

PUBLIC HEARING
HB 2514, 2787, 3348, 3407

TAPES 138-139 A-B

HOUSE REVENUE COMMITTEE

MAY 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:

- Damiana Merryweather, OR Psychological Assn.
- Robert Lundblad, OR Psychological Assn.
- Ed Patterson, OR Rural Health Assn.
- Chris Benson, Emergency Svcs. Coordinator, Lane Co. Fire District
- Tom Holt, OR State Pharmacy Assn.
- Karen Knapp, Director, OHSU Rural Health

Scott Ekblad, Director, Oregon Office of Rural Health

Scott Gallant, Oregon Medical Assn. (OMA)

Jane Myers, Oregon Dental Assn. (ODA)

Donald Pfeifer, Citizen of Corvallis

Rep. Kelly Wirth, Dist. 16

Sen. Alan Bates, Dist. 3

Staff Present:

Paul Warner, Legislative Revenue Officer

Lizbeth Martin-Mahar, Economist

Kristi Bowman, Committee Assistant

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002 Acting Chair Berger Calls meeting to order at 1:08 p.m.

OPENS PUBLIC HEARING FOR HOUSE BILL 2514

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| 011 | Lizbeth Martin-Mahar | All bills on the agenda pertain to rural medical provider income tax credits. Gives overview of HB 2514. This bill adds psychologists with a rural practice to be eligible for the rural medical practice income tax credit. Refers to the revenue impact statement (Exhibit 1). It will be at the discretion of the Rural Health Dept. to establish the criteria regarding residence eligibility for the credits. |
| 056 | Damiana Merryweather | Testifies in support of HB 2514 and submits written testimony (Exhibit 2). The tax credit exists currently, and HB 2514 would add |

psychologists to the list of eligible practitioners. Comments that there are no mental health providers currently on the eligibility list. (Merryweather previously testified on 04/28/05).

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| 102 | Martin-Mahar | Explains the numbers in the revenue impact report in response to Merryweather's comments. The Dept. of Revenue provided data that there were very few unused tax credits. Adds that the credit is a "use it or lose it" option—there is no carryover of tax credits from year to year. |
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| 124 | Robert Lundblad | Testifies in support of HB 2514 because it provides an incentive for psychologists to relocate to a rural area. Discusses the typical career path for psychologists that can be a barrier to relocating to rural areas. |
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| 167 | Merryweather | Refers to map submitted with testimony showing the location of frontier and rural counties. There are currently five psychologists practicing in frontier counties. |
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| 180 | Chair Butler | Discussion with Merryweather about the revenue impacts if the bill was limited to those practicing in frontier counties. Comments on the effectiveness of this credit. Expresses concern that frequently a rural practitioner's income after paying liability insurance doesn't reach the tax credit threshold. Many of the practitioners have their spouses work in order to claim the credit on their joint tax return. |
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| 210 | Rep. Komp | Asks if Pendleton is in a rural or frontier county. Chair Butler responds that Pendleton is in a rural county. Rep. Komp expresses concern about the veterans in the Pendleton area needing assistance and the issue of limiting the scope of the bill to frontier counties only. |

222 Chair Butler Asks Rep. Boquist to research an amendment that would have an earlier implementation date for practitioners in frontier counties. Rep. Boquist responds that he will research it.

CLOSES PUBLIC HEARING FOR HOUSE BILL 2514

OPENS PUBLIC HEARING FOR HOUSE BILL 2787

244 Martin-Mahar Gives overview of HB 2787 (Exhibit 3). This bill adds certified emergency medical technicians (EMT's) to the list of eligible rural medical providers who can qualify for the rural medical providers' tax credit. Discusses amendments HB 2787-1 (Exhibit 4) and HB 2787-2 (Exhibit 5) that add pharmacists as eligible rural practitioners. Discusses the revenue impact statement (Exhibit 6). There has been discussion about limiting this credit to frontier counties only.

294 Ed Patterson Testifies in support of HB 2787 and reads verbatim from written testimony (Exhibit 7).

322 Chris Benson Testifies in support of HB 2787 because it is difficult to recruit people to become EMTs without a financial incentive. Believes that the tax credit would be a significant benefit in the recruitment effort. Comments that 40% of the population in Lane County is served by volunteer emergency service response.

- 377 Chair Butler Asks how many EMTs and ambulances are in Lane County.
- 380 Benson Responds that ambulance transport comes out of Eugene. The EMTs provide emergency services. Out of 50 EMTs, 45 serve as volunteers.
- 396 Rep. Berger Asks if the 45 volunteers qualify for a tax credit based on their income (response at marker 030 below).
- 412 Martin-Mahar Clarifies that this tax credit also applies to the joint tax return.
- 429 Rep. Hass Asks Martin-Mahar if the rural practitioner tax credit could be used for non-residents' Oregon tax returns.
- 431 Martin-Mahar Responds that the credit can be used by non-residents.

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- 022 Rep. Boquist Asks if it would it be better for EMTs to have expenses deducted or have a tax credit.
- 030 Benson Agrees that few EMTs will qualify for the full tax credit. Regarding writing off expenses, he is not sure about additional expenses other than those expenses required for continuing education.

- 040 Chair Butler Adds that EMTs in frontier counties need to pay for mileage to required training and that is an expense. Many EMTs help in neighboring counties and live in a border state. Asks Patterson if the tax credit would be given for a full year of service.
- 058 Patterson Responds that the bill is non-specific regarding service eligibility, but there are administrative rules by the Office of Rural Health that concern this issue. If the bill is limited to volunteers, it would reduce the revenue impact.
- 074 Rep. Komp Requests discussion of the amendments.
- 077 Martin-Mahar Reviews amendments. HB 2787-2 amendment is the one the proponents support. It adds more clarification about the pharmacists who would qualify. Amendment HB 2787-1 adds pharmacists and amendment HB 2787-2 restricts the credit to areas that do not have more than five pharmacies under common ownership.
- 086 Rep. Boquist Clarifies that the intent of the bill is for volunteers, but that information is not stated in bill.
- 096 Tom Holt Testifies in support of HB 2787 and submits written testimony (Exhibit 8). Without access to pharmacies, patients really do not have complete access to health care. The credit would be a tool to help pharmacies that serve mostly Medicaid patients. Discusses the HB 2787-2 amendment regarding multiple ownership of pharmacies. Approximately 140 pharmacists in rural and frontier counties would qualify statewide. Comments on the issue of rural vs. frontier counties.

- 166 Karen Knapp Testifies in support of HB 2787. Discusses criteria developed by an ad-hoc committee to determine eligibility for the tax credit. The credit is not intended to benefit individuals but rather benefit communities in which they serve. Adds that increasing numbers of employers are not allowing volunteers to serve—they are unpaid if they take time off from their regular job to volunteer.
- 220 Scott Ekblad Testifies in support of HB 2787 and submits a handout of revenue impact estimates (Exhibit 9). Discusses various scenarios pertaining to different rural practitioner groups.
- 256 Chair Butler Asks about the possibility of limiting the credit to the practitioner only rather than having it apply to the joint return. Discussion with Knapp regarding the intent of the rural practitioner tax credits.
- 307 Rep. Berger Asks about potential discrimination of pharmacists who work for a corporate chain in rural areas. Asks about the ability to provide prescriptions via the Internet.
- 342 Holt Responds that Internet pharmacy service is limited in rural counties, and it is a poor substitute for personal care when someone has a serious health condition. Regarding the chain drug store issue, the chains use recruitment bonuses for pharmacists to relocate to rural areas. Small communities generally do not have chain pharmacies.

003	Rep. Berger	Asks if pharmacies have eligibility criteria stated in administrative rules.
006	Knapp	Responds that this issue has not been addressed before. Pharmacies are a business but are unlike medical practices as a business. Small rural pharmacies have competition from mail order and Internet fulfillment of chronic care medications, and that has impacted their business.
030	Rep. Berger	Comments that the bill doesn't address the business concerns of pharmacies.
038	Rep. Boquist	Discussion with Ekblad about information in his handout.
055	Knapp	Comments on definitions of rural and frontier areas pertaining to eligibility. Adds that the practitioner doesn't always live in the county they practice in.
068	Rep. Boquist	Asks if this program is effective or does it need fine-tuning.
074	Knapp	Responds that this is the strongest incentive tool for recruitment. It is difficult to measure its effectiveness. The Rural Health Office uses anecdotal information to determine if the credit is a deciding factor. The Oregon Medical Assn. surveyed what factors influence rural physicians to practice in rural areas. The survey concluded that financial factors were most important regarding the decision to practice in a rural area.

CLOSES PUBLIC HEARING FOR HOUSE BILL 2787

OPENS PUBLIC HEARING FOR HOUSE BILL 3348

- 105 Martin-Mahar Gives overview of HB 3348 (see Exhibit 4 from 04/28/05). The bill allows a maximum cap of \$10,000 for the rural medical practice tax credit. Some married couples can claim two credits if they are both rural medical practitioners. Refers to handout: HB 3348 table (see Exhibit 5 from 04/28/05) and discusses the revenue impacts.
- 155 Knapp Testifies in support of HB 3348 because it is the strongest tool for recruitment. It will help with the rising costs of maintaining a rural practice.
- 180 Patterson Testifies in support of HB 3348 and submits written testimony (Exhibit 10). The tax credit is very effective and needs to be updated by increasing the maximum annual cap. The credit sends a signal that Oregon is serious about recruiting for rural practitioners.
- 202 Chair Butler Comments on 63 returns with 2 practitioners in the same family who claim the credit. Asks if that was originally intended.
- 208 Patterson Responds that it was not discussed when the bill was originally passed, but “more power to them.” Comments that “it is a bonus we didn’t anticipate.”

217	Rep. Boquist	Asks why 95 people who were eligible for the credit chose not to use it.
219	Knapp	Responds that it is possible that they were not aware of the credit. They can file an amended return for the previous three years, however.
230	Chair Butler	Relates anecdotal information about a rural doctor and his practice. Expresses concern about rural doctors who do not have the income to claim the credit after they pay their liability insurance.
295	Rep. Galizio	Comments that his tax preparer was not aware of the credit even though his wife was eligible for it. Expresses concern about how tax practitioners are notified.
315	Knapp	Responds that the Rural Health Office notifies all county Boards of Health, but it is difficult to contact nurses because their addresses are not always available. They also rely on medical professional associations for notification.
357	Scott Gallant	Testifies in support of HB 3348. Recruiting is always a problem, and most recruitment of practitioners for Oregon is from out-of-state. Oregon is always competing with other states and countries that offer more incentives.
404	Chair Butler	Asks Knapp and Ekblad to work with the OMA regarding other state incentives.

415 Knapp Oregon is one of seven states that offer tax credits. Discusses other state programs, e.g., loan repayment programs. Will provide information to committee.

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013 Chair Butler Discusses other incentives offered by some Oregon rural areas.

030 Jane Myers Testifies in support of HB 3348 and submits written testimony (Exhibit 12). Comments that there are 52 dentists who use this tax credit, and the program works very well for them.

CLOSES PUBLIC HEARING FOR HOUSE BILL 3348

OPENS PUBLIC HEARING FOR HOUSE BILL 3407

046 Martin-Mahar Gives overview of HB 3407 (Exhibit 13). This bill establishes a charitable check-off on a personal income tax return for a contribution to the Oregon Health Plan (OHP). Refers to handout that lists the charitable check-offs for 2003 (Exhibit 14). Discusses process on how a charity is put on the front of the state tax return. The bill has a subsequent referral to the Ways and Means Committee.

103 Rep. Kelly Wirth Testifies in support of HB 3407 because the OHP is well-known and is supported by many Oregonians. This is a “natural marriage” between a program that is well-supported and the check-off program that helps the legislature fund the OHP.

164	Sen. Alan Bates	Testifies in support of HB 3407. The bill doesn't change the OHP, and it raises awareness of the plan. Discusses OHP costs. Expresses appreciation for a citizen who is willing to step up and try to do something for the state.
190	Donald Pfeifer	Testifies in support of HB 3407 and submits written testimony (Exhibit 15). He initiated the bill to suggest a solution to fund the OHP. Discusses the steps he took to bring this idea to the attention of his State Representative.
259	Chair Butler	Comments that for every two dollars contributed, \$1.50 would go to OHP.
268	Rep. Boquist	Refers to line 21, page 2 of the bill. Suggests compacting space on tax form to enable more charities to participate in the check-off program.
290	Rep. Wirth	Responds that she sees the value of putting only a few programs that are meaningful to most Oregonians on the tax form. Discusses prioritizing all organizations that are listed on the state tax form. Additional discussion with Rep. Boquist on this issue.
353	Rep. Berger	Expresses appreciation to Pfeifer for proposing this idea. Comments that there are issues regarding the funding of a state program instead of a charitable program.
386	Rep. Riley	Comments that when deciding what organizations are on the check-off portion of the tax return, ask what program brings in the most federal dollars.

CLOSES PUBLIC HEARING FOR HOUSE BILL 3407

424 Chair Butler Adjourns meeting at 2:58 p.m.

Tape Log Submitted by:

Reviewed by:

Kristi Bowman, Committee Assistant

Kim Taylor James, Committee
Coordinator

Exhibit Summary:

1. 1. HB 2514, Revenue Impact Statement, Martin-Mahar, 1 pg., 05/02/05
2. 2. HB 2514, Testimony, Merryweather, 3 pp., 04/28/05
3. 3. HB 2787, Staff Measure Summary, Martin-Mahar, 1 pg., 05/02/05
4. 4. HB 2787, Amendment HB 2787-1, Leg. Counsel, 1 pg., 04/28/05
5. 5. HB 2787, Amendment HB 2787-2, Leg. Counsel, 1 pg., 04/29/05
6. 6. HB 2787, Revenue Impact Statement, Martin-Mahar, 1 pg., 05/02/05
7. 7. HB 2787, Testimony, Patterson, 1 pg., 05/02/05
8. 8. HB 2787, Testimony, Holt, 1 pg., 05/02/05
9. 9. HB 2787, Handout: Revenue Impact Estimates, Ekblad, 6 pp., 05/02/05
10. 10. HB 3348, Testimony, Patterson, 7 pp., 05/02/05
11. 11. HB 3348, Handout: Revenue Impact Estimates, Ekblad, 6 pp., 05/02/05
12. 12. HB 3348, Testimony, Myers, 1 pg., 05/02/05
13. 13. HB 3407, Staff Measure Summary, Martin-Mahar, 1 pg., 04/01/05
14. 14. HB 3407, Handout: Charitable Contributions 2003, Martin-Mahar, 1 pg., 04/01/05
15. 15. HB 3407, Testimony, Pfeifer, 2 pp., 05/02/05