

HOUSE REVENUE COMMITTEE
MARCH 27, 2003 8:30 AM STATE CAPITOL BUILDING

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

Members Excused: Representative Wayne Scott, Vice Chair
Representative Phil Barnhart

Witness Present: Tom Potiowsky, Office of Economic Analysis
Senator Roger Beyer, District 9
Matt Blevins, Oregon Environmental Affairs Council
Dexter Johnson, Legislative Counsel

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

TAPE 99, SIDE A

004 Chair Shetterly Calls meeting to order at 8:43 a.m.

WORK SESSION ON HB 2186

020 Lizbeth Martin-Mahar Provided background and described HB 2186. Provided summary and discussed amendments: -1 (Exhibit 1); -3 (Exhibit 2, 3); -4 (Exhibit 4, 5); and -5 (Exhibit 6, 7).

108 Rep Hass None of the amendments conflict with each other, is there any fiscal impact? Is there any fiscal impact?

110 Martin-Mahar Have to choose either the -1 amendment or the -3; the -3 expands on the -1. The -4 and the -5 do not conflict. Since the federal law has not as yet passed, there is not a revenue impact.

125 Martin-Mahar Discussed summary sheet "HB 2186 Connection to Federal Law Changes, Amendments" (Exhibit 8). Will be examining further.

Questions and discussion regarding the -3 amendment acting as a sunset; disconnecting, then re-connecting.

170 Chair Shetterly The -3 recognizes that the preference would be connection to federal law; way of revisiting the issue in 2 years.

175 Chair Shetterly Discussed future floor vote requirements.

202 Chair Shetterly **MOTION: MOVED ADOPTION OF THE -1 AMENDMENT INTO HB 2186.**

ORDER: HEARING NO OBJECTION, THE CHAIR SO ORDERS. (ALL

MEMBERS PRESENT EXCEPT REP. SCOTT AND BARNHART, EXCUSED)

- 206 Chair Shetterly **MOTION: MOVED ADOPTION OF THE –3 AMENDMENT INTO HB 2186.**
ORDER: HEARING NO OBJECTION, THE CHAIR SO ORDERS. (ALL MEMBERS PRESENT EXCEPT REP. SCOTT AND BARNHART, EXCUSED)
- 209 Chair Shetterly **MOTION: MOVED ADOPTION OF THE –4 AMENDMENT INTO HB 2186.**
ORDER: HEARING NO OBJECTION, THE CHAIR SO ORDERS. (ALL MEMBERS PRESENT EXCEPT REP. SCOTT AND BARNHART, EXCUSED)
- 212 Chair Shetterly **MOTION: MOVED ADOPTION OF THE –5 AMENDMENT INTO HB 2186.**
ORDER: HEARING NO OBJECTION, THE CHAIR SO ORDERS. (ALL MEMBERS PRESENT EXCEPT REP. SCOTT AND BARNHART, EXCUSED)
- 216 Rep. Williams **MOTION: MOVED HB 2186 AS AMENDED TO THE HOUSE FLOOR WITH A DO PASS RECOMMENDATION**
- 220 Martin-Mahar Discussion of language in -1 and -3 amendments.
- 228 Rep. Williams Withdrew motion to move adoption of HB 2186 as amended to the House floor.
- 233 Chair Shetterly The Committee has before it reconsideration of the -1 and -3 amendments.
- 236 Rep. Williams **MOTION: MOVED WITHDRAWAL OF THE –1 AMENDMENT INTO HB 2186.**
ORDER: HEARING NO OBJECTION, THE CHAIR SO ORDERS. (ALL MEMBERS PRESENT EXCEPT REP. SCOTT AND BARNHART, EXCUSED)
- 243 Chair Shetterly The Committee has before it for consideration the -3, -4 and -5 amendments.
- 243 Rep. Williams **MOTION: MOVED HB 2186 AS AMENDED TO THE HOUSE FLOOR WITH A DO PASS RECOMMENDATION**
- 256 Rep. Verger Under most normal circumstances would not be in favor of such a bill.
- 258 Chair Shetterly Under normal circumstances this bill wouldn't be before us.
- 258 Rep. Verger Under these circumstances I must be in favor of it.
- 260 **ROLL CALL: MOTION PASSED 7-0-2**
REPRESENTATIVES VOTING AYE: Berger, Farr, Hass, Hopson, Verger, Williams, Chair Shetterly. EXCUSED: Scott, Barnhart
Chair Shetterly will carry the bill.
- 268 Chair Shetterly Closed work session on HB 2186.

OPENED WORK SESSION ON HB 2705

253	Warner	Discussed 2705-1; and SB 601-2 amendments which is described as identical, (Exhibits 9, 10).
339	Warner	Described intent of SB 601-2 amendments, to set forecast board similar to that of Washington State's; 4 of 6 positions would be legislatively appointed.
358	Warner	Discussed addition of advisory capacity of board and approval of forecast.
428	Chair Shetterly	-1 and -2 are alternative approaches?
430	Warner	Answered affirmatively.
434	Tom Potiowsky	Described current process of forming technical revenue advisory committee; discussed with Governor's Council of Economic Advisors.
475	Potiowsky	Discussed forecast process. Moving forward with formation of committee regardless of outcome of bill. Committee to include specialists in tax law, possibly high tech; and possibly tax practitioner.

TAPE 100, SIDE A

020	Sen. Roger Beyer	Had not seen the 2705-1 amendment. Discussed his amendment to SB 601-2 as identical to HB 2705, both attempt to get the most accurate forecast possible and not politicize forecasts. Yet to see forecast within 2%.
040	Sen. Beyer	Trying to get more legislators involved in a way they can offer advice, not just receive the report. Discussed legislators bound by Constitution and cannot be part of the process, but can offer advice and counsel.
053	Chair Shetterly	The Revenue Committee amendment are narrower, it eliminates Council of Revenue Forecast Advisors, as being unnecessary. Another change is the addition of the recommendation of more than one person to serve as state economist. Does not address the part of the bill you are amending with the make up of the forecast board.
062	Rep. Berger	How do you see this as lessening the political climate of this board? Do you see this as making it less political?
068	Sen. Beyer	Answered affirmatively. Sees it as less political because of equal number of legislators from the House and Senate and two members from each of the largest two caucuses. Discussed meeting with a Washington State Senator at Pacific Conference who had always been in the minority party and now chairs the Ways and Means Committee.
084		Described Washington State's forecast vs. actual collections of revenues as nearly the same. This committee gives advice and chooses forecast from a range of forecasts. The committee is made up of 4 legislators, and 2 appointees of the governor. If the committee cannot choose a forecast within a certain period of time, the economist's forecast becomes the forecast. This process works well and takes politics out of the process because it includes people from across the state and both parties to decide the best forecast to reflect what is happening in Washington. In January, the Washington legislator said their economy was expected to grow at 7%, may have changed by now, Oregon had said 14%, now 10%. California which budgets annually projected a negative group for 2003 fiscal, with slight positive growth for 2004 fiscal or 2% growth for the biennium. Discussed the differences in the three states, felt there had to be a better way to do it and the Washington model seems to be working.

102	Chair Shetterly	Is Washington's revenue system easier to forecast than Oregon's?
118	Warner	The sales tax is more inelastic, would expect to see lower growth, would not say easy to forecast. Their sales tax base includes volatile factors, but not as volatile as the income tax.
135	Tom Potiowsky	Spoke with Washington's Senior economist, the graph on accuracy is based on one quarter a head forecast only. Senior economist said it has been outside of 2% range for quite a few biennia, but narrower than our margin of error.
149	Chair	Closed work session on HB 2705

OPENED WORK SESSION ON HB 2043

157	Martin-Mahar	Provided background and discussed -1 amendment of HB 2043.
122	Matt Blevins	Discussed -4 amendments, includes changes from Department of Revenue, also adds carry forward to a year the company has tax liability.
206	Blevins	-4 allows for sale of tax credit with Department of Revenue review, giving the flexibility if a company is not in a position to take advantage of the credit, could sell to a company that is and take the incentive it provides.
212	Blevins	In light of current budget, moved the effective date for tax credit to 2005 to 2010 biennium.
228	Rep. Verger	Rural Oregon pays less for insurance, no congestion, less risk, nothing would change?
230	Blevins	Nothing would change. The feedback was that people did not want a mandatory policy. The goal is to set up a pilot approach.
239	Rep. Verger	Transit service is not an option in rural areas, what difference would that make?
248	Blevins	This is targeted to areas that could take advantage of program, have transit system, or may be elderly who drive rarely; they could take advantage of program.
251	Rep. Verger	The insurance company can do this without being offered any kind of credit?
252	Blevins	There is nothing that prevents a company from offering this type of program. The intent of bill to provide initial incentive, insurance companies have been hesitant to go in this direction.
270	Rep. Verger	I think that rural Oregon needs to be supportive of the congestion problem that occurs in other parts of the state.
278	Rep. Hass	Section 4, can you explain the intention of selling credits. For consumer how would this be sold as opposed to carrying forward?
285	Blevins	It is similar to the pollution control tax credit, where unused tax credits can be sold to supplement business. The insurance company would sell it, not consumer.
215	Rep. Hass	Is this boilerplate language for this kind of credit?

230	Blevins	My understanding is it is. OEC took the concept to Legislative Counsel, they provided the language.
303	Rep. Hass	It hits me wrong to see selling of credits to other corporations as opposed to carrying it forward.
312	Blevins	Because the policy is for a short time, 5 years, wanted to provide flexibility in this incentive
330	Chair Shetterly	Is language in Section 4 boilerplate?
334	Rep. Hass	To trade credits as is done with the pollution control credit.
326	Dexter Johnson	It is not boilerplate, there is a procedure in the Farm Worker Housing Tax Credit, would have to check on Pollution Control Tax Credit, that is not my recollection.
344	Chair Shetterly	Also Low Income Tax Credit.
355	Rep. Hass	This takes away a little incentive to carry program. It's a great idea to encourage people to drive less with bonus in insurance rates. Hesitant to muddy an otherwise good bill.
282	Chair Shetterly	This bill also changes the revenue impact.
380	Chair Shetterly	Close Work Session on HB 2043.

OPEN WORK SESSION ON HB 2184

394	Chair Shetterly	Intention is not to move bill, but discuss amendments.
397	Martin-Mahar	Provided background (Exhibit 14), discussed -1 as clarifying the past (Exhibit 15). Provided revenue impact (Exhibit 16).
436	Martin-Mahar	Discussed issues, specifying an Oregon estate tax return is not required to be filed unless a federal estate tax return is filed.
438	Martin-Mahar	Discussed specific filing thresholds and time periods, and subsequent connection with Internal Revenue Code on December 31, 1996.
461	Martin-Mahar	Discussed Department of Revenue administrative changes connections for deaths occurring before January 1, 1998 and before January 1 2003, connecting to Tax Payer Relief Act of 1997.
489	Martin-Mahar	Discussed -1 allowance of administrative changes from-1997 to keep threshold at \$600,000.
501	Chair Shetterly	For decedents dying during 2002, the threshold is \$1 million. That drops under this bill to \$600,000 as of January 1, 2003.
509	Martin-Mahar	Answered affirmatively.
511	Chair Shetterly	What about before 2002 when federal threshold was \$750,000?
032	Martin-Mahar	It connects with 1997 tax law, Section 5 of HB 2184 deals with deaths in 2002.
039		Question and discussion regarding 3/5 vote.

075	Martin-Mahar	Discussion difficulty for DOR to go back and collect taxes from confusion.
077	Chair Shetterly	Have concerns with this approach.
083	Chair Shetterly	Closed Work Session on HB 2184
086		Meeting adjourned at 9:50 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 2186-3", 1 page
3. Martin-Mahar, "HB 2186-3", 1 page
4. Martin-Mahar, "Staff Measure Summary HB 2186-4", 1 page
5. Martin-Mahar, "HB 2186-4", 3 page
6. Martin-Mahar, "Staff Measure Summary HB 2186-5", 1 page
7. Martin-Mahar, "HB 2186-5", 2 pages
8. Martin-Mahar, "HB 2186, Connection to Federal Law Changes, Amendments", 1 page
9. Warner, "HB 2705-1", 1 page
10. Warner, "SB 601-2", 4 pages
11. Martin-Mahar, "Staff Measure Summary HB 2043-1", 1 page
12. Martin-Mahar, "HB 2043-1", 1 page
13. Blevins, "HB 2043-4", 2 pages
14. Martin-Mahar, "Staff Measure Summary HB 2184-1", 1 page
15. Martin-Mahar, "2184-1", 1 page
16. Martin-Mahar, "Preliminary Revenue Impact from Connecting to the 2003 Proposed Bush Economic Plan",
1 page