

Tapes 210-211, (A\B)
Public Hearing: HB 3410B
Work Session: HB 2148, HB 271 SA,
HB 3410B
SENATE COMMITTEE ON REVENUE AND SCHOOL FINANCE

June 19, 1991 1:00 PM Hearing Room A State Capitol Building
Members Present: Senator Jane Cease, Chair
Senator Joan Dukes, Vice Chair (arrived 1:31)
Senator John Brenneman
Senator Shirley Gold (arrived 1:35)
Senator Ron Grensky
Senator Bill McCoy
Senator Tricia Smith (arrived 1:15)

Staff Present: Jim Scherzinger, Legislative Revenue Officer
Terry Drake, Legislative Revenue Office
Dick Yates, Legislative Revenue Office
Mary Ann Zimmermann, Committee Assistant

Witnesses Present: Gary Carlson, Oregon Small Woodlands Association
Ray Craig, Oregon Department of Forestry (DOF)
Joe Misek, DOF
Senator Bob Kintigh, District 14
Ron Chastain, Western Oregon Severance Tax (WOST)
Consortium
Gil Riddell, Association of Oregon Counties (AOC)
TAPE 210 SIDE A

005 CHAIR CEASE called the meeting to order at 1:13 and conducted administrative business.

PUBLIC HEARING AND WORK SESSION - HB
341 0B

015 GARY CARLSON testified in support of HB 3410B.

060 GARY CARLSON requested adoption of HB 3410-B4 amendments to reinstate the revenue source that was initially supplied and also to add some amendments regarding underproductive forest lands. The Dept. of Forestry would like further language in the bill to allow time to work with small land owners, offer assistance and/or a management plan and to develop the underproductive forest lands. EXHIBIT 1

084 CHAIR CEASE clarified that line 13 - 15 of page 1 of the HB 3410B4 amendments dealt with the administrative cost of the program.

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
June 19, 1991 Page 2

092 RAY CRAIG presented a brief overview of the amendments.

102 JOE MISEK presented and explained written testimony in support of the proposed HB 3410-B4 amendments. EXHIBIT 2

125 Discussion and questions follow regarding the HB 3410-B4 amendments. EXHIBIT 1

175 TERRY DRAKE clarified that the original bill did not have any funding system and the amendment would make an impact ultimately on the local level and the distribution of funds under the school finance program.

184 CHAIR CEASE questioned the purpose of Section 8 of the amendments.

185 JOE MISEK responded Section 8 modified existing law to allow the foresters assist landowners who fail to meet the management standard under

the Western Oregon Forest Land tax system. Section 8 would allow state forester to inspect the lands for management standards.

220 JOE MISEK continued addressing Section 8 of HB 3410-B4.

233 SEN. SMITH questioned the fiscal impact of Section 8 with regard to assigning a state forester.

243 JOE MISEK referred to the interim study and stated the state forester received no funding to administer any of the management standards and none have been done on these lands. There was a need for the language because management was important with the many economic issues currently.

295 JOE MISEK continued an explanation of the procedures used in land management.

352 JOE MISEK stated the primary emphasis would be on nonindustrial private land and on designated forest land.

372 SEN. MCCOY recalled there were some small areas near some of the larger industrial lands and questioned whether they would be inspected also.

370 SEN. BOB KINTIGH testified in support of HB 3410B. Prepared testimony was presented to the committee. EXHIBIT 3

405 GIL RIDDELL did not testify in opposition to the small tract, but expressed concern about the funding source. This program would benefit a specific group of land owners who have chosen it as an option because of a favorable tax treatment and service forestry benefits. General funds should be sought for funding, and support for the provisions that would sunset the funding source in two years.

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Senate Committee on
Revenue and School Finance

June 19, 1991 Page 3

TAPE 211 SIDE A

019 RON CHASTAIN spoke in support of HB 3410B but was opposed to the HB 341 0B-4 amendments.

036 SEN. MCCOY asked for an example of preferential treatment.

040 RON CHASTAIN responded most forest land was assessed on the true market value. Even special forestry designations received a reduction from the true market value. The values shown on the table received a better tax break than the regular designated forest land. Exhibit 4

045 RON CHASTAIN described a chart depicting the Western Oregon small tract optional tax acreage and values by county as of May 1991.

083 RON CHASTAIN explained the philosophical objection to the plan. and opposed taking dollars from industry people, who are paying the severance tax, using them to fund other programs receiving funding, but do not pay any severance tax. CHASTAIN explained the impact on school funding.

103 RON CHASTAIN referred to Page 2, EXHIBIT 4 illustrating selffunding alternatives to HB 3410B.

133 SEN. GRENSKY clarified that the main objection by WOST to the amendments was the funding.

150 TERRY DRAKE commented on the fiscal impact which would be a reduction of the cost in distribution. EXHIBIT 6

158 TERRY DRAKE explained that schools ended up with about 86% of the total offset. It was noted that most of the discussion dealt with the funding component of the small tract. Section 8 of the amendments made a change in the procedure currently in the statute dealing with the unproductive lands. There was still a system in which the state forester does mapping to determine nonproductivity and give an opportunity for the landowner to adjust to that. If the landowner did not work with the state forester, then those forest lands ceased to be eligible for a special assessment and would be valued at true cash value.

208 SEN. MCCOY asked if the state forester was adequately staffed.

217 RAY CRAIG explained that use can be made of the state foresters

currently in the field to do the management planning. There would be no fiscal impact for Section 8.

230 Discussion followed

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Senate Committee on
Revenue and School Finance
June 19, 1991 Page 4

273 RAY CRAIG stated under current law the county assessor have administrative rules that were not very strict. Section 8 would add an intervening step of one year opportunity to work with landowners and arrive at a master plan to meet these standards, which would be to get the land productive.

290 SEN. SMITH observed the counties received more money under the current procedure.

293 JOE MESIK responded that in the long term there was a loss to the counties when lands grew brush versus growing timber.

314 RAY CRAIG stated that from the state perspective it was wise to invest money in this manner as it would generate a return of 11%.

334 SEN. GRENSKY questioned why administrative costs were not taken by a charge per acre instead of from the WOST funding.

344 RAY CRAIG responded many options were addressed to fund the program: 1) General Fund; 2) the harvest tax which people pay differently than the severance tax and 3) self-funding which would violate a contract made by the state with the people 30 years ago.

382 RAY CRAIG supported the funding from WOST because it was for only 2 years and also a tax was being collected for the county assessor and felt an equitable way. Another alternative would be to have the counties collect the tax.

TAPE 210 SIDE
B

010 JOE MISEK responded that it took 80 -90 years to grow a tree. Under the optional tax program the trees must be less than 8 inches and less than 40 years old, so younger trees come into the program. If this were managed at a higher level, there would be a better stewardship ethic.

040 Discussion followed regarding the funding for the program.

060 SEN. DUKES observed that more timber production was needed in Oregon. Small woodlot owners take better care of their tree stands. DUKES asked what it would cost to collect this new tax or fee.

086 RAY CRAIG replied the total cost of self-funding would cost \$50-60 thousand dollars. This would process 3,000 account holders in spite of having the mechanism in place to handle it.

106 Discussion followed regarding self-funding.

160 TERRY DRAKE commented the SB 814 offset accounted for each dollar in the formula. If there was a change in the offset, every school district in the state would receive less.

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Senate Committee on
Revenue and School Finance
June 19, 1991 Page 5

183 SEN. SMITH observed it was not fair to schools for the benefit of the

small woodland owners.

186 NOTION SEN. BRENNEMAN moved to adopt HB 3410-B4 (LC 2979) amendments dated 6/19/91. EXHIBIT 1

188 DISCUSSION

200 VOTE In a roll call vote the motion passed (4-2). AYES:

Senators Brenneman, Gold, McCoy, Cease. NAYS: Senators Smith, Dukes. Senator Grensky was excused.

205 MOTION SEN. BRENNEMAN moved HB 3410B as amended to the floor of the Senate with a do pass recommendation.

210 VOTE In a roll call vote the motion passed (6-1). AYES:

Senators Brenneman, Gold, Grensky, McCoy, Dukes, Cease. NAYS: Senator Smith. Senator Cease will carry the bill on the floor of the Senate.

WORK SESSION HB 2148

243 TERRY DRAKE explained HB 2148 which dealt with state forester authorization to recover certain land acquisition costs.

276 MOTION SEN. SMITH moved HB 2148 to the floor of the Senate with a do pass recommendation.

280 VOTE In a roll call vote the motion passed (7-0). AYES:

Senators Grensky, McCoy, Smith, Brenneman, Gold, Dukes, Cease. Senator Grensky will carry the bill on the

floor

of the Senate.

WORK SESSION - HB 2715A

313 DICK YATES presented general Oregon tax information, background to HB 271 5A and the purpose of the amendment. Exhibit 8

351 DICK YATES presented an example taxpayer comparing current law and the proposed change. EXHIBIT 8, Page 4

400 DICK YATES continued addressing the sample taxpayer comparing current law with the proposed changes in EXHIBIT 9. EXHIBIT 8, Page 4

TAPE 211 SIDE B

019 SEN. GRENSKY observed that the problem was both states would still be taxing. The concern was the fact that there would be double taxation.

028 DICK YATES stated HB 2715 addressed one problem which

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Senate Committee on

Revenue and School Finance

June 19, 1991 Page 6

032 SEN. GRENSKY felt that these taxpayers would be paying taxes to two states, now that they were 65 years old.

036 DICK YATES referred to Page 3, EXHIBIT 8 pointing out the goals of HB 271 5A, stating each state had jurisdiction to tax the entire income wherever earned of its residents and discussed conflicts inherent in the proposition.

063 Discussion followed

123 DICK YATES referred to the original bill, stating it had a credit but was an additional credit that was very difficult to compute. The DOR was responsible because it was easier to administer.

142 DICK YATES referred to the chart on page 4 of EXHIBIT 8, explaining how HB 2715 would work.

163 Discussion followed

176 DICK YATES explained the proposed amendments EXHIBIT 9 which was for a nonresident credit against the taxes otherwise due. Reference was made to other states tax credit for non resident.

209 DICK YATES discussed the sample tax credit for nonresidents as illustrated in amendments EXHIBIT 9. The sample was presented in EXHIBIT 8,

Page 5

233 DICK YATES continued discussing Page 5, EXHIBIT 8.
290 DICK YATES discussed the current law resident credit. EXHIBIT 8, Page 5
326 MOTION SEN. SMITH moved to adopt HB 2715-A5 (LC 2284) amendments dated
6/14/91.
328 CONSENSUS CHAIR CEASE noted no objection to the motion.
33 MOTION SEN. SMITH moved HB 2715A as amended to the floor of the Senate
with a do pass recommendation.

338 VOTE In a roll call vote the motion passed (5-0). AYES:
Senators Grensky, McCoy, Smith, Dukes, Cease. Senators
Brenneman and Gold were excused. Senator McCoy will
carry the bill on the floor of the Senate. (Sen. Gold
voted AYE changing the vote (6-0) See Senate Revenue
Committee meeting 6/20/91, Tape 212, Side A, Meter #37)

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Senate Committee on
Revenue and School Finance
June 19, 1991 Page 7

342 CHAIR CEASE adjourned the meeting at 3:00.

Mary Ann Zimmerman, Committee Assistant
Kimberly Taylor, Office Manager

EXHIBIT SUMMARY

1. Proposed Amendments HB 3410-B4 (LC 2979), 6/19/91 - HB 3410B
2. Written Testimony, Department of Forestry, 6/19/91 - HB 3410B
3. Written Testimony, Sen. Bob Kintigh, 6/19/91 - HB 3410B
4. Chart, Ron Chastain, 6/19/91 - HB 3410B
5. Staff Measure Summary, LRO, 6/19/91 - HB 3410B
6. Fiscal Analysis, LFO, 6/7/91 - HB 3410B
7. Revenue Analysis, LRO, 6/6/91 - HB 3410B
8. Income Taxed by Oregon, LRO, 6/19/91 - HB 2715A
9. Proposed Amendments HB 2715-A5 (LC 2284), 6/14/91 - HB 2715A

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