POLK COUNTY

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Senate Committee on Finance and Revenue
HB 2407 A-Engrossed

Chair Hass, members of the committee. My name is Douglas Schmidt, I am the Polk County Assessor testifying on behalf of the Oregon State Association of County Assessors (OSACA).

HB 2407 A-Engrossed is a confusing concept that I will try and help you understand where it came from and the reason we are here today. The purpose and intent of the original law, ORS 305.286 and HB 2407 A-Engrossed, is to protect taxing districts from large single year refunds when a high value property is appealed.

For some background, in 2009 when the Oregon Department of Revenue (DOR) took over the valuation of Communications Companies such as Comcast, Direct TV and others, there was concern the appeals generated from this action could cause large single year refunds from the taxing districts in the event DOR lost those appeals. In 2011, ORS 305.286, commonly known as the **Deferred Billing Credit** law, came about due to a collaborative effort between the Association of Oregon Counties and numerous taxing districts as a risk management and loss mitigation tool for assessors.

The reason behind HB 2407 was the concern that communications companies who are benefitting from the Deferred Billing Credits are taking advantage of the taxing districts by investing the deferred taxes and making money. Also, there was no interest calculated on any additional taxes the taxpayer might need to pay, so the Deferred Billing Credit was viewed as an interest free loan to the taxpayer.

OSACA originally opposed HB 2407 because we felt the original law was accomplishing what it was intended to do, protecting districts. Also, the changes being proposed to the law would have caused tax collectors to calculate interest on any refunds at a variable interest rate tied to the income tax statutes. At that time assessors proposed changes to HB 2407 to simplify the administration of the Deferred Billing Credit statute. Those changes are now HB 2407 A-Engrossed, the **Potential Refund Credit** bill.

Normally, the appeals process is 2 to 3 years, so Comcast and the other communications companies are not the typical example of an appeal timeline and why this statute is an important tool for assessors.

To be clear, the Deferred Billing Credit statute, and the Potential Refund Credit if this bill passes, is not only for communications or centrally assessed properties. The provisions of the law can be, and have been, used on other locally assessed high value property appeals.

It is also important to point out that companies taxed under the Deferred Billing Credit statute, or the Potential Refund Credit bill if it becomes law, **do not have a choice in whether they are or are not subject to the statute**. Applying this statute is a loss mitigation – risk management decision based solely on the assessor's discretion in buffering taxing districts. This is not a company decision or even request.

So what are the key differences? I have submitted a side by side comparison of the current law and HB 2407 A-Engrossed but first I'll identify the primary difference between the two is under the current Deferred Billing Credit, the assessor reduces the taxes the property owner owes to an amount that addresses the risk involved. We don't collect the taxes in dispute.

Under HB 2407 A-Engrossed, the Potential Refund Credit bill, the taxpayer pays the full amount of the taxes, minus any normal discounts, and the assessor determines the amount of taxes paid to be withheld from distribution to the districts to address the risk involved. We collect the full amount of the taxes and place the disputed taxes in a credit account.

Please refer to the side by side comparison and I will walk you through the similarities and differences.

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