

PUBLIC HEARING AND WORK SESSION

SB 847, 996 A

PUBLIC HEARING

SB 31, HB 2775

WORK SESSION

HB 2514

TAPES 180-181 A-B

HOUSE REVENUE COMMITTEE

JUNE 1, 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. Gary Hansen, District 44

Marge Kafoury, City of Portland

Brian Morisky, City of Portland

John Miller, Homeowner Advisory Committee (HOAC)

Kevin O'Reilly, Oregon Paralyzed Veterans of America

Mark Nelson, Oregon Housing Alliance

Bill Van Vliet, Network for Oregon Affordable Housing (NOAH)

Rick Crager, Oregon Housing & Community Services

Bob Russell, Oregon Trucking Assn.

Gary Eichman, Oregon Transfer Co.

Debra Buchanan, Dept. of Revenue

Sen. Frank Morse, District 8

Sen. Betsy Johnson, District 16

Danelle Romain, Housing Alliance

Staff Present:

Paul Warner, Legislative Revenue Officer

Mary Ayala, Economist

Lizbeth Martin-Mahar, Economist

Kristi Bowman, Committee Assistant

TAPE 180, SIDE A

002 Chair Butler

Calls meeting to order at 1:12 p.m.

OPENS PUBLIC HEARING FOR SENATE BILL 847

- 015 Mary Ayala Gives summary of SB 847 (Exhibit 1). The bill reactivates a property tax exemption for newly constructed single-unit housing in distressed urban areas. The bill permits condominiums to be eligible for the tax exemption. Refers to the SB 847-1 amendment that adds a sunset provision (Exhibit 2).
- 039 Chair Butler Comments on the fair market prices and income levels of the program.
- 044 Rep. Gary Hansen Testifies in support of SB 847. By using this program with non-profit housing corporations, several hundred new homes were created in northeast Portland. Discusses the benefits of the program. It is one more tool for affordable housing and community renewal.
- 090 Chair Butler Discusses the revenue impact (Exhibit 3) with Rep. Hansen.
- 103 Rep. Komp Asks if there are other distressed areas outside of Portland.
- 112 Marge Kafoury Responds that Portland is the only jurisdiction currently using the program. It is a local option program, so any community can activate the program with a 51% approval of the taxing jurisdictions. In response to Rep. Butler's question about limits, the limit on the house

price is \$170,000, and the income maximum is \$67,900 for a family of four.

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| 127 | Rep. Berger | Asks how often does Portland review the distressed areas designation. |
| 138 | Brian Morisky | Responds that the distressed area map is reviewed every three years and explains the review process. Submits written testimony (Exhibit 4). |
| 150 | John Miller | Relates an anecdote of a woman who has used this program at a development in Portland. |
| 166 | Chair Butler | Comments on the mechanics of the program with witnesses. |
| 184 | Kafoury | Clarifies that the tax abatement is on the improvements, not on the land. Discusses the mechanics of the program with Chair Butler. |
| 200 | Miller | Adds that the program is for new construction only. Discussion with Chair Butler. |
| 215 | Morisky | Discusses the application process and the outreach advertising to eligible home buyers. |

CLOSES PUBLIC HEARING FOR SENATE BILL 847

OPENS WORK SESSION FOR SENATE BILL 847

233 Rep. Berger MOTION: MOVES THE ADOPTION OF THE SB 847-1 AMENDMENT.

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

242 Rep. Berger MOTION: MOVES SB 847 AS AMENDED TO THE HOUSE FLOOR WITH A DO PASS RECOMMENDATION.

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

CLOSES WORK SESSION FOR SENATE BILL 847

OPENS PUBLIC HEARING FOR SENATE BILL 996 A

266	Lizbeth Martin-Mahar	Gives summary of SB 996 A (Exhibit 9). The bill increases the cap of the affordable housing certified by the Housing Dept. Discusses the SB 996 A-2 amendment that extends the sunset on the affordable tax credit (Exhibit 10). Refers to the revenue impact (Exhibit 11).
302	Kevin O'Reilly	Testifies in support of SB 996 A. The bill will help low-income and disabled persons to find affordable housing. Discusses housing programs in Lane Co. that he has been involved with.
337	Rep. Berger	Clarifies that the amendment extends the sunset date, and the bill only raises the cap.
349	Mark Nelson	Comments that HB 2775 is a mirror of this bill.
360	Bill Van Vliet	Comments that all the benefits go to the tenants, not to the banks or to the developers. The program generates a lot of leverage of private sector investment for affordable housing projects statewide. NOAH has used the program extensively.
374	Rep. Berger	Asks how long the program has been around.
376	Van Vliet	Responds that the program came into being in the early 1990's.

- 385 Chair Butler Discusses affordable housing issues with Van Vliet.
- 426 Nelson In response to Chair Butler's concerns, the Dept. of Housing has information regarding home ownership percentages in Oregon.

TAPE 181, SIDE A

- 021 Rick Crager Discusses ownership programs for low-income persons sponsored by the Dept. of Housing. Ownership percentage in Oregon is between 60-68%.
- 030 Nelson Clarifies that the tax credit in SB 996 A only pertains to rental housing. Explains how the program works.
- 040 Chair Butler Comments on a concern from one of his constituents that the legislature is not only extending credits to banks and developers.
- 053 Rep. Esquivel Comments that some people just don't want to own a house because of the responsibility. Is very supportive of affordable housing and discusses a plan involving a trust account.

CLOSES PUBLIC HEARING FOR SENATE BILL 996

OPENS WORK SESSION FOR SENATE BILL 996

- 037 Rep. Berger MOTION: MOVES THE ADOPTION OF THE SB 996 A-2 AMENDMENT.
- 038 Rep. Berger Comments that the program has a sufficient history and it works. This program helps people save money for a down payment to eventually purchase a home.
- 053 Chair Butler ORDER: THERE BEING NO OBJECTION, THE CHAIR SO ORDERS. MOTION PASSES 8-0-1. VOTING AYE: ESQUIVEL, GALIZIO, KOMP, OLSON, RILEY, BERGER, HASS, BUTLER. EXCUSED: BOQUIST.
- 056 Rep. Berger MOTION: MOVES SB 996 A AS AMENDED TO THE HOUSE FLOOR WITH A DO-PASS RECOMMENDATION.
- 062 Chair Butler ORDER: THERE BEING NO OBJECTION, THE CHAIR SO ORDERS. MOTION PASSES 8-0-1. VOTING AYE: ESQUIVEL, GALIZIO, KOMP, OLSON, RILEY, BERGER, HASS, BUTLER. EXCUSED: BOQUIST.

CLOSES WORK SESSION FOR SENATE BILL 996 A

OPENS PUBLIC HEARING FOR SENATE BILL 31

070	Martin-Mahar	Gives summary of SB 31 (Exhibit 12). The bill extends the Dept. of Revenue's authority to bring a lawsuit against any office or employee who may be liable for not withholding personal income taxes from an employees' wages. Discusses the SB 31-6 amendment (Exhibit 13). Explains the "throwback" exemption for corporate sales. Refers to the revenue impact statement for the SB 31-6 amendment (Exhibit 14).
175	Chair Butler	Discusses the intent of a public warehouse with Martin-Mahar.
191	Rep. Riley	Clarifies "throwback" exemption with Martin-Mahar.
229	Bob Russell	Testifies in support of the SB 31-6 amendment. Defers to Gary Eichman for a real-life story regarding the impact of SB 31.
237	Gary Eichman	Testifies in support of SB 31. Relates his personal experience as a public warehouse entity and how his company is affected by the throwback tax issue.
292	Rep. Riley	Discusses the throwback tax issue with Russell.
310	Russell	Comments that he is not asking for an exemption from income tax, but rather an exemption from the throw-back tax.

318	Rep. Hass	Asks what the original policy reason was for having the throwback tax when other states do not have an income tax.
320	Martin-Mahar	Responds that the sales were going untaxed. The sales are taxed in the state of origin, not the state of destination.
334	Chair Butler	Discusses the throwback tax with committee members.
348	Rep. Riley	Asks about Oregon companies that use public warehouses in Oregon to sell products to other states.
350	Eichman	Responds that in-state companies are being taxed appropriately because they have nexus in Oregon.
355	Martin-Mahar	Discussion with Rep. Riley on throwback sales.
375	Russell	Discussion with Martin-Mahar about the throwback tax and public warehouses.
400	Chair Butler	General comments about an Oregon company using a public warehouse.

407 Debra Buchanan Concurs with Martin-Mahar's analysis. Discusses the Dept. of Revenue's position on the intent of the amendment. Discussion with Chair Butler regarding the taxing mechanism under the SB 31-6 amendment. Submits Executive Summary for SB 31 (Exhibit 15).

TAPE 180, SIDE B

031 Buchanan Discusses the original policy decisions regarding the throwback tax rule with Chair Butler.

055 Chair Butler Comments on the SB 31-7 amendment (Exhibit 16). Discusses Oregon public warehousing with Martin-Mahar.

095 Sen. Frank Morse Discusses the intent of the SB 31-8 amendment (Exhibit 17) and submits written testimony (Exhibit 18). The intent of the amendment is to provide funding for the intellectual concepts and technologies developed in Oregon's universities and allow commercialization of those concepts. Discusses the funding mechanization. Describes the tax credit for donors. This bill would accelerate an untapped resource.

177 Chair Butler Discusses the mechanics of the program with Sen. Morse.

197 Sen. Betsy Johnson Comments that the fund-raising capabilities for this new credit exist in current university foundations.

224 Rep. Galizio Asks how the program would benefit faculty recruitment.

251	Sen. Morse	Responds that knowing there would be a fund that a faculty member could tap to commercialize their research would be a retention and recruitment incentive.
257	Sen. Johnson	Discusses a current situation at Oregon Health and Science University involving a research scientist and his work on a drug for breast cancer. This program would be a more institutionalized funding source to take research from the Petri dish to commercialization.
273	Rep. Galizio	Asks about the origin of the 20% tax credit as stated in the amendment.
275	Sen. Morse	Responds that this percentage is the same amount that the Oregon Cultural Trust uses.
288	Rep. Riley	Asks about the typical percentage going back to a university of inventions.
294	Sen. Johnson	Responds that this type of credit does not have a long history and states she does not have a specific answer for Rep. Riley's question. The state has not provided our [higher education] institutions with the tools to cash in on a researcher's intellectual property. It is important to keep and develop the inventions in the state and "have the citizens of the state profit from the financial rewards of our scientists and clinicians."

- 341 Chair Butler Comments that the SB 31-8 amendment is a replication of SB 853 and there is concern about the cost of administering the tax credit.
- 357 Rep. Hass Asks about coordinating this program with the current Oregon Growth Account.
- 360 Sen. Morse Responds that the Fund proposed in the amendment are grants instead of investments.
- 383 Sen. Johnson General comments on the Oregon Growth Account. Expresses concern about the rates of return on the Account.

TAPE 181, SIDE B

- 001 Chair Butler General comments about the SB 31-9 amendment (Exhibit 19).
- 011 Martin-Mahar Discusses the SB 31-9 amendment which provides a personal income tax exemption for a senior executive manager of a venture capitalist firm. Refers to the revenue impact statement (Exhibit 20).
- 050 Chair Butler General comments about the challenges of attracting new venture capital firms to Oregon.
- 066 Rep. Riley Discussion with Chair Butler about venture capital companies with a nexus in Oregon.

- 101 Sen. Johnson Discusses the SB 31-9 amendment and expresses concern about specific sections of the bill and the amendments. Expresses concern about the involvement of the Dept. of Economic Development (OECDD) for certification.
- 150 Chair Butler Concurs with Sen. Johnson about her assessment of OECDD.
- 167 Sen. Morse Suggests having this program put into the Treasurer's Dept. because of their involvement with the Oregon Growth Fund.
- 177 Rep. Hass Comments that there are venture capital firms in Oregon. Asks if this bill is passed, would they qualify. Asks if there is any data to support the policy decisions behind this bill.
- 195 Chair Butler General comments about new venture capital firms.

CLOSES PUBLIC HEARING ON SENATE BILL 31

OPENS PUBLIC HEARING ON HOUSE BILL 2775

240 Martin-Mahar

Gives summary of HB 2775 (Exhibit 23). Refers to the HB 2775-2 amendment (Exhibit 24) that sets a cap on the affordable housing credits and extends the sunset date.

272 Danelle Romain Testifies that this is another vehicle for affordable housing tax credits.

CLOSES PUBLIC HEARING ON HOUSE BILL 2775

OPENS WORK SESSION FOR HOUSE BILL 2514

290 Martin-Mahar Gives summary of HB 2514. This bill adds psychologists to the eligible medical practitioners who can claim the tax credit for rural practitioners. Discusses revenue loss beginning in 2009.

330 Rep. Hass Comments that while this is a good idea, there has been no analysis to prioritize the tax credits. Asks why this one is better.

349 Chair Butler Agrees that there needs to be work done about a measuring device for these tax credits, and the Office of Rural Health will be asked to provide input during the interim session.

361 Rep. Boquist For the record, comments that he is very interested in addressing rural health tax credits during the interim.

366 Chair Butler Calls for roll-call vote.

376 Chair Butler THE MOTION HAVING RECEIVED THE REQUIRED MAJORITY IS DECLARED PASSED. VOTE: 8-1-0. VOTING AYE: BOQUIST, ESQUIVEL, GALIZIO, KOMP, OLSON, RILEY, BERGER, BUTLER. VOTING NO: HASS.

380 Chair Butler CLOSSES WORK SESSION FOR HOUSE BILL 2514

389 Chair Butler Adjourns meeting at 3:00 p.m.

Tape Log Submitted by:

Reviewed by:

Kristi Bowman, Committee Assistant

Kim Taylor James, Committee
Coordinator

Exhibit Summary:

1. 1. SB 847, Staff Measure Summary, Ayala, 1 pg., 05/26/05
2. 2. SB 847, Amendment SB 847-1, Leg. Counsel, 1 pg., 06/01/05
3. 3. SB 847, Revenue Impact Statement, Ayala, 1 pg., 05/26/05

4. 4. SB 847, Testimony, Morisky, 3 pp., 06/01/05
5. 5. SB 847, Staff Measure Summary 847-1, Ayala, 1 pg., 06/01/05
6. 6. SB 847, Staff Measure Summary, Callens, 1 pg., 05/02/05
7. 7. SB 847, Staff Measure Summary, Ayala, 1 pg., 04/05/05
8. 8. SB 847, Revenue Impact Statement, Ayala, 1 pg., 04/05/05
9. 9. SB 996, Staff Measure Summary, Martin-Mahar, 1 pg., 05/31/05
10. 10. SB 996, Amendment SB 996 A-2, Leg. Counsel, 1 pg., 04/25/05
11. 11. SB 996, Revenue Impact Statement, Martin-Mahar, 1 pg., 05/31/05
12. 12. SB 31, Staff Measure Summary, Martin-Mahar, 2 pp., 06/01/05
13. 13. SB 31, Amendment SB 31-6, Leg. Counsel, 3 pp., 05/27/05
14. 14. SB 31, Revenue Impact Statement, Martin-Mahar, 1 pg., 06/01/05
15. 15. SB 31, Handout: Executive Summary, Buchanan, 1 pg., 06/01/05
16. 16. SB 31, Amendment SB 31-7, Leg. Counsel, 5 pp., 05/27/05
17. 17. SB 31, Amendment SB 31-8, Leg. Counsel, 4 pp., 06/01/05
18. 18. SB 31, Handout: A-Engrossed SB 853, Sen. Morse, 1 pg., 06/01/05
19. 19. SB 31, Amendment SB 31-9, Leg. Counsel, 8 pp., 06/01/05
20. 20. SB 31, Revenue Impact Statement, Martin-Mahar, 2 pp., 06/01/05
21. 21. SB 31, Staff Measure Summary, Martin-Mahar, 1 pg., 02/07/05
22. 22. SB 31, Revenue Impact Statement, Martin-Mahar, 1 pg., 02/07/05
23. 23. HB 2775, Staff Measure Summary, Martin-Mahar, 1 pg., 05/31/05
24. 24. HB 2775, Amendment HB 2775-2, Leg. Counsel, 1 pg., 05/09/05
25. 25. HB 2775, Revenue Impact Statement, Martin-Mahar, 1 pg., 05/31/05