

WORK SESSION

HB 2191 A, 2995, 2340, 2787, 2659, 3460

PUBLIC HEARING

HM 7

TAPES 157-158 A-B, 159-160 A

HOUSE REVENUE COMMITTEE

MAY 12, 2005 1:15 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:

- Joe Schweinhart, Associate Oregon Industries (AOI)
- Gil Riddell, Association of Oregon Counties (AOC)
- Chris Robinson, Metro Multiple Family Housing
- John Marshall, Oregon School Boards Assn. (OSBA)

Chuck Bennett, Confederation of OR School Administrators (COSA)

Brian Reeder, Dept. of Education

Jody Wisner, Coalition to Preserve the Estate Tax

Don Schellenberg, Oregon Farm Bureau Federation

Don Cersovski, Oregon Farm Bureau Federation

Stuart Olson, Oregon Farm Bureau Federation

Jason Williams, Taxpayer Assn. of Oregon

Wayne Brady, (no affiliation given)

Staff Present:

Paul Warner, Legislative Revenue Officer

Mary Ayala, Economist

Lizbeth Martin-Mahar, Economist

Kristi Bowman, Committee Assistant

TAPE 157, SIDE A

002 Chair Butler Calls meeting to order at 1:20 p.m.

OPENS WORK SESSION FOR HOUSE BILL 2995

008 Paul Warner Discusses HB 2995-4 amendment (Exhibit 1) which clarifies language pertaining to facilitator, tax practitioners and tax consultants. Clarifies what kind of information the taxpayer must receive from the tax provider.

- 027 Chair Butler Asks about status of SB 968 pertaining to Refund Anticipation Loans (RALs).
- 030 Warner Responds that SB 968 has not yet been heard by the Senate Revenue Committee but will provide an update for the Committee.
- 032 Rep. Galizio Comments that the intent of the bill is to have families make more informed decisions regarding taxpayer loans.
- 051 Chair Butler REP. GALIZIO MOVES THE ADOPTION OF THE HB 2995-4 AMENDMENT.
- 054 Chair Butler ORDER: THERE BEING NO OBJECTION, THE CHAIR SO ORDERS. MOTION PASSES 8-0-1. VOTING AYE: BOQUIST, GALIZIO, KOMP, OLSON, RILEY, BERGER, HASS, BUTLER. EXCUSED: ESQUIVEL.
- 061 Rep. Boquist MOTION: MOVES HB 2995 AS AMENDED TO THE HOUSE FLOOR WITH A DO PASS RECOMMENDATION.
- 075 Chair Butler ORDER: THERE BEING NO OBJECTION, THE CHAIR SO ORDERS. MOTION PASSES 8-0-1. VOTING AYE: BOQUIST,

GALIZIO, KOMP, OLSON, RILEY, BERGER, HASS, BUTLER.
EXCUSED: ESQUIVEL.

CLOSES WORK SESSION FOR HOUSE BILL 2995

OPENS WORK SESSION FOR HOUSE BILL 2191 A

- 080 Lizbeth Martin-Mahar Gives overview of HB 2191. The bill creates a labor rebate for costs incurred by persons engaged in film production in Oregon if costs exceed the threshold level. Discusses the Greenlight Oregon Labor Rebate Fund that would be created by this bill.
- 181 Rep. Riley Comments that this is a good bill. Oregon is losing film production to other states and to Canada because they offer more incentives. The incentives in this bill will be sufficient to bring some film production back to Oregon.
- 197 Chair Butler REP. RILEY MOVES THE ADOPTION OF THE HB 2191 A-3 AMENDMENT.
- 205 Chair Butler ORDER: THERE BEING NO OBJECTION, THE CHAIR SO ORDERS. MOTION PASSES 8-0-1. VOTING AYE: BOQUIST, ESQUIVEL, GALIZIO, KOMP, RILEY, BERGER, HASS, BUTLER. EXCUSED: OLSON.

- 207 Chair Butler REP. RILEY MOVES THE ADOPTION OF THE HB 2191 A-4 AMENDMENT.
- 211 Chair Butler ORDER: THERE BEING NO OBJECTION, THE CHAIR SO ORDERS. MOTION PASSES 8-0-1. VOTING AYE: BOQUIST, ESQUIVEL, GALIZIO, KOMP, RILEY, BERGER, HASS, BUTLER. EXCUSED: OLSON.
- 212 Chair Butler REP. BERGER MOVES THE ADOPTION OF THE HB 2191 A-5 AMENDMENT.
- 215 Chair Butler ORDER: THERE BEING NO OBJECTION, THE CHAIR SO ORDERS. MOTION PASSES 8-0-1. VOTING AYE: BOQUIST, ESQUIVEL, GALIZIO, KOMP, RILEY, BERGER, HASS, BUTLER. EXCUSED: OLSON.
- 217 Chair Butler REP. BERGER MOVES HB 2191-A AS AMENDED TO THE HOUSE FLOOR WITH A DO PASS RECOMMENDATION.
- 220 Rep. Berger Comments that Oregon has lost its market-edge for film production, and this bill is a step in the right direction because it provides economic development.
- 238 Rep. Riley Adds that filming in Oregon is beneficial because movies that promote Oregon cause people to come here.

249 Chair Butler ORDER: THERE BEING NO OBJECTION, THE CHAIR SO ORDERS. MOTION PASSES 8-0-1. VOTING AYE: BOQUIST, ESQUIVEL, GALIZIO, KOMP, RILEY, BERGER, HASS, BUTLER. EXCUSED: OLSON.

CLOSES WORK SESSION FOR HOUSE BILL 2191 A

OPENS WORK SESSION FOR HOUSE BILL 2340

270 Mary Ayala Gives overview of HB 2340 (Exhibit 2). The bill allows rural fire protection district boards to adopt an ordinance that creates a fee for any service provided by the district. The bill was previously heard on 04/11/05 and 04/14/05.

301 Rep. Boquist MOTION: MOVES HB 2340 TO THE HOUSE FLOOR WITH A DO PASS RECOMMENDATION.

316 Chair Butler ORDER: THERE BEING NO OBJECTION, THE CHAIR SO ORDERS. MOTION PASSES 8-0-1. VOTING AYE: BOQUIST, ESQUIVEL, GALIZIO, KOMP, RILEY, BERGER, HASS, BUTLER. EXCUSED: OLSON.

CLOSES WORK SESSION FOR HOUSE BILL 2340

OPENS WORK SESSION FOR HOUSE BILL 2787

- 337 Martin-Mahar Discusses HB 2787-4 amendment changes (Exhibits 4 and 5) pertaining to the rural medical practitioner tax credit:
- • Frontier county definition
 - • Rural county definition
 - • Two-tier medical tax credit
 - • Phase-out of tax credit for high-income Oregonians
 - • Adds psychologists and pharmacists who practice in frontier counties
 - • Caps tax credit for pharmacists to \$5000
 - • Tax credit for volunteer EMTs only who volunteer 20% of their time (page 5, line 16 of bill)

465 Chair Butler Discusses EMT volunteer service scenarios with Martin-Mahar.

TAPE 158, SIDE A

- 031 Martin-Mahar Discusses revenue impacts (Exhibit 6) for the various medical practitioners.
- 089 Rep. Boquist Discusses the process of “means testing” to determine income brackets for eligibility. Discusses the \$250 credit for volunteer EMTs.
- 139 Rep. Hass Asks why there was a decision to expand the number of frontier counties.

- 144 Rep. Boquist Responds that one of the issues is the lack of medical services in frontier and rural counties. Discusses the criteria used to determine frontier and rural counties. Criteria factors include mileage, income level, and number of certified EMTs. Discussion with Chair Butler regarding EMT expenses.
- 244 Chair Butler Comments on the deduction of expenses on the tax form.
- 250 Martin-Mahar Comments that there is nothing in the bill that says a practitioner cannot take both a tax credit and deduction.
- 253 Rep. Galizio Asks if definitions of rural and frontier are different for other applications.
- 258 Martin-Mahar Responds that the Office of Rural Health will only use the statute definition for this tax credit. They can define frontier counties in a different way for their own rules. Further discussion with Rep. Galizio on frontier and rural definitions.
- 300 Chair Butler Comments that in the past the state has used the federal definition of frontier counties, which is six people per square mile.
- 328 Rep. Hass Asks why certain population numbers were used to define frontier counties.

330 Rep. Boquist Responds that it was an attempt to expand the credit to as many counties as possible. Comments on the difficulty in recruiting medical providers in Klamath and Umatilla counties.

CLOSES WORK SESSION FOR HOUSE BILL 2787

OPENS WORK SESSION FOR HOUSE BILL 2659

415 Ayala Gives overview of HB 2659 (Exhibit 7). The bill retains the 6 year limit to file for a property tax refund and simplifies the refund process. Refers to revenue impact statements (Exhibit 8).

TAPE 157, SIDE B

043 Ayala Discusses HB 2659-3 amendment (Exhibits 9 and 10) and HB 2659-4 amendment (Exhibits 11 and 12).

071 Joe Schweinhart In response to Chair Butler's question about who sponsored the HB 2659-3 amendment, Schweinhart says that Associated Oregon Industries (AOI) submitted the amendment.

- 085 Chris Robinson Discusses the purpose of the HB 2659-4 amendment, which was to address concerns that the Assn. of Oregon Counties (AOC) had. Submits handout: Talking Points (Exhibit 13).
- 096 Gil Riddell Comments about the two amendments. Testifies that county governments have no interest in bureaucratic red tape and fully support the amendments.
- 113 Rep. Berger MOTION: MOVES THE ADOPTION OF THE HB 2659-3 AMENDMENT.
- 116 Chair Butler ORDER: THERE BEING NO OBJECTION, THE CHAIR SO ORDERS. MOTION PASSES 9-0-0. VOTING AYE: BOQUIST, ESQUIVEL, GALIZIO, KOMP, OLSON, RILEY, BERGER, HASS, BUTLER.
- 117 Rep. Berger MOTION: MOVES THE ADOPTION OF THE HB 2659-4 AMENDMENT.
- 119 Chair Butler ORDER: THERE BEING NO OBJECTION, THE CHAIR SO ORDERS. MOTION PASSES 9-0-0. VOTING AYE: BOQUIST, ESQUIVEL, GALIZIO, KOMP, OLSON, RILEY, BERGER, HASS, BUTLER.
- 121 Rep. Berger MOTION: MOVES HB 2659 AS AMENDED TO THE HOUSE FLOOR WITH A DO-PASS RECOMMENDATION.

135 Chair Butler ORDER: THERE BEING NO OBJECTION, THE CHAIR SO ORDERS. MOTION PASSES 9-0-0. VOTING AYE: BOQUIST,

ESQUIVEL, GALIZIO, KOMP, OLSON, RILEY, BERGER, HASS, BUTLER.

CLOSES WORK SESSION FOR HOUSE BILL 2659

OPENS WORK SESSION FOR HOUSE BILL 3460

160 Warner Gives update of work group discussions on HB 3460. Discusses School Revenue Forecast Committee Report (Exhibit 15). Discusses handout: House Bill 3460 Potential Amendments (Exhibit 16).

203 Chair Butler Asks about previous bills that have “look-back language.” Expresses concern that if the language is not strong enough, does the whole statute go away?

217 Warner In response to the “look-back” question, the strongest step would be a sunset date for legislative review. Continues with the handout talking points.

284 Rep. Berger Discussion with Warner about using a statutory trigger to determine when the revenue stream would stop.

324 Chair Butler Discussion with Warner regarding the Education Stability Fund.

330 Chuck Bennett Testifies that while the adequacy issue still needs to be addressed, HB 3460 only addresses school funding stability and predictability. Discusses percentages that COSA recommends and would also be attractive to statewide school districts. The funding concept proposed in HB 3460 will provide a good basic education.

TAPE 158, SIDE B

046 John Marshall Discusses the School Capital Matching Account. OSBA believes that growing that fund will help both high-growth districts and those communities without a wealthy tax base with their capital needs.

066 Rep. Hass Asks about the feasibility of amendments that repealed certain tax credits and expenditures or put sunset dates on them, with the goal of strengthening the stabilization process.

076 Bennett Responds that amendments concerning those issues would be going beyond the scope of this bill.

092 Chair Butler Discussion with Rep. Hass on putting percentage limits in the bill to help direct future legislatures in dealing with future tax credits or expenditures.

- 122 Rep. Galizio Asks why personal income tax is used as the funding mechanism for the bill. Asks about using a percentage of the general fund instead.
- 133 Marshall Responds that there are two issues. 1) the definition and components of the general fund. Income tax is used because of its elastic nature. 2) inflationary figures—salaries, medical insurance, PERS retirement rates, and fuel costs for school buses.
- 166 Warner In response to Rep. Galizio, refers to the forecast table in handout that addresses salaries and PERS impacts.
- 170 Rep. Galizio Regarding the general fund, asks if the fund could be specifically defined for purpose of calculation for the bill.
- 174 Bennett Responds that income tax is the biggest component of the general fund. Using income tax as the basis for school funding is the best available resource.
- 180 Rep. Komp Asks Warner if the economic calculations use the weighted or actual student numbers.
- 200 Warner Responds that different definitions are used for various applications.
- 213 Brian Reeder Testifies that the essential school budget level is based on the “per-weighted” student number.

252 Warner Comments that the growth trends between weighted students and actual students are different.

CLOSES WORK SESSION FOR HOUSE BILL 3460

OPENS PUBLIC HEARING FOR HOUSE MEMORIAL 7

280 Martin-Mahar Gives overview of HM 7 (Exhibit 17). The bill expresses support by the Oregon House of Representatives to the Congress and President to permanently abolish the federal estate tax. Under current federal law, the estate tax would be eliminated for one year (2010) and reinstated in 2011. Oregon is not automatically connected to any federal changes to estate taxes.

320 Jody Wisner Testifies in opposition to HM 7 because estate tax only affects the wealthiest 1% of the population. Discusses polls regarding cutting or eliminating estate taxes. "Estate tax is a surcharge that kicks in only if we're lucky enough to be one of life's biggest winners."

433 Don Schellenberg Testifies in support of HM 7 and submits written testimony (Exhibit 18).

445 Don Cersovski Testifies in support of HM 7 and reads verbatim from written testimony (Exhibit 19).

TAPE 159, SIDE A

- 090 Stuart Olson Testifies in support of HM 7 because of the impact of the estate tax on small family farms like his.
- 102 Schellenberg Testifies in support of HM 7. Comments on handout from Neil Westfall (Exhibit 20). Discusses family farm issues pertaining to estate tax.
- 135 Rep. Galizio Discussion with Olson regarding capital gains and estate tax planning.
- 139 Olson Responds that because of numerous changes to the estate tax law, it is difficult to constantly update their family estate tax plan.
- 163 Chair Butler Comments that federal law goes back to the 2011 level, and there will be capital gains. Discusses taxation of farm corporations with Rep. Galizio.
- 232 Rep. Riley Comments that in his management consultant business he only hears about small farms having problems with the estate tax. Expresses concern that the problems of small farms are not being addressed. Instead, there is an effort to repeal a tax that affects many other people besides small farmers.

- 260 Olson Responds that no one has taken inflation into account. Millionaires in the 1930's are now billionaires. Discusses the struggles he and his brother are having in maintaining his small farm. Discussion with Rep. Riley on this issue.
- 317 Jason Williams Testifies in support of HM 7 and submits two handouts (Exhibits 21 and 22). The estate tax carries a big bureaucratic cost to it. "It's not the government's business to get involved with such [family] inheritances." Death is not a taxable event.
- 360 Wayne Brady Testifies in support of HM 7 because the estate tax is a counter-productive tax. If small businesses were left intact, the government would receive more revenue from income taxes rather than from estate taxes.
- 378 Chair Butler Comments about what the federal government is doing about the estate tax in 2010. Expresses concern that if the state doesn't do something about the federal tax policy with no step-up in basis, there will be an "absolute mess" regarding the tracking of historical basis information.
- 461 Rep. Riley Agrees that 2011 will be a problem because of the federal drop to the \$1 M level. However, this resolution calls for a full repeal, which is an entirely different situation than the change in federal law in 2011.

TAPE 160, SIDE A

045 Rep. Boquist Submits handout for HB 2787 (Exhibit 23) pertaining to cities impacted by the bill.

054 Chair Butler Adjourns meeting at 3:42 p.m.

Tape Log Submitted by:

Reviewed by:

Kristi Bowman, Committee Assistant

Kim Taylor James, Committee
Coordinator

Exhibit Summary:

- 1. HB 2995, HB 2995-4 Amendment, Leg. Counsel, 8 pp., 05/11/05
- 2. HB 2340, Revenue Impact Statement, Ayala, 1 pg., 04/12/05
- 3. HB 2340, Staff Measure Summary, Ayala, 1 pg., 05/11/05
- 4. HB 2787, Staff Measure Summary, Martin-Mahar, 2 pp., 05/12/05
- 5. HB 2787, HB 2787-4 Amendment, Leg. Counsel, 11 pp., 05/12/05
- 6. HB 2787, Revenue Impact Statement, Martin-Mahar, 2 pp., 05/12/05
- 7. HB 2659, Staff Measure Summary, Ayala, 1 pg., 05/11/05
- 8. HB 2659, Revenue Impact (HB 2659 & HB 2659-3), Ayala, 1 pg., 05/11/05

- 9. HB 2659, HB 2659-3 Amendment, Leg. Counsel, 1 pg., 05/12/05
- 10. HB 2659, Staff Measure Summary (HB 2659-3), Ayala, 1 pg., 05/11/05
- 11. HB 2659, HB 2659-4 Amendment, Leg. Counsel, 1 pg., 05/12/05
- 12. HB 2659, Staff Measure Summary (HB 2659-4), Ayala, 1 pg., 05/11/05
- 13. HB 2659, Handout: Talking Points, Robinson, 1 pg., 05/12/05
- 14. HB 2659, Testimony, Kafoury, 1 pg., 05/11/05
- 15. HB 3460, Handout: Castillo Letter, Hill, 10 pp., 12/01/04
- 16. HB 3460, Handout: Potential Amendments, Warner, 1 pg., 05/12/05
- 17. HM 7, Staff Measure Summary, Martin-Mahar, 1 pg., 05/11/05
- 18. HM 7, Testimony, Schellenberg, 1 pg., 05/12/05
- 19. HM 7, Testimony, Cersovski, 2 pp., 05/12/05
- 20. HM 7, Handout: Oregon-Neil Westfall, Schellenberg, 1 pg., 05/12/05
- 21. HM 7, Handout: Yes on HM 7, Williams, 1 pg., 05/12/05
- 22. HM 7, Handout, (no title), Williams, 1 pg., 05/12/05
- 23. HB 2787, Handout: Cities Impacted, Rep. Boquist, 1 pg., 05/12/05