



# POLK COUNTY

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ASSESSOR'S OFFICE

DOUGLAS SCHMIDT  
Assessor

April 5, 2017  
House Committee on Revenue  
HB 2942

Chair Barnhart, members of the committee, my name is Douglas Schmidt and I am the Polk County Assessor testifying on behalf of the Oregon State Association of County Assessors (OSACA). At this time, OSACA is **Opposed** to HB 2942.

Our opposition to this bill is not so much in the implementation and administration of the bill, because the Department of Revenue (DOR) will be doing the majority of the processing. Instead, we oppose the bill based on the following observations:

- This moves tangible property in the State of Oregon out of Ad Valorem Property Taxation and into a complex rental tax based system.
- HB 2942 creates a property tax exemption with no ability by the assessors to report the amount of the exemption, or tax expenditure.
- It is not clear how the bill resolves the issues identified as being problematic.
  - o Mobility of equipment makes it difficult to track by store.
  - o Current system could cause double taxation if equipment moved to another state during the year.
  - o Difficulty of reporting due to multiple layers of taxation for the parent company.
- The bill creates a dual reporting system for Heavy Equipment Rental businesses. Only the Heavy Equipment and ancillary equipment are exempt from taxation and subject to the rental tax, the other Business Personal Property is taxable and must be reported to the county.
- Out of state Heavy Equipment Rental businesses must still report their equipment to the county assessor.
  - o Assessor may not know which equipment at a job site is exempt and which is taxable.
  - o This could require assessors to research ownership of the job site assets.
- The tax is based on where the store is located, not where the asset is located. This is contrary to current Business Personal Property reporting.
- Some taxing districts and some counties will lose revenue and some will gain revenue because the rental tax is based on the location of the store. As an example:
  - o Morrow County does not have a United Rental Heavy Equipment store located in their county but they have United Rental Heavy Equipment in their county.

- Morrow County will lose \$2,170,980 in 2016-2017 Assessed Value and \$29,377.58 in taxes. It is true equipment would eventually leave the county and under the current Business Personal Property reporting, the revenue would be lost.
- Under the provisions of this bill, Morrow County would not receive any revenue from equipment in their county unless there was a store in Morrow County.
- Unless the rental tax of 1.75% includes the DOR administration fee offset, taxing Districts would not be held harmless from the loss of ad valorem property taxation due because of the DOR administration fee.
- If bonds were passed when equipment was located in the district, bond payment amounts will be shifted to the remaining taxpayers when the equipment is moved out of the district. This bill does not change that is just causes it to happen sooner.
- Bonds will receive double payments each year under HB 2942.
- A new distribution calculation for the rental tax is required under HB 2942. “The distribution shall be based on the ratio that each taxing district’s total tax rate for purposes of ad valorem property taxation bears to the total tax rates for all districts in which a rental location is located.”
- This bill sets up a complex process for administering the new “tax”.
  - Currently:
    - The heavy equipment provider (provider) reports to the county the location of all equipment where it is located January 1.
    - Counties update or enter the asset, value and necessary information in the A&T software system.
    - The taxes are calculated based on the location and a tax statement mailed.
    - The provider pays the taxes and the tax collector accounts for the funds.
    - The county treasurer distributes the taxes to the taxing districts.
  - HB 2942:
    - The provider must register with DOR every year.
    - The provider assesses a 1.75% tax based on the rental price, but excluding certain costs from the rental price.
    - Someone, DOR or the provider, will need to notify the counties by March 15<sup>th</sup> what equipment is in the county. If counties are not notified, we will have to research, track and identify what equipment is exempt and what is taxable.
    - The provider establishes policies and processes to keep records, render statements and comply with administrative rules sufficient to show if a tax liability was incurred.

- The provider must deposit the taxes collected, holding them in trust for the State of Oregon, using established accounting practices to track the tax and any accrued interest on the deposited taxes.
- The provider must remit the tax collected to DOR before the last day of the month following the end of each calendar quarter.
- The provider must file a return reporting the aggregate rental prices and taxes collected by location in each county.
- If there is an overpayment of the tax, DOR will issue a refund with interest.
- Monies received by DOR must be deposited with the Oregon State Treasurer.
- After DOR has paid any refunds and withheld their administration fee, DOR will distribute the taxes to the appropriate county treasurers.
- DOR must identify the amount of taxes that apply to each county and by each store location.
- By July 15, the treasurer will distribute the taxes to the taxing districts where the store is located.
- The distribution required appears to require a special distribution calculation to the districts by the treasurer.

In place of this new and complex tax, assessors suggest requiring the person or business renting the heavy equipment to notify the rental store by January 15<sup>th</sup>, where the equipment was as of January 1. The rental store could also report the location as of January 1, using any GPS tracking devices located on the rental equipment.

Thank you. If you have any questions I will try and answer them.