

SENATE REVENUE COMMITTEE
JUNE 16, 2005 9:00 AM STATE CAPITOL BUILDING

Members Present: Senator Ryan Deckert, Chair
Senator Gary George
Senator Rick Metsger
Senator Floyd Prozanski

Members Excused: Senator Charles Starr, Vice Chair

Witnesses Present: Col. Mike Caldwell, Oregon Military Department
Sen. Avel Gordly, District 23
Kevin O'Reilly, Oregon Paralyzed Veterans of America
Rep. Donna Nelson, District 24
Gil Riddell, Associated Oregon Counties
Gerald Kubiak, Washington County
Rep. Dave Hunt, District 40
Rep. Brian Boquist, District 23
Veronica Rinard, Oregon Film and Video Office
Howard Lavine, Oregon Film and Video Office

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

TAPE 142, SIDE A

005 Acting Chair Metsger Calls meeting to order at 9:04 a.m.

PUBLIC HEARING, HB 2933-B

019 Lizbeth Martin-Mahar Gives overview of HB 2933-B (**EXHIBIT 1**), which eliminates the outstanding personal income tax liability for members of the Armed Forces who lose their lives while on active duty. Also, allows Oregon active duty personnel under Title 10 six months after their return to pay income tax and penalties.

042 Martin-Mahar Explains HB 2933-B3 amendment (**EXHIBIT 2**), which contains the same elements as SB 19. Explains differences between the House and Senate bills. Also, HB 2933-B is total compensation, which connects with federal death benefits. That higher death benefit figure is imbedded in the revenue impact (**EXHIBIT 3**). HB 2542, the federal reconnect bill, also connects to the death benefits.

085 Col. Mike Caldwell Testifies in support of HB 2933-B and SB 19. Prefers to call this benefit a windfall rather than a revenue impact. Working the two bills into one makes sense. Comments on the situation that occurred in

Umatilla where a battalion was mobilized for war under Title 10 but

didn't go. They were taxed while others weren't. This bill will correct that error.

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| 131 | Sen. Prozanski | Asks for clarification on what income bracket would receive this credit in regard to a joint return. Also, if HB 2933-B3 is adopted, does SB 19 still have to be moved? |
| 142 | Martin-Mahar | SB 19 would not have to be moved; that's the committee's choice. |
| 151 | Sen. Prozanski | Does this only apply to the income of the deceased in the case of a joint return? |
| 155 | Caldwell | That is a reasonable approach. |
| 158 | Chair Deckert | Explains, he intends to meet with Governor's Office to combine a number of bills, and to figure out which vehicle (probably HB 2933-B) will become the veterans National Guard package. A work group will meet next week. |
| 170 | Caldwell | Cautions against including anything in the combined bill that would keep it from passing. |
| 185 | Sen. Prozanski | Suggests passing HB 2933-B as a single bill and finding another vehicle for the other bills. |
| 190 | Chair Deckert | Closes public hearing on HB 2933-B. Opens work session on SB 315. |

WORK SESSION, SB 315

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| 198 | Sen. Avel Gordly | Testifies in favor of SB 315-1 amendment (EXHIBIT 5) which replaces the original Internet taxing bill. Discusses page 2, section 3. The measure has no fiscal impact. The amendment lays out the benefits of participation in the Streamlined Sales Tax Agreement. |
| 249 | Paul Warner | Directs members' attention to an article (EXHIBIT 6) which reports that Borders book sales over the Internet are taxable. This has significant implications for all states. |
| 278 | Chair Deckert | States, this is timely for Oregon to be looking at this tax trend. |
| 282 | Sen. Metsger | MOTION: MOVES ADOPTION OF SB 315-1 AMENDMENT. |
| 284 | Chair Deckert | Asks for a roll-call vote.
ORDER: THE MOTION HAVING RECEIVED THE REQUESTED MAJORITY IS DECLARED PASSED. THE VOTE: 4-0-1. VOTING AYE: GEORGE, METSGER, PROZANSKI, DECKERT. EXCUSED: C. STARR. |
| 295 | Sen. Metsger | MOTION: MOVES SB 315 AS AMENDED TO THE SENATE FLOOR WITH A DO PASS RECOMMENDATION. |
| 298 | Chair Deckert | Asks for a roll-call vote.
ORDER: THE MOTION HAVING RECEIVED THE REQUESTED MAJORITY IS DECLARED PASSED. THE VOTE: 4-0-1. VOTING AYE: GEORGE, METSGER, PROZANSKI, DECKERT. EXCUSED: |

C. STARR.

320 Chair Deckert Closes work session on SB 315. Reopens public hearing on HB 2933-B. Opens public hearings on SB 19 and HB 2945-A.

PUBLIC HEARINGS, HB 2933-B, SB 19, HB 2945-A

324 Kevin O'Reilly Testifies in support of HB 2945-A, which benefits Oregon's disabled, paralyzed veterans. Medical premiums are rising, and this bill will help these veterans to meet their additional expenses. It gives them about \$200 a year in tax relief.

363 Chair Deckert Invites O'Reilly to participate in the work group.

382 Rep. Donna Nelson Testifies in favor of combining the veterans' bills. Veterans have given us the right to assemble. Expresses sadness that the Legislature has neglected its military in the past. "We can never do too much" for families of veterans who lost their lives. This is the right thing to do.

443 Chair Deckert Thanks Rep. Nelson for her leadership and caring.

460 Sen. George Thanks Rep. Nelson.

484 Chair Deckert Closes three public hearings. Opens work session on SB 593-A.

WORK SESSION, SB 593-A **TAPE 143, SIDE A**

029 Mary Ayala Gives overview of SB 593-A3 amendment (**EXHIBIT 12**). The bill establishes a property tax special assessment program for land subject to a proposed conservation easement.

047 Ayala Summarizes SB 593-A4 amendment (**EXHIBITS 13, 14**), which adds a \$250 application fee.

066 Chair Deckert Closes work session; committee stands at ease at 9:35 a.m. to await a quorum. Reopens work session.

071 Gil Riddell Testifies in support of SB 593-A4 amendment (**EXHIBIT 15**). Explains why the one-time application fee is needed. Counties are inadequately funded to absorb any more administrative functions. Requests adding the fee, not with the intention of killing the bill, but to cover costs.

107 Gerald Kubiak Testifies in support of the bill and for the \$250 fee.

128 Sen. Prozanski Is not comfortable with the \$250 fee because there has been no prior discussion. Would favor moving this bill and allowing SB 593-A4 amendment to be discussed in House Revenue.

144 Chair Deckert Requests that Riddell move this amendment to House Revenue.

151 Sen. Metsger Asks why this fee has to be written in statute.

165 Riddell Responds, counties are agents of the state and cannot impose fees for assessment and taxation.

173 Sen. Prozanski Wants to be sure that the fee is reasonable for every county.

186	Riddell	Agrees.
192	Sen. Metsger	MOTION: MOVES SB 593-A TO THE SENATE FLOOR WITH A DO PASS RECOMMENDATION.
194	Chair Deckert	ORDER: THERE BEING NO OBJECTION THE CHAIR SO ORDERS. THE VOTE: 4-0-1. VOTING AYE: GEORGE, METSGER, PROZANSKI, DECKERT. EXCUSED: C. STARR.
207	Chair Deckert	Closes work session on SB 593. Resumes public hearings on previously discussed bills.

PUBLIC HEARING, HB 2933-B, HB 2945-A

210	Rep. Dave Hunt	Testifies in favor of HB 2945-A. See written testimony, paraphrased (EXHIBIT 16). Discusses the three types of disabled veterans in Oregon who are served by this bill.
266	Rep. Brian Boquist	Today Oregon has the largest National Guard mobilization since WWII. Forty five Oregonians have died, and eight times that number have received catastrophic injuries. About 90% of catastrophic injuries in Iraq are lost limbs. Almost 400 young veterans from Oregon fit into this category. On average they will collect less than \$1000/month. The federal government is not taking care of them, so the state has to.
327	Chair Deckert	Asks Rep. Boquist to take the lead in combining these veteran bills.
351	Sen. Prozanski	Asks for more information on overall casualties.
360	Rep. Boquist	Generally, it is an 8/1 catastrophic rate. There is a 1/20 rate of combat injuries and 1/20 rate of accidents or illness.
390	Chair Deckert	Closes public hearings.

PUBLIC HEARING, HB 2191-B

419	Martin-Mahar	Gives overview of HB 2191-B (EXHIBIT 17) which creates a new rebate for people who invest \$1 million or more in actual expenses on film, television shows, or commercial productions in Oregon.
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TAPE 142, SIDE B

024	Martin-Mahar	Discusses 6.2% average withholding rate. It does not represent the rate if they used tax tables under current law. Explains how she arrived at the 6.2% figure. Discusses page 3, lines 20-25.
085	Martin-Mahar	This bill is a loss to general fund revenue (EXHIBIT 18), it is not revenue neutral. Discussion with Chair Deckert.
132	Sen. Metsger	Likes this bill. A lot of other tax revenues will be generated to offset the initial revenue loss. This industry will have a significant impact on Oregon's economy.
160	Chair Deckert	Wonders whether this industry would exist in Oregon without this bill.
161	Veronica Rinard	Responds, so far this year, no filming production has come to Oregon without a rebate. Discusses the ongoing economic impact of film production. Paraphrases written testimony (EXHIBIT 20).

230	Rinard	Directs members' attention to a matrix on film and video incentives offered by competitive states (pages 9-11). Discusses their success. Explains the Greenlight Oregon labor rebate.
313	Rinard	Points out letters of support in the packet.
318	Howard Levine	Reads testimony in support of HB 2191-B (EXHIBIT 21), on behalf of Gov. Kulongoski. Oregon has an indigenous film industry, but will lose its crews if there are no films to work on. The Governor believes increasing film production is critical for the economy.
380	Sen. George	Comments on one state's incentive to write that state into the film's plot.
388	Rinard	Responds, this incentive is something for Oregon to think about.
437	Chair Deckert	Closes public hearing on HB 2191-B. Senate Revenue will meet Monday at 1:00 p.m. Adjourns meeting at 10:28 a.m.

Tape Log Submitted by,

Barbara Guardino, Committee Assistant

Exhibit Summary:

1. HB 2933-B, Staff Measure Summary, Martin-Mahar, 6/16/05, 2 pp.
2. HB 2933-B, Amendment HB 2933-B3, Legislative Counsel, 6/14/05, 2 pp.
3. HB 2933-B, Revenue Impact of Proposed Legislation, Martin-Mahar, 6/16/05, 1 pp.
4. HB 2933-B, Revenue Impact of Proposed Legislation, Martin-Mahar, 5/24/05, 1 pp.
5. SB 315, Amendment SB 315-1, Gordly, 6/15/05, 2 pp.
6. SB 315, NewsFlash: Borders must pay Calif. Tax on web sales, Warner, 6/14/05, 3 pp.
7. HB 2945-A, Revenue Impact of Proposed Legislation, Ayala, 6/16/05, 1 pp.
8. HB 2945-A, Staff Measure Summary, Ayala, 6/16/05, 1 pp.
9. HB 2945-A, Revenue Impact of Proposed Legislation, Ayala, 5/24/05, 1 pp.
10. HB 2945-A, Staff Measure Summary, Ayala, 5/24/05, 1 pp.
11. SB 19, Revenue Impact of Proposed Legislation, Martin-Mahar, 6/16/05, 1 pp.
12. SB 593-A, Staff Measure Summary for SB 593-A3, Ayala, 6/16/05, 1 pp.
13. SB 593-A, Revenue Impact of Proposed Legislation for SB 593-A4, Ayala, 5/18/05, 1 pp.
14. SB 593-A, Staff Measure Summary for SB 593-A4, Ayala, 6/16/05, 1 pp.
15. SB 593-A, Amendment SB 593-A4, Riddell, 6/15/05, 1 pp.
16. HB 2945-A, testimony of Dave Hunt, 6/16/05, 1 pp.
17. HB 2191-B, Staff Measure Summary, Martin-Mahar, 6/16/05, 1 pp.
18. HB 2191-B, Revenue Impact of Proposed Legislation, Martin-Mahar, 5/13/05, 2 pp.
19. HB 2191-B, Staff Measure Summary, Martin-Mahar, 5/12/05, 1 pp.
20. HB 2191-B, testimony of Veronica Rinard, 11 pp.
21. HB 2191-B, testimony of Howard Lavine, 3 pp.