



## HOUSE BILL 4003-1

*Comments by Gil Riddell, AOC Policy Director, before the Senate Finance & Revenue Committee, February 19, 2014.*

For both specific reasons related to the dash-1 amendments to HB 4003 and general reasons related to property tax expenditures stated here, AOC urges the Committee to **reject the dash-1 amendments**.

**HB 4003-1 resurrects a policy issue already set aside by the House Revenue Committee on February 6<sup>th</sup> (HB 4106).**

**HB 4106 would have amended a property tax exemption statute that is difficult to interpret in its current form (ORS 307.130) by broadening the exemption with more vague language that likely would have led to even more litigation. HB 4003-1 would create a new statute adding to the confusion by mixing the federal income tax code and the state property tax code, and would adopt the same vague language of HB 4106 likely to prompt more litigation.**

Examples:

- Page 1, lines 17-18: Grants an exemption to a history, natural history, or science museum on land on which it is situated, "including open land not in agricultural use". There is no limit on the acreage of this open land.
- Page 1, line 19: Grants the exemption to property used "in conjunction with the public displays of the museum". Would this include a waterpark at the site?
- Page 1, line 22: Grants exemption for "goods and services providing refreshment to the public". What about catering private events?
- Page 2, line 4: Grants the exemption to property used "as a theater for presentations about history or science". How frequently must the theater be actually used for this purpose? What if it is used for other purposes?

Note, as well, that Section 33 of HB 4003-1 **overrides any non-final judicial rulings on appeals beginning on or after July 1, 2011**, that are "materially affected" by the bill. This provision would include the appeals of **denials by Yamhill County, with the backing of the Department of Revenue, of exemptions for Evergreen Aviation & Space Museum**. There are **nine of these at the Tax Court and Magistrate levels amounting to \$400,000 of taxes for public services in dispute**.

Just as with HB 4106, **legislation that is property-specific very rarely makes good public policy**.

AOC agrees with the conclusion of House Revenue Committee Chair Phil Barnhart, who stated at the hearing on HB 4106 that legislators should leave the courts alone to do their work on the

appeals, learn from that work, and address as a whole the vague, difficult-to-administer statutes granting property tax exemptions to certain types of institutions.

Please keep in mind the reasons why **new property tax exemptions need very heightened scrutiny** and should be granted rarely.

- The property tax system is already **cut, capped, and limited to the benefit of the property owner.**
- Under Oregon's rate-based property tax system, a new exemption, deferral, or special assessment does not shift the tax burden. Rather, it causes a **straight loss of revenue for education and public services.**
- Especially during this period of **slashing local budgets** for critical public services, why give away a legal source of public revenue?
- Statewide **44% of property taxes fund education.** The State General Fund backfills shortfalls.
- The county's share of property taxes helps the county fund state-shared services to the same constituents as the State. Counties need revenues to provide these services.
- A critical role counties' play in the public services infrastructure is property tax assessment and collection for education and other public services. In spite of receiving only 18% of collections statewide, counties maintain this revenue engine with total A&T budgets of \$92 million in FY 11-12. Only \$19 million of that are CAFFA grants; the rest is county general funds, which are limited by Measure 50 (1997) and property tax expenditures.
- **The Governor's Task Force on Federal Forest Payments & County Services (Jan. 2009) Recommendation #40: Fund the Property Tax Expenditure Compensation Fund (ORS 306.350, et. seq.)** to cover all eligible local government losses. "Local governments bear the brunt of revenue losses when the State enacts new property tax breaks".
- **The Task Force on Comprehensive Revenue Restructuring (Jan. 2009) Short Term Recommendation:** "Refrain from new property tax expenditures or state mandates on local governments. **This recommendation is directed at the Legislature and essentially says 'do no harm' that will make local government's fiscal situation worse**".