

PUBLIC HEARING AND WORK SESSION

SB 341

PUBLIC HEARING HB 2542

WORK SESSION HB 2030, 2452

BILL INTRODUCTION LC 2258, 2357

TAPES 62-63, A-B

HOUSE REVENUE COMMITTEE

MARCH 2, 2005 1:00 PM STATE CAPITOL BUILDING

Members Present: Rep. Tom Butler, Chair
 Rep. Vicki Berger, Vice-Chair
 Rep. Mark Hass, Vice-Chair
 Rep. Brian Boquist
 Rep. Sal Esquivel
 Rep. Larry Galizio
 Rep. Betty Komp
 Rep. Andy Olson
 Rep. Chuck Riley

Witnesses Present: Rep. Linda Flores, District 51
 Michelle Deister, League of Oregon Cities
 Dee Wescott, Mayor, Damascus
 John Hartsock, Mayor, ProTem, Damascus
 Jim Craven, American Electronics Association
 Debra Buchanan, Dept. of Revenue
 James Morales, Oregon Association of County Clerks

Staff Present: Paul Warner, Legislative Revenue Officer
 Lizbeth Martin-Mahar, Economist
 Mary Ayala, Economist
 Kristi Bowman, Committee Assistant

TAPE 62, SIDE A

002 Chair Butler Calls meeting to order at 1:05 p.m.

OPENS PUBLIC HEARING FOR SENATE BILL 341

- 007 Mary Ayala Overview of SB 341 (Exhibits 1 and 2). This bill enables the city of Damascus to issue an 18-month anticipation bond for operating revenues. Current law states that an anticipation bond may be issued only at the beginning of the fiscal year. No impact expected because no other city has applied for this change.
- 018 Rep. Flores Supports the bill because the City of Damascus “needs to pay its bills.” The city voters overwhelmingly approved the incorporation and tax rate in the Nov. 2, 2004 election.
- 040 Michelle Deister Introduces witnesses from Damascus.
- 049 Dee Wescott Testifies in support of SB 341 in order to change the statutory limit pertaining to financing the new city of Damascus. Comments that 92% of the eligible voters cast their votes in the 2004 election.
- 072 John Hartsock Submits written testimony (Exhibit 3). Comments on strong city participation of residents to support local control and states that 65% of the voters approved the incorporation and tax base measure.
- 090 Rep. Boquist Asks: 1) does compression affect the city tax base; 2) how helpful has METRO been to Damascus.
- 098 Hartsock Responds: 1) compression did not affect the tax base because the tax base was under the \$10 threshold for local government. 2) METRO (the governing agency for cities in the Portland metro area) has been very proactive in moving the urban growth boundary to allow city growth, and METRO also helped draft the incorporation bill.

CLOSES PUBLIC HEARING FOR SENATE BILL 341

OPENS WORK SESSION FOR SENATE BILL 341

- 108 Rep. Berger MOTION: MOVES SB 341 TO THE HOUSE FLOOR WITH A DO PASS RECOMMENDATION.
- 115 Chair Butler ORDER: THERE BEING NO OBJECTION, THE CHAIR SO ORDERS. MOTION PASSES: 8-0-1. VOTING AYE: BERGER, BOQUIST, ESQUIVEL, GALIZIO, KOMP, OLSON, RILEY, BUTLER. MEMBER EXCUSED: HASS. *(Note: Tape 63 B Meter 177, Rep. Hass votes AYE. Final Vote 9-0-0).

CLOSES WORK SESSION FOR SENATE BILL 341

OPENS PUBLIC HEARING FOR HOUSE BILL 2542

129 Lizbeth Martin-
Mahar Updates information for various reconnect components of HB 2542 (Exhibits 4 and 5). Discusses changes for various reconnect components discussed in previous testimony on 02/22/05 (Exhibit 2). Refers to diagram on current law dividends discussed in previous testimony on 02/22/05 (Exhibit 7). Refers to informational handout pertaining to American Jobs Act of 2004, Foreign Earnings, Medicare Prescription Drug Act of 2003, and Military Family Tax Relief Act of 2003 (Exhibit 6). Comments that amendments are needed to make this bill conform to federal law in the future.

340 Chair Butler General comments about anticipated revenue impacts due to new federal legislation such as the Military Family Tax Relief Act of 2003.

TAPE 63, SIDE A

031 Martin-Mahar Continues with background information on HB 2542. Discusses the Working Family Childcare Credit pertaining to grandparents who pay for childcare. Refers to Major Components table (Exhibit 5, p. 2) regarding updated revenue impact figures.

089 Rep. Hass Asks about reinvesting foreign earnings. Asks about current law deductions.

102 Martin-Mahar Discusses the economic assumptions made about the estimates stated on the Major Components table (Exhibit 5).

112 Rep. Hass Asks if Medical Savings Accounts were not reconnected to federal tax code; what repercussions would there be.

124 Debra Buchanan Responds that federal reporting requirements for federal subsidies and the Medicare Modernization Act do have a “mechanical” effect on the Dept. of Revenue. It would be difficult to track those items if they are considered exclusion on the federal tax form rather than a deduction.

150 Chair Butler Questions and discussion exchanged with Lizbeth Martin-Mahar regarding definitions in the bill.

215 Martin-Mahar Refers to Potential Amendments handout (Exhibit 7).

230 Buchanan Refers to Fiscal Impact Statement (Exhibit 8). Discussion with Chair Butler on expenditures anticipated by the Dept. of Revenue.

- 250 Martin-Mahar Discusses potential amendment suggestions and policy issues regarding the federal reconnect.
- 300 Chair Butler General comments about future reconnect issues.
- 320 Martin-Mahar Additional comments on the qualifying child definition.
- 355 Chair Butler Calls At Ease at 1:57 p.m. Reconvenes at 2:01 p.m.
- 356 Chair Butler Asks Martin-Mahar and vice-chairs to continue to examine the policy issues discussed during the meeting for future discussion.
- 360 Jim Craven Submits written testimony (Exhibit 9) in support of HB 2542. Urges members to look at the "bottom lines" concerning revenue impacts rather than to pick and choose individual items in the reconnect bill in order to save revenue. By remaining connected to the federal code taxpayers avoid amended tax returns and avoid uncertainty in business and individual tax planning.

TAPE 62, SIDE B

- 086 Rep. Hass Comments that legislators have a duty to examine each component of the reconnect bill ensuring that taxpayers are getting the most for their tax money regarding expenditures.
- 106 Craven Discusses the impacts of isolating certain components of the reconnect bill.
- 155 Chair Butler Requests more information from Mr. Craven about the impact of the reconnect on the businesses he represents in Oregon.
- 173 Buchanan Discusses another change in HB 2542 regarding tax representation before the Dept.of Revenue. Refers to page 2, lines 5-9 of the bill draft. It authorizes the Dept. to adopt rules allowing individuals to represent taxpayers before the Dept. Discusses representation scenarios that are affected by current law.
- 200 Buchanan Discusses handout pertaining to the Working Family Childcare Credit (Exhibit 10). The definition of "qualifying child" is taken from IRS Code Section 151. Recently Congress expanded the definition of a qualifying child, and the bill does include that expanded definition. a non-resident taxpayer would be able to claim a refund. Discusses impact of that credit.

- 245 Buchanan Discusses another provision in the bill regarding the federal sales tax deduction. While Oregon does not have a sales tax, Washington residents file Oregon returns allowing them to claim a sales tax deduction. Discusses the impact of disallowing that credit.
- 259 Buchanan Refers to the handout describing scenarios under current law and under HB 2542 regarding dividend deductions.
- 329 Rep. Hass Asks if Oregon statute language should be changed.
- 331 Buchanan Responds that proposed language to change the reconnect should be relatively simple to construct. Adds that the unintended consequence of a double deduction goes back to when Oregon connected the corporate tax to the definition of federal taxable income. Perhaps there was not enough attention paid at the time to the impact of the two deductions.
- 370 Martin-Mahar Includes the estimates of the 85% federal deduction in her Major Components table (Exhibit 5).
- 390 Chair Butler Further discussion with Buchanan regarding repatriation of the money for the one year duration of the new federal law.
- 439 Rep. Boquist Comments that the federal law took effect on 10/22/04 and is in effect for one year prior to the effective date and one year after.

TAPE 63, SIDE B

- 010 Buchanan Provides additional information on the DOR's administrative rules contained in the working family child care credit handout (Exhibit 10). Several scenarios are described in the handout.

CLOSES PUBLIC HEARING FOR HOUSE BILL 2542

OPENS WORK SESSION FOR HOUSE BILL 2030

- 041 Mazen Malik Provides background information on HB 2030 previously discussed on 01/27/05. The bill requires state agencies to follow standards adopted by the State Treasurer regarding electronic funds transfer. Discusses HB 2030-1, HB 2030-2 and HB 2030-3 amendments.

- 088 James Morales Testifies that the amendment HB 2030-3 addresses the concerns of the county clerks regarding the assessment of a penalty against a payee who is unable to receive payment by electronic funds transfer.
- 121 Rep. Boquist Restates Chair Butler's previous comment that the Dept. of Revenue concurs with the HB 2030-2 amendment. Asks if the Dept. agrees with the HB 2030-3 amendment. States that he and Rep. Riley reviewed the ORS statutes cited in the HB 2030-2 amendment with Debra Buchanan, and it met with the interpretation discussed in the previous committee hearing.
- 135 Chair Butler Asks Buchanan if she would like to comment on the HB 2030-3 amendment. She declined.
- 140 Rep. Boquist MOTION: MOVES THE ADOPTION OF THE HB 2030-2 AMENDMENT.
- 144 Chair Butler ORDER: THERE BEING NO OBJECTION, THE CHAIR SO ORDERS. MOTION PASSES 9-0-0. ANSWERING AYE: BERGER, HASS, BOQUIST, ESQUIVEL, GALIZIO, KOMP, OLSON, RILEY,BUTLER.
- 148 Rep. Riley MOTION: MOVES THE ADOPTION OF THE HB 2030-3 AMENDMENT.
- 150 Chair Butler ORDER: THERE BEING NO OBJECTION, THE CHAIR SO ORDERS. MOTION PASSES 9-0-0. ANSWERING AYE: BERGER, HASS, BOQUIST, ESQUIVEL, GALIZIO, KOMP, OLSON, RILEY, BUTLER.
- 161 Chair Butler MOTION: MOVES HB 2030 AS AMENDED TO THE HOUSE WITH A DO-PASS RECOMMENDATION..
- 164 Chair Butler ORDER: THERE BEING NO OBJECTION, THE CHAIR SO ORDERS. MOTION PASSES 9-0-0. ANSWERING AYE: BERGER, HASS, BOQUIST, ESQUIVEL, GALIZIO, KOMP, OLSON, RILEY, BUTLER.

CLOSES WORK SESSION FOR HOUSE BILL 2030

REOPENS WORK SESSION FOR SENATE BILL 341

173 Rep. Berger Requests a suspension of the rules and reopens the work session in order for Rep. Hass to vote.

177 Rep. Hass Votes Aye (See note on page 2 of this tape log).

178 Chair Butler Declares a unanimous vote for SB 341 (9-0-0).

CLOSES WORK SESSION FOR SENATE BILL 341

OPENS WORK SESSION FOR HOUSE BILL 2452

192 Martin-Mahar Gives background information on HB 2452. The bill pertains to a tax change requiring pass-through entities to withhold taxes on distributive income from their non-resident owners that elect not to be part of the composite tax return.

215 Chair Butler Comments that this bill conforms to the multi-state commission's position.

221 Rep. Berger MOTION: MOVES HB 2452 TO THE HOUSE FLOOR WITH A DO PASS RECOMMENDATION.

225 Chair Butler ORDER: THERE BEING NO OBJECTION, THE CHAIR SO ORDERS. MOTION PASSES 9-0-0. ANSWERING AYE: BERGER, HASS, BOQUIST, ESQUIVEL, GALIZIO, KOMP, OLSON, RILEY, BUTLER.

CLOSES WORK SESSION FOR HOUSE BILL 2452

OPENS WORK SESSION FOR BILL INTRODUCTION

239 Chair Butler Discusses LC 2357. This is a joint resolution that proposes an amendment to the Constitution adopting a uniform statewide tax on manufacture or importation of malt beverages. Requires allocation of net tax revenues to counties.

274 Chair Butler MOTION: MOVES THAT LC 2357 BE INTRODUCED AS A HOUSE REVENUE COMMITTEE BILL.

- 277 Chair Butler ORDER: THERE BEING NO OBJECTION, THE CHAIR SO ORDERS. MOTION PASSES 9-0-0. ANSWERING AYE: BERGER, HASS, BOQUIST, ESQUIVEL, GALIZIO, KOMP, OLSON, RILEY, BUTLER.
- 269 Paul Warner Discusses LC 2258 is a modification to the forestland taxation reform. It establishes a late filing procedure for continuing qualification applications.
- 273 Rep. Berger Asks for clarification of the proposed changes to the bill.
- 275 Warner Responds that this LC just changes the time frame for the filing. It doesn't alter the process.
- 295 Rep. Berger MOTION: MOVES THAT LC 2258 BE INTRODUCED AS A HOUSE REVENUE COMMITTEE BILL.
- 305 Rep. Komp Asks Warner about the late filing fee on lines 12-13 of the LC.
- 313 Warner The fee is new language. It is the fee charged if an application is not filed by the deadline.
- 332 Chair Butler ORDER: THERE BEING NO OBJECTION, THE CHAIR SO ORDERS. MOTION PASSES 9-0-0. ANSWERING AYE: BERGER, HASS, BOQUIST, ESQUIVEL, GALIZIO, KOMP, OLSON, RILEY, BUTLER.
- 339 Chair Butler Adjourns meeting at 2:53 p.m.

Tape Log Submitted by:

Reviewed by:

Kristi Bowman, Committee Assistant

Kim Taylor James, Committee Coordinator

Exhibit Summary:

1. 1. SB 341, Staff Measure Summary, Ayala, 1 pg., 02/10/05

2. 2. SB 341, Staff Measure Summary, Ayala, 1 pg., 02/28/05
3. 3. SB 341, Written Testimony, Hartsock, 2 pp., 03/02/05
4. 4. HB 2542, Revenue Impact Statement, Martin-Mahar, 1 pg., 03/02/05
5. 5. HB 2542, Revenue Estimates Table, Martin-Mahar, 2 pp., 03/02/05
6. 6. HB 2542, Handout: Primary Components, Martin-Mahar, 6 pp., 03/02/05
7. 7. HB 2542, Handout: Potential Amendments and Policy Choices, Martin-Mahar, 1 pg., 03/02/05
8. 8. HB 2542, Fiscal Impact Statement, Legislative Fiscal Office, 1 pg., 02/25/02
9. 9. HB 2542, Written Testimony, Craven, 2 pp., 03/02/05
10. 10. HB 2542, Handout: Working Family Childcare Credit, Buchanan, 03/02/05
11. 11. HB 2542, Handout: Scenarios, Buchanan, 1 pg., 03/02/05
12. 12. HB 2030, Amendment HB 2030-2, Legislative Counsel, 02/14/05
13. 13. HB 2030, Amendment HB 2030-3, Legislative Counsel, 02/21/05
14. 14. LC 2357, Legislative Counsel, 2 pp., 02/28/05
15. 15. LC 2258, Legislative Counsel, 4 pp., 02/28/05