

**HOUSE REVENUE COMMITTEE**  
**FEBRUARY 18, 2003 8:30 AM STATE CAPITOL BUILDING**

Members Present: Representative Lane Shetterly, Chair  
Representative Wayne Scott, Vice Chair  
Representative Joanne Verger, Vice Chair  
Representative Phil Barnhart  
Representative Vicki Berger  
Representative Pat Farr  
Representative Mark Hass  
Representative Elaine Hopson  
Representative Max Williams

Witnesses Present: Debra Buchanan  
Joe Schweinhart, Associated Oregon Industries  
Rob Douglas, Oregon Society of Certified Public Accountants

Staff Present: Paul Warner, Legislative Revenue Officer  
Lizbeth Martin-Mahar, Legislative Revenue Office  
Kathy Tooley, Committee Assistant

**TAPE 48, SIDE A**

004 Chair Shetterly Calls meeting to order at 8:36 a.m.

**OPENED WORK SESSION ON HB 2186**

017	Lizbeth Martin-Mahar	Presented and described the -1 amendment and elimination of the rolling reconnect to federal law changes pertaining to taxable income. Establishes a date certain for all federal tax changes, (Exhibit 1).
036	Martin-Mahar	The amendment does not have a revenue impact because there were no law changes effective December 31, 2002, that changes taxable income, (Exhibit 2). There is a minimal fiscal impact, (Exhibit 3).
044	Martin-Mahar	Discussed "Preliminary Revenue Impact from Connecting to the 2003 Proposed Bush Economic Plan", (Exhibit 4).
122		Discussion regarding the rolling reconnect and the preliminary nature of the proposed plan.
127	Martin-Mahar	Discussed "Federation of Tax administrator's bulletin", (Exhibit 5), a tool used in the development of a preliminary revenue impact.
140	Martin-Mahar	Provided survey "Table 3. State Relationships to the Federal Tax Code Starting Points and Automatic or Date-Certain Conformity", (Exhibit 6), as frame of reference for where Oregon in relationship to other states.
171		Discussion regarding "date-certain" conformity, and instances where 3/5 majority vote is required.
190	Hass	Would it be your intent to have different legislation after this to disconnect from some provisions passed by the federal government?

194	Chair Shetterly	My intent would not be to disconnect from anything in current law, but to make this disconnect as we go forward. This session probably would not deal with elements of the federal plan. This bill would lock Oregon into December 31, 2002. Committee members may want to have bills later that address elements of connection points to federal law.
200	Hass	Does -1 amendment disconnect?
205	Chair Shetterly	Answered affirmatively.
207	Lizbeth	The -1 amendment disconnects you from future changes. Next session, if the Bush plan passed, decisions will be made whether to disconnect with each component of the plan.
220	Hass	Next session it would require simple majority to vote on the components?
223	Chair Shetterly	Answered affirmatively. Concern arises when Congress goes into deficit spending strategies, vs. management of Oregon's priorities within biennial budget.
243	Hass	Where does this put the estate tax issue?
245	Lizbeth	This does not address the estate tax issue at all. That would be a different bill, we do not automatically connect with federal law changes pertaining to estate taxes.
252		Questions and discussion regarding estate taxation.
266	Debra Buchanan	Spoke to the administrative aspect of -1 amendment, does increase workload for the Revenue Department, but won't be asking for money or more positions.
280	Joe Schweinhart	Would not like to see disconnection from potential economic incentives, but understands situation the legislature is in.
295	Rob Douglas	This changes things, but would go back to the prior commitment and describe changes in federal tax code through hearings process to help make future policy choices.
320		Discussion regarding uncertainty of federal tax law changes and affect on Oregon revenues.
310	Chair	No intent to move amendment today, purpose to introduce and invite discussion.
345	Berger	Is there indication of timing on federal issues?
350	Lizbeth	Discussed with Joint Committee on Taxation, timing uncertain.
355	Scott	Regarding estimates, how do they come to these numbers which may or not be factual? Are there scenarios of reduction from where the federal government is?
368	Martin-Mahar	Dynamic analysis done through OTIM on bonus depreciation and feedback affects. Have not done analysis with this proposal. When estimates are firmer, will be able to look at capturing some of the feedback affects.
383		Discussion regarding affects of tax law changes on state of Oregon.

407 Paul Warner Important to keep in mind, the forecast is done through a national forecast service which evaluates how tax policy, approved by Congress, will affect the national economy. Oregon will pick it up through forecast process. OTIM tells what kinds of changes would change Oregon's relative position.

425 Questions and discussion regarding disconnection and Oregon's position relative to other states and nature of biennial sessions.

**TAPE 49, SIDE A**

033 Questions and discussion regarding economic stimulus and affects on national and state economies.

075 Warner Discussed history of federal disconnect and reconnect situations in 1980s, and 1990s.  
Questions and discussion interspersed.

114 Chair Federal government can stimulate economy using deficit spending, and state cannot.  
Discussion on length of time required for economic stimulus to take effect.

135 Warner Even under date specific policy in -1 amendment, Oregon will still be affected by federal policy. Changes in tax rates have a significant impact, federal investment tax credits help economic growth without reducing tax base. In the 1990s federal decision to reduce capital gains increased Oregon general fund revenue by over \$100 million.

153 Barnhart A fixed date in the -1 amendment makes sense, it reduces the complexity in the Oregon's forecasting.

172 Chair If Federal government doesn't take action before sine die, the forecast which is based on current law, wouldn't be included in these revenue impacts?

179 Warner Explained national forecast process and links between Oregon and national tax policy.

208 Chair Shetterly Would be curious to know group of states in the group with Oregon (Exhibit 6), are they in session, and what action is pending or are they taking.

223 Chair Shetterly Close the work session on 2186.

224 Chair **MOTION: MOVES INTRODUCTION OF LC 99, 145, 146, 2278, 2833. AS COMMITTEE BILLS (Exhibits 7-11).**

Clarifies the bill is entered as Committee Bills, but does not signify support or opposition by the members of the Committee.

**ORDER: THERE BEING NO OBJECTION, THE CHAIR SO ORDERS. Members present: Chair Shetterly, Barnhart, Berger, Farr, Hass, Hopson, Scott, Verger, Williams.**

Chair Shetterly Meeting adjourned at 9:25 a.m.

Tape Log Submitted by,

Kathy Tooley, Committee Assistant Reviewed by Kim Taylor James

Exhibit Summary:

1. Martin-Mahar, "HB 2186-1", 1 page
2. Martin-Mahar, "Staff Measure Summary HB 2186-1", 1 page
3. Martin-Mahar, "Fiscal Impact HB 2186-1", 1 page
4. Martin-Mahar, "Preliminary Revenue Impact from Connecting to the 2003 Proposed Bush Economic Plan", 1 page
5. Martin-Mahar, FTA Bulletin, February 12, 2003, 8 pages
6. Martin-Mahar, "Table 3. State Relationships to the Federal Tax Code Starting Points and Automatic or Date-Certain Conformity", 1 page
7. Chair Shetterly, "LC 99", 4 pages
8. Chair Shetterly, "LC 145", 2 pages
9. Chair Shetterly, "LC 146", 4 pages
10. Chair Shetterly, "LC 2278", 5 pages
11. Chair Shetterly, "LC 2833", 3 pages