30 percent of the money goes into the State General Fund, 20 percent is distributed to County General Funds, and the remaining 50 percent goes to the Oregon Youth Conservation Corp.

414 CONSENSUS CHAIR CEASE noted no objection to adopt the proposed amendments to HB 2550-A76. EXHIBIT 8

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018 STEVE BENDER explained an additional amendment to delete Section 270, Page 4, of HB 2550-A76 regarding the removal of small rides from the amusement device tax. EXHIBIT 7

027 SEN. SMITH asked what the effect would be with the removal of Section 270. It was clarified that if Section 270 is removed from EXHIBIT 7 the current law of a \$50 dollar tax on the small kiddie rides would remain the same. If Section 270 remained in the bill the tax on the kiddie rides would go from \$50 dollars to zero.

042 CONSENSUS CHAIR CEASE noted IO objection to remove Section 270 from HB 2550-A76. EXHIBIT 7

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045 MOTION SEN. DUKES moved to adopt HB 2550-A76 LC amendments

dated 5/31/91 as amended. EXHIBIT 7

048 DISCUSSION

052 SEN. MCCOY suggested raising the amount on video games of chance from \$500 per year to \$1000.

062 Discussion follows regarding raising the fee on video games of chance.

072 AMENDED

MOTION SEN. MCCOY moved to raise the fee on video games of chance from \$500 to \$1000.

084 VOTE

In a roll call vote Sen. McCoy's motion failed (2-4).

AYES: Senators McCoy, Smith. NAYS: Senators Gold,

Grensky, Dukes, Cease. Senator Brenneman was excused.

086 CONSENSUS CHAIR CEASE noted no objection to the motion to adopt HB 2550-A7 6, dated 5/31/91 as amended.

095 JIM SCHERZINGER presented HB 2550-A55 which correct the terminology "unsegregated tax account" to read "unsegregated tax collections account" in five different places in HB 2550A. It was noted that Line 5 of the amendment could be deleted because the unsegregated account was removed from Page 123 of HB 2550A in a previous amendment. EXHIBIT 9

110 CONSENSUS CHAIR CEASE noted no objection to adopt HB 2550-A55 dated 5/21/91 as amended. EXHIBIT 9

121 JIM SCHERZINGER presented HB 2550-A57 dealing with making the sunset date of ORS statute consistent with Oregon Laws. EXHIBIT 10

125 JIM SCHERZINGER used a blackboard illustration to explain the changes in HB 2550-A57 which is a conflict amendment because of the sunset in ORS 311 .395. EXHIBIT 11

160 CONSENSUS CHAIR CEASE noted no objection to adopt HB 2550-A57 amendments dated 5/21/91. EXHIBIT 10

166 JIM SCHERZINGER presented proposed amendments DOR-10 which change the calculation of the assessment of a mobile home. Reference is made to Page 85 of HB 2550A. EXHIBIT 12

192 SEN. SMITH asked if this issue was related to the moving of a mobile home from one county to another. It was pointed out that this is a new issue but the Section was addressed before.

208 JIM SCHERZINGER explained Line 4, Page 1, Exhibit 12 referring to Pages 99-100 of HB 2550A dealing with adjudicated value.

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258 CHAIR CEASE questioned the meaning of the terminology "events or activities occurring outside the property." EXHIBIT 12

268 JIM KENNEY explained issues outside of the property can create problems such as zoning changes.

283 SEN. SMITH asked what if the property was in an area that is deteriorating drastically which would lower the property value. Discussion follows.

298 JIM KENNEY addressed the "other events or activities" would be changes in outside influences that affect the value of the property.

321 JIM KENNEY explained a proposed solution in DOR-10A which would read in Section (i) "changes in value recommended by the Board of Ratio Review (BORR) due to the effects of events or activities occurring outside the property." EXHIBIT 12

358 JIM KENNEY explained that before the recommended change would work an amendment would have to be made on Page 94, Line 8 of HB 2550A in which a subsection (3) would be added saying "the BORR may recommend to the assessor on value changes under 309.115 subsection 2i."

394 JIM SCHERZINGER suggested the terminology "the BORR may recommend value changes to the assessor".

400 ELIZABETH STOCKDALE recommended the language on Page 94, Line 8 of HB 255 0A to read "the BORR may recommend to the assessor a change in the value of property due to the effects of events or activities occurring outside the property."

450 ELIZABETH STOCKDALE explained the amendment on Page 100 of HB 2550A permits the assessor to change the roll based on that recommendation on Page 94 of HB 2550A.

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026 CONSENSUS CHAIR CEASE noted no objection to add the suggestion by Elizabeth Stockdale to DOR-10A amendments to read "the BORR may recommend to the assessor a change in the value of property due to the effects of events or activities occurring outside the property." on Page 94, Line 8 of HB 2550A. EXHIBIT 12

031 CHAIR CEASE referred to the proposed amendment in EXHIBIT 12 dealing with Page 114 of HB 2550A which deletes Line 15 and inserts a new Section 230 with an amendment to ORS 311.165 as displayed in EXHIBIT 12.

048 ELIZABETH STOCKDALE explained the purpose of the amendment is because the assessor cannot use the prior years tax rate to determine the current years taxes. Reference is made to the taxes reaching the Measure 5 limit.

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062 SEN. MCCOY asked what would happen if the estimated rate was contested.

067 JIM KENNEY responded that the value has already been set and the assessor is making an estimate on the taxes of the precollection. At the time the taxes are actually determined the taxpayer will either receive a refund or an additional billing.

075 SEN. DUKES referred to Page 114 of HB 2550A and questioned the number sequence of the Sections. It was clarified that this is Session Law and when it become law it becomes ORS statutes. The reorganization is done by Legislative Counsel.

108 CHAIR CEASE described the next change in EXHIBIT 12 dealing with Page 120 , HB 2550A which is a technical change cleaning up the numbering system of the bill.

131 CHAIR CEASE presented the final change in the DOR-10A amendments on Page 122, Line 34 of HB 2550A.

135 ELIZABETH STOCKDALE explained the final DOR-10A amendment with reference to HB 2550-A47 (EXHIBIT 14) in which the string of ORS numbers were incorrect.

150 ELIZABETH STOCKDALE discussed the changes in Subsection (2) of Section 246 a in HB 2550A. EXHIBIT 12, Page 2

161 ELIZABETH STOCKDALE corrected the last word of EXHIBIT 12 should be "charged" instead of "collected".

171 CONSENSUS CHAIR CEASE noted no objection to adopt the amended DOR10A amendments. EXHIBIT 12

179 CHAIR CEASE referred to the Issues Remaining portion of the list of HB 255 0A amendments. Exhibit 1

183 SEN. GRENSKY reported that the DOR and the County Assessor from Jackson County have agreed to establish a code of ethics and there is agreement to withdraw the HB 2550-A59 amendments. EXHIBIT 15

206 ELIZABETH STOCKDALE presented and explained DOR-11A dealing with partial exemption penalties becoming additional taxes instead of a personal penalty on the owner of the property. Section 246 would be removed from HB

255 0A because it provided for the charging and collection of the personal penalty. The ORS reference numbers still need to be included in the proposed DOR-11A amendments. EXHIBIT 13

250 CHAIR CEASE recommended including the conceptual citation of the ORS reference numbers.

256 CONSENSUS CHAIR CEASE noted no objection to adopt the DOR-11A amendments with the conceptual citation. EXHIBIT 13

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260 SEN. DUKES questioned the removal of uniform taxation.

275 ELIZABETH STOCKDALE explained the effect of the passage of additional levy authority in the form of an increase tax base would be felt by the people outside of the district. It would change the way that the total amount or chunk of the \$10 dollar cap is distributed and no additional money would be raised inside the city.

290 SEN. DUKES voiced concern if the majority of the people in the district were within the city it would not effect the amount of their taxes at all because they are already at the limit. Therefore the city could impose higher taxes in the rural areas because they are in the majority. It was asked if there was a way, statutorily, to address the issue of "taxation without representation".

298 ELIZABETH STOCKDALE suggested redrawing the boundaries of the special districts.

306 SEN. DUKES suggested that an election only passes if a majority of the people affected vote for the issue.

312 CHAIR CEASE conducted administrative business and adjourned the meeting at 3:06.

Mary Ann Zimmermann, Committee Assistant

Kimberly Taylor, Office Manager

EXHIBIT SUMMARY

1. List of HB 2550A Amendments, LRO, 5/31/91 - HB 2550A
2. Proposed Amendments HB 2550-A78 (LC 2386), 5/31/91, - HB 2550A
3. Proposed Amendments HB 2550-A63 (LC 2386), (See Senate Revenue Meeting on 5/30/91, EXHIBIT 2 - HB 2550A
4. Proposed Amendments HB 2550-A77---(LC 2386), 5/31/91 - HB 2550A
5. Proposed Amendments HB 2550-A45 (LC 2386), 5/2/91 (See Senate Revenue Committee Meeting, 5/24/91, Exhibit 5 - HB 2550A)
6. Proposed Amendments HB 2550-A 79 (LC 2386), 5/31/91 - HB 2550A
7. Proposed Amendments HB 2550-A76 (LC 2386), 5/31/91 - HB 2550A
8. Proposed Amendments to HB 2550-A76 (LC 2386 dated 5/31/91), LRO, 5/31/91 - HB 2550A
9. Proposed Amendments HB 2550-A55 (LC 2386), 5/21/91, HB 2550A
10. Proposed Amendments HB 2550-A57 (LC 2386), 5/21/91, HB 2550A
11. Blackboard Illustration, LRO, 5/31/91 - HB 2550A
12. Proposed Amendments DOR-10A, DOR, 5/31/91 - HB 2550A
13. Proposed Amendments DOR-11A, DOR, 5/31/91 - HB 2550A
14. Proposed Amendments HB 2550-A47 (LC 2386), 5/7/91 (See Senate Revenue Committee meeting 5/23/91, EXHIBIT 1 - HB 2550A)
15. Proposed Amendments HB 2550-A59 (LC 2386), See Senate Revenue Committee meeting on 5/28/91, EXHIBIT 3 - HB 2550A)

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