

## CONFERENCE COMMITTEE ON HB 2041

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JULY 23, 1999 - 12:00 P.M. - HEARING ROOM A - STATE CAPITOL BUILDING

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Members Present: Representative Ken Strobeck, Chair

Representative Richard Devlin

Representative Jeff Kruse

Senator Randy Miller

Senator Lee Beyer

Senator Gene Derfler

Staff: Paul Warner, Legislative Revenue Officer

Ed Waters, Economist, Legislative Revenue Office

Joan Green, Committee Assistant

### TAPE 001, SIDE A

004      Chair Strobeck      Meeting called to order at 12:25 p.m. as a sub-Committee pending arrival of House members. Full Committee convened at 12:30 p.m. with the arrival of Representatives Devlin and Kruse.

WORK SESSION ON HB 2461 A-ENG.

007      Chair Strobeck      Described the effect of the (-A8) amendment, as follows:

1. Eliminates the sunset off the \$0.10 tobacco products tax.
2. Changes the tax on cigars to be no more than \$0.50 per cigar, with a sunset of January 1, 2002. (Exhibit 1)

011	Richard Yates	<p>Noted that a wholesaler distributes cigars in various price ranges and described two possible interpretations of the (-A8) amendment, line 14, (Exhibit :</p> <ol style="list-style-type: none"> <li>1. Is it the average over all cigars that are distributed that cannot exceed \$0.50, or</li> <li>2. Is it for any one type of cigar brand or package that would be purchased in a cigar store that the average tax couldn't exceed \$0.50?</li> </ol> <p>It was my understanding that the latter scenario was the intent, but the Department administering this program requested clarification.</p> <p>Distributed staff measure summaries, revenue and fiscal impacts from Senate and House Revenue Committees and Joint Ways and Means Committee. (Exhibit 2)</p>
020	Chair Strobeck	The difference is whether they are boxed or single; is that the issue?
021	Yates	"It is not an average over a distribution which involves a lot of different quality and price range, but for any given cigar that is sold the price cannot exceed \$0.50."
023	Chair Strobeck	"That is a fair comment, it may not exceed is the operable part of the amendment."
027	Sen. Derfler	The sunset on cigars would go away in two years?
030	Chair Strobeck	<p>"It would revert back to the Measure 44 level of taxation unless the sunset is removed." Reviewed the discussion behind the language, testimony in the House Committee that there would be a change in purchasing habits, but there was no data to support that. "The House thought that if the sunset provision was in the measure then in the 2001 session data would be available to make an evaluation of what the consumption patterns have been and can be continued, if desired."</p>
042	Sen. Derfler	I would oppose this.
044	Chair Miller	"I will oppose the sunset on the cigar tax. I believe that in 2001 there will be the opportunity to review any or all portions of this measure. It seems almost to conflict in theory as to why one sunset would be applied and another removed."
052	Chair Strobeck	"The idea was the \$0.10 cents on cigarettes was imposed prior to passage of Measure 44 and has been extended by several legislative sessions since then. However, tobacco is a change in the voter passed Measure 44 and again rather than making it a complete

change without knowing the ramifications are the sunset allows for gathering of data and know the implications of making that change on the cigar portion of tobacco products."

- 063 Chair Miller "My experience has been that people supporting and opposing this change will provide all of the data necessary."
- 067 Rep. Kruse Spoke to the sunset of the cigarette tax and the thought process employed, as sponsor of the bill, in removing the sunset on cigarettes in the original legislation.
- 082 Chair Strobeck The disagreement is centering on whether there should be a sunset on the new change, which proposes a change in the way cigars are taxed.
- 086 Rep. Kruse "Sen. Miller is correct in that any issue can be revisited, but having a sunset forces the revisitation. The opposition to imposing this change to the cigar tax might be softened by implementing the sunset for the purposes of conducting a study and obtaining valid data."
- 095 Sen. Derfler Spoke to the advantages and disadvantages of a sunset.
- 103 Rep. Devlin Spoke to a conversation with the former House Chair of Revenue, Commissioner Bryant about the sunset on cigarettes; his recommendation was that if it was not eliminated the review date be set further out into the future.
- 117 Chair Strobeck Recessed until 12:38 p.m.
- 117 Chair Strobeck Reconvened at 12:38 p.m.
- 117 Sen. Derfler MOTION: MOVED BY CONCEPTUAL AMENDMENT ON LINE 13 PAGE 1 OF (-A8) AMENDMENT DELETION OF THE SUNSET LANGUAGE ON CIGARS BE ADOPTED.
- 119 Sen. Beyer Would support the offered amendment in consideration of the timelines and the need to pass this bill today.
- 124 Richard Yates Briefed Dexter Johnson, Legislative Counsel, on the motion before the Committee.

Removing the sunset on line 13 of the (-A8) amendment would effectively restore the language in the A-Eng. bill, correct?

- 138 Sen. Beyer Did the A-Eng. measure delete the sunset on the cigarette tax?
- 148 Yates The Senate put a sunset into the bill; the House version did not have a sunset on the cigarette portion.
- 152 Chair Miller As I understand it, if the (-A8) was adopted without B5 the sunset on cigarette tax would be removed from the A-Eng. version of the measure.
- 167 Dexter Johnson If you want to just remove the sunset on the cigarette tax you would want the (-A8) amendment, lines 1-3, (Exhibit 1).
- 171 Chair Strobeck The proposal is to delete the sunset from the cigarette tax, but also to delete the sunset from the cigar portion.
- 173 Johnson Then the (-A8) amendment, lines 1-3 would need to be adopted.
- 179 Yates All that is needed is lines 2-3 of the (-A8) amendment, (Exhibit 1).
- 180 Johnson Concurred.
- 181 Sen. Derfler AMENDED MOTION: MOVED BY CONCEPTUAL AMENDMENT THAT LINES 2 AND 3 ON PAGE 1 OF THE (-A8) AMENDMENT BE ADOPTED.
- 188 Chair Strobeck The motion will remove the sunset from both cigarettes and cigars in HB 2461 A-Eng.
- 191 VOTE ROLL CALL VOTE: MOTION PASSED 5-1-0
- MEMBERS VOTING AYE: SENATORS BEYER, DERFLER, MILLER;  
REPRESENTATIVES KRUSE, CHAIR STROBECK
- MEMBERS VOTING NAY: REPRESENTATIVE DEVLIN

197	Chair Strobeck	MOTION: MOVED (-A8) AMENDMENT, AS AMENDED, TO HB 2461 BE ADOPTED. REP. DEVLIN OBJECTED, HEARING NO FURTHER OBJECTION, THE CHAIR SO ORDERED.
204	Chair Strobeck	MOTION: MOVED THAT THE HOUSE CONCUR IN THE SENATE AMENDMENTS DATED JULY 9 AND THAT THE BILL BE FURTHER AMENDED AND REPASSED.
206	VOTE	<p>ROLL CALL VOTE: MOTION PASSED 5-1-0</p> <p>MEMBERS VOTING AYE: SENATORS BEYER, DERFLER, MILLER; REPRESENTATIVES KRUSE, CHAIR STROBECK</p> <p>MEMBERS VOTING NAY: REPRESENTATIVE DEVLIN</p> <p>MOTION CARRIED.</p> <p>SEN. DERFLER AND REP. KRUSE WILL CARRY THE BILL IN THEIR RESPECTIVE CHAMBERS.</p>
211	Chair Strobeck	Meeting adjourned at 12:48 p.m.

Submitted by, Reviewed by,

Joan Green Kim T. James

Committee Assistant Revenue Office Manager

Exhibit Summary:

1. HB 2461, Chair Strobeck, (-A8) amendment, (DJ/ps) 07/21/99, 1 page
2. HB 2461, Yates, Senate and Revenue staff measure summaries, revenue and fiscal impact sheets, Ways and Means staff measure summary, revenue and fiscal impact statement, 9 pages