

SENATE REVENUE COMMITTEE
JANUARY 27, 2005 9:00 AM STATE CAPITOL BUILDING

Members Present: Senator Ryan Deckert, Chair
Senator Charles Starr, Vice Chair
Senator Gary George
Senator Floyd Prozanski

Members Excused: Senator Rick Metsger

Witnesses Present: Senator David Nelson, District 29
Catherine Britain, Oregon Telecommunications Coordinating Council
Bill Penhollow, Association of Oregon Counties
Christopher Tamarin, Oregon Economic & Community Development Department

Staff Present: Paul Warner, Legislative Revenue Officer
Lizbeth Martin-Mahar, Economist
Barbara Guardino, Committee Assistant

TAPE 15, SIDE A

004 Chair Deckert Calls meeting to order at 9:07 a.m.

PUBLIC HEARING, SENATE BILL 11

016 Paul Warner Introduces Senate Bill 11. Proposes modification of SB 622. Increases the annual cap on costs of telecommunications facilities.

020 Sen. David Nelson Testifies in support of SB 11. Begins with history of bill beginning with SB 622. Explains Oregon schematic of Oregon's original telecommunication infrastructure (**EXHIBIT 1**). Brings high-speed broadband telecommunications access throughout Oregon. Adds carry-forward provisions to complete the process.

066 Sen. Nelson Notes, SB 11 is one of a series of bills drafted during interim session. Oregon Telecommunications Coordinating Council consumer group was created to deal with this issue and created this bill and several other bills.

098 Sen. George Asks if this bill is part of the governor's "connect Oregon" infrastructure?

104 Sen. Nelson Responds, high-speed telecom is a major part of the infrastructure.

125 Chair Deckert Asks, what has been your experience been in outlying areas with SB 622?

130 Sen. Nelson Responds, this has been a success story for the state.

143	Sen. Nelson	Discusses connectivity with Public Utilities Commission.
185	Catherine Britain	Testifies in support of SB 11. See written testimony (EXHIBIT 2). This bill allows for a company to receive a tax credit for investment of up to \$50 million in a telecom facility. It is a one-time credit. Also, if the investing company has this investment in a long-term plan, it cannot request the tax credit. Finally, it can only be used by providers who meet minimum requirements.
241	Britain	Gives an example of why this tax credit is important.
280	Bill Penhollow	Testifies in support of SB 11. See written testimony, verbatim (EXHIBIT 3).
340	Penhollow	Explains that broadband is important to business and government, including health care, public safety and consumer information.
387	Christopher Tamarin	Testifies in support of bill. See written testimony, verbatim (EXHIBIT 4). Highlights telecom policy framework built over the past few years. Discusses current advanced telecommunications infrastructure tax credit program.

TAPE 16, SIDE A

020	Tamarin	Continues verbatim testimony. Discusses intent of the bill, major impacts and fiscal impacts.
058	Sen. Prozanski	Asks for clarification on Tamarin's statement that no one has actually applied or used any of the tax credits to date. Follow-up questions.
065	Tamarin	Responds, that is correct.
103	Sen. Prozanski	Requests a list of all tax credit bills that will come through the committee this session.
108	Chair Deckert	Committee will attempt to hear all of the credit and incentive bills at once.
118	Sen. George	Question Mr. Tamarin on the fiscal impact statement portion of his testimony.
136	Tamarin	Agrees, telecom infrastructure is important in attracting business.
149	Sen. George	Legislature has moral obligation to provide this kind of service to outlying communities that have lost jobs.
159	Chair Deckert	Are telecom providers across the state aware of the current program? Follow-up questions.
173	Tamarin	Yes.
177	Britain	Notes, one thing the council wants this money to be used for is things that are not currently be provided, things companies would normally turn away from.
198	Chair Deckert	Asks providers in audience if they are aware of the program. They nod "yes."

208	Sen. Prozanski	Asks who determines whether a company was planning on working a project as compared to one that will do it only because of the tax credit.
213	Tamarin	Explains application process.
249	Sen. George	Asks, is the state encouraging rapid deployment of broadband communications?
255	Tamarin	State has made tremendous strides in providing broadband over the past three years. No carrier is excluded from applying for the tax credit.
290	Britain	Will supply any additional information that the committee might require.
301	Tamarin	Concludes, though the state has made significant progress, all infrastructure is a work in progress. This bill encourages additional development.
323	Chair Deckert	Closes public hearing on SB 11. Opens informational meeting on corporate income taxes.

INFORMATIONAL MEETING

346	Lizbeth Martin-Mahar	<p>Begins slide presentation, Oregon Income Taxes, Corporate Excise Tax (EXHIBIT 5). Introduces Oregon Corporate Excise and Income Tax booklet (EXHIBIT 6).</p> <p>Slide 2: Corporate Income and Excise Tax Payments. Industries that are struggling include manufacturing and information. Retail trade is doing well.</p>
449	Sen. Prozanski	Asks for an example of management of companies.
459	Martin-Mahar	Responds, those are holding companies.

TAPE 15, SIDE B

030	Martin-Mahar	<p>Continues slide presentation on corporate income taxes.</p> <p>Slide 3: Business Income Tax Returns</p>
066	Martin-Mahar	Slide 4: Business Income By Business Type 1990 and 2002
090	Martin-Mahar	Slide 5: Business Income Statement – Gross Receipts
120	Martin-Mahar	Slide 6: Business Income Statement – Federal Taxable Income
189	Martin-Mahar	Slide 7: States Corporate Top Tax Rates (%) – Tax Year 2004
208	Martin-Mahar	Slide 8: Trends in Oregon Corporate Credits Used and the Corporate Base Tax Amount – 1990-2002
249	Martin-Mahar	Slide 9: Trends in C Corporations Utilization of Major Tax Credits – 1998-2002
259	Chair Deckert	Asks about an agreement reached on pollution control tax credit in

2001 legislation.

265	Martin-Mahar	Responds, maximum amount is 35% of cost of the investment. Credit sunsets in 2008.
306	Martin-Mahar	Slide 10: Corporate Tax Credits Used
336	Martin-Mahar	Slide 11: Trends in C Corporations' Unused Tax Credits (\$millions) 2000-2002. There are twice as many unused credits as used.
388	Warner	Comments, one of the provisions for the telecommunications credit is it may not be carried forward. SB 11 would change this.
416	Sen. George	Would it be possible or legal to remove the carry-overs from some of the recipients who have not used them?
423	Martin-Mahar	No.
433	Sen. Prozanski	If a 5-year carry-over expires do they lose it? Follow-up questions.
440	Martin-Mahar	Yes.
450	Martin-Mahar	Continues answering questions concerning expiring credits.

TAPE 16, SIDE B

045	Martin-Mahar	Slide 12: Corporate Excise Tax
075	Chair Deckert	Asks how many corporations pay minimum excise tax of \$10.
080	Martin-Mahar	Jumps ahead to slide 16 in response.
090	Martin-Mahar	Slide 15: Top 50 Corporate Taxpayers
107	Martin-Mahar	Slide 17: Breakdown of C-Corporate Net Tax by Income
111	Martin-Mahar	Slide 19: Oregon's Multi-State Corp. Apportionment Formula
125	Martin-Mahar	Slide 20: Multi-state Income Apportionment
138	Martin-Mahar	Slide 21: State Apportionment Formulas – 2004
144	Martin-Mahar	Slide 24: Throwback Sales by Industry Sector – 2002
159	Sen. George	Asks for clarification on sales factor.
165	Martin-Mahar	Responds, products had to originate in Oregon. Gives example.
199	Chair Deckert	Asks for input on whether to continue committee's start time at 9:00 a.m. or begin at 8:30 a.m. Committee will continue 9:00 a.m. start time at least through next week.
222	Chair Deckert	Adjourns meeting at 10:45 a.m.

Barbara Guardino, Committee Assistant

Reviewed by Kim Taylor James

Exhibit Summary:

1. SB 11, Qwest SB 622 Rings map, Nelson, 1 pp.
2. SB 11, Oregon Telecommunications Coordinating Council, Britain, 1 pp.
3. SB 11, Testimony in Support of Senate Bill 11, Penhollow, 2 pp.
4. SB 11, Testimony of Mr. Christopher Tamarin, Tamarin, 3 pp.
5. Oregon Income Taxes, Corporate Excise Tax, Martin-Mahar, 12 pp.
6. Oregon Corporate Excise and Income Tax, Martin-Mahar, 41 pp.