

W. S. A.

MEMORANDUM

DATE: April 25, 2008
AGENDA DATE: April 30, 2008
TO: LANE COUNTY BOARD OF COMMISSIONERS
FROM: Anette Spickard, Assessor *AS*
AGENDA ITEM TITLE: **IN THE MATTER OF A REFUND TO HYNIX SEMICONDUCTOR MFG AMERICA INC. IN THE AMOUNT OF \$3,835,535.06**

I. MOTION

MOVE APPROVAL OF ORDER NO. 08-4-30- , IN THE MATTER OF A REFUND TO HYNIX SEMICONDUCTOR MFG AMERICA INC. IN THE AMOUNT OF \$3,835,535.06.

II. AGENDA ITEM SUMMARY

Hynix Semiconductor Mfg America, Inc. appealed to the Department of Revenue Supervisory Authority appeal process allowed under ORS 306.115 for a reduction in the real market value of the state appraised portion of their property for the 2005-06 through 2007-08 tax years. A Supervisory Authority Order was issued in the case and sent to the Lane County Assessor to adjust the local tax roll and issue the appropriate refund with interest.

III. BACKGROUND/IMPLICATION OF ACTION

A. Board Action and Other History

The Board was previously scheduled to review and approve a property tax refund for Hynix Semiconductor on February 6, 2008 as a result of a clerical error correction notice issued to Lane County by the state Department of Revenue on January 23, 2008. The basis for the correction was that the DOR had incorrectly double assessed some of the machinery and equipment assets on the Hynix account. The proposed correction covered six tax years, 2002-03 through 2007-08, for a proposed refund with interest of \$7,332,397.70.

On February 5, 2008, the day before the Board was scheduled to approve the above refund; the Department of Revenue contacted the county and asked that the item be pulled from the Board's February 6, 2008 agenda and for the refund not to be processed. The Department had received a legal opinion from the Attorney General's office notifying them that they did not have authority to reduce the real market value of the property under

the clerical error correction statute ORS 311.806. The Department then issued a notice to the county rescinding the previous correction order and resetting the real market values of the account back to the original certified roll values and the proposed refund was cancelled.

On February 13, 2008 the Board met with officials from the Department of Revenue valuation program and received an oral report regarding the status of the Hynix account. The DOR staff informed the Board that after considerable appraisal review by both Lane County and DOR appraisal staff, the determination was made that there was no error or double assessment on the account. However the taxpayer was still allowed to appeal their real market value under the Supervisory Authority process to request a reduction on the state appraised portion of the account.

The taxpayer did subsequently appeal the 2005-06 through 2007-08 tax years through the Supervisory Authority process. The Department of Revenue and the taxpayer's representative reached an agreement on value for each of the three years in question and the hearings officer issued a Supervisory Authority Order resolving the matter on April 2, 2008. The revised Value Transmittal Sheets were received by the county April 3, 2008. The Order of the hearings officer was received by the county on April 7, 2008. The tax roll has been corrected to reflect the new account values.

D. Financial and/or Resource Considerations

The decrease in taxable value and resulting refund plus interest for each year is:

Tax Year	Value Correction	Tax Refund	Interest (if paid by May 15)
2005-06	-\$60,572,285	\$1,010,380.96	\$303,114.29
2006-07	-\$60,290,269	\$ 961,580.94	\$173,084.57
2007-08	-\$83,965,556	\$1,308,843.67	\$ 78,530.62

Due to the size of the refund, the Assessor will send written notice to the local taxing districts to alert them of the impact to their May property tax receipts. For example, Lane County receives 9% of all tax collections so the approximate impact to the county will be \$345,000 less revenue to the general fund this fiscal year. By comparison however, the new refund amount is significantly less than the originally proposed refund in February.

III. RECOMMENDATION

I recommend the Board authorize the payment of the property tax refund with interest to the taxpayer without delay.

IV. TIMING/IMPLEMENTATION

The refund will be processed from the May third trimester property tax receipts.

V. ATTACHMENTS

Board Order

Letter from Department of Revenue (without confidential enclosures)

IN THE BOARD OF COUNTY COMMISSIONERS OF LANE COUNTY, OREGON

ORDER NUMBER)
)
) IN THE MATTER OF A REFUND TO
) HYNIX SEMICONDUCTOR MFG OF AMERICA INC
)
) IN THE AMOUNT OF \$ 3,835,535.06

WHEREAS the following property tax account has been charged or has paid property taxes in excess of the correct amount, as indicated, and

WHEREAS the following property tax account is centrally assessed and the Department of Revenue is therefore statutorily obligated to set the value, and

WHEREAS the Department of Revenue notified Lane County on April 3, 2008 that a Supervisory Authority Order had been issued in response to taxpayer's appeal of the centrally assessed value portion of their account for the 2005-06, 2006-07, and 2007-08 tax years, and

WHEREAS the Department of Revenue has directed the Lane County Assessor to correct the local property tax roll for the years specified and refund taxes, with interest, as appropriate under the law, to Hynix Semiconductor Mfg. America Inc., now therefore be it,

ORDERED that the Lane County Departments of Assessment and Taxation and Management Services take such action as is necessary and proper to refund to Hynix Semiconductor Mfg. America Inc., the taxes and interest indicated from the unsegregated funds.

Supervisory Authority Order 07-0278

2005-06 to 2007-08 TAX YEAR

Account Number 1398088	\$3,280,805.58 Tax Refund
Hynix Semiconductor Mfg. America Inc. 1830 Willow Creek Circle Eugene, OR 97402	<u>\$ 554,729.48</u> Interest Refund
	\$3,835,535.06 Total Refund

DATED this _____ day of April, 2008

Faye Stewart, Chair
Lane County Board of Commissioners

APPROVED AS TO FORM

Date 4-25-08 BCC #1 lane county

4/30/08

**IN THE MATTER OF A REFUND TO HYNIX SEMICONDUCTOR MFG AMERICA INC.
IN THE AMOUNT OF \$3,835,535.06**

OFFICE OF LEGAL COUNSEL



Oregon

Theodore R. Kulongoski, Governor

Department of Revenue
955 Center St NE
Salem, OR 97301-2555

March 31, 2008

*rec'd
4/3/08*

Anette Spickard
Public Services Building, C/O Assessment and Taxation
125 E 8th Ave, Eugene Or 97401-2968

Re: Revised Value Transmittal Sheet
Hynix Semiconductor, Site 1070
Account 1398088

This letter is to inform you of a change in Value Transmittal Sheets (VTS) that were previously mailed to you on 2/22/08. The new values correspond to the Supervisory Order issued by the DOR concluding the open appeal for these years.

The resulting value change for tax years 2005-06, 2006-07, and 2007-08 comes after a thorough review of the value. Our analysis consisted of a review of the company financials, market transactions, industry analysis, and data purchased from external industry experts. The conclusions derived from this analysis indicated an adjustment to the buildings and structures category is warranted for all three years. In addition, due to continuing decline in market conditions and price erosion, a 10% economic obsolescence adjustment is warranted for the 2007-08 year applied evenly to all assets.

If you have any questions about this matter, please call me at the number listed below.

Bram Ekstrand
Principal Ind. Appr./Analyst
Valuation Section
Property Tax Division

Cc: Hynix Semiconductor
Enclosure

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