

HOUSE REVENUE COMMITTEE

MAY 27, 1999 - 8:15 A.M. - HEARING ROOM A - STATE CAPITOL BUILDING

Members Present: Rep. Ken Strobeck, Chair

Rep. Max Williams

Members Absent: Rep. Anitra Rasmussen, Vice Chair

Rep. Deborah Kafoury

Rep. Jeff Merkley

Rep. Diane Rosenbaum

Rep. Lane Shetterly

Rep. Jim Welsh

Rep. Bill Witt

Staff: Paul Warner, Legislative Revenue Officer

Joan Green, Committee Assistant

Witnesses: Paul Phillips, Pac/West Communications

Dennis Peterson, NIKE

Brian Unruh, Tektronix

Sen. Lee Beyer, Senate District 21

Gary Odegaard, NIKE

Dale MacHaffie, Oregon Metals Industry Council

Matt Evans, Oregon Tax Research

Tom Gallagher, Automobile Manufacturers and ARCO Gasoline

Curt Copenhagen, Longview Fibre Company

Craig Hanneman, Willamette Industries, Inc.

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005 Chair Strobeck Called meeting to order at 8:23 a.m. as a Sub-committee for purposes of hearing SB 1275. Full Committee convened at 8:43 a.m.

PUBLIC HEARING ON SB 1275 A-ENG.

014 Paul Warner Described SB 1275, which proposes a change in the corporate income apportionment formula. Reviewed memo of analysis and revenue impact statement and discussed Senate debate. (Exhibit 1)

061 Warner Continued with review of measure and discussed how it would effect Oregon firms, based on federal taxable income, (Page 7, Exhibit 1).

080 Warner Continued with review and discussed memo and the process used for the revenue impact analysis, (Page 3, Exhibit 1).

112 Warner Continued with review of measure and economic growth, (Page 4, Exhibit 1).

135 Paul Phillips Spoke in support of the measure.

153 Sen. Lee Beyer Spoke in support of the measure and reviewed Senate discussion regarding measure.

225 Sen. Beyer Continued with testimony in support of the measure and reviewed Senate Committee discussion.

298 Phillips Continued with testimony in support for measure. Submitted letter from Economic Development Department. (Exhibit 2)

324 Dennis Peterson Presented testimony in support of measure. (Exhibit 3)

425 Peterson Continued with testimony in support of measure and fairness in the tax system, (Page 2, Exhibit 3).

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029 Brian Unruh Presented testimony in support of measure. (Exhibit 4)

080 Dale MacHaffie Presented testimony in support of measure. (Exhibit 5)

135 Rep. Rosenbaum Many corporations are making choices today as to whether to locate in the United States or other countries; how would that dynamic be affect if this measure were adopted?

143 Peterson "Spoke to NIKE, who has over 15,000 jobs in the United States and those are the types of jobs that won't move outside the United States, but it is a matter which of the fifty states do we put those jobs in -- this bill would make Oregon more attractive. In the broader scope, the manufacturing jobs are located in Asia because that is where it is most economical for production of our products."

165 Rep. Rosenbaum You are not suggesting that Oregon will see a huge growth in manufacturing jobs?

137 Peterson This measure would make Oregon more attractive over the other states and it also makes Oregon more attractive in relationship to some foreign countries, but many other factors go into that decision.

167 Unruh Spoke to dynamics and a five-point scale that is used in the decision making process for location within a country or state. If Oregon can meet 3 out of the 5-point criteria it puts the state in a favorable position for location, relocation or expansion of a company.

192 Matt Evans Presented testimony in support of measure. (Exhibit 6)

275 Evans Continued with testimony in support of measure, (Page 2, Exhibit 6).

339 Gary Odegaard Spoke in support of the measure.

287 Phillips Summarized testimonies in support of measure, providing legislative history.

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025 Phillips Continued with summation of testimony in support of measure.

060 Phillips Concluded remarks in support of measure.

100 Tom Gallagher Spoke in opposition to the measure.

181 Chair Strobeck Most states that have automobile manufacturing have already moved in this direction, thereby advantaging themselves in their home states, isn't this something Oregon should be considering?

190 Gallagher Spoke to large, primarily manufacturing states that in essence exports their tax; Oregon is not in the same category. If companies were coming before the Committee to say, because of the State's tax structure, they were at an economic disadvantage in selling their products that would need to be heard.

242 Curt Copenhagen Presented testimony in opposition to measure. (Exhibit 7)

310 Chair Strobeck Your company does not bring product into the State, like the oil companies, but you still do a substantial amount of business within the State?

315 Copenhagen Concurred.

329 Chair Strobeck Your product is primarily exported from the State of Washington, correct?

332 Copenhagen Concurred.

339 Craig Hanneman Spoke in support of the measure.

407 Chair Strobeck Requested that the proponents comment on the impact that the bill would have on

corporate headquarters vs. manufacturing, is there an advantage or not?

- 418 Phillips Recapped testimony on the Senate side, corporate headquarters, research and development and distributing facilities were distinct beneficiaries. Immediate phase-in of non-manufacturing was discussed and it was determined it would be best not to separate manufacturing and non-manufacturing.
- 424 Peterson Spoke to decision process companies use in locating headquarters; manufacturing requires an analysis of far more factors than location of headquarters.

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- 035 Rep. Welsh A family owned company, based in Oregon that is buying more property, is developing more manufacturing facilities in-state and selling primarily outside of the state will do well under this single-factor formula?
- 040 Peterson Yes, assuming that the company is large enough to have tax nexus in other states.
- 046 Chair Strobeck Meeting adjourned at 9:46 a.m.

Submitted by, Reviewed by,

Joan Green Kim T. James

Committee Assistant Revenue Office Manager

Exhibit Summary:

1. SB 1275, Warner, Staff measure summary, revenue impact statement and memo, 7 pages
2. SB 1275, Scott, Submitted testimony, 1 page
3. SB 1275, Peterson, Written testimony, 36 pages
4. SB 1275, Unruh, Written testimony, 1 page
5. SB 1275, MacHaffie, Written testimony, 2 pages
6. SB 1275, Evans, Written testimony, 16 pages
7. SB 1275, Copenhagen, Written testimony, 1 page