

WORK SESSION HB 2379, HB 2380, HB 2186,  
HB 2312  
BILL INTRODUCTION: LC 1724, LC 1741,  
LC 1609, LC 2324, LC 2579, LC 2580, LC 2851, LC  
2852, LC 2568, LC 2911, LC 1119, LC 1510, LC  
1653, LC 2322, LC 3176, LC 3253, LC 3308, LC  
3309, LC 3349, LC 3349, LC 3348, LC 3348, LC  
3476-1  
TAPE 63 A, 64 A, 65 A

**HOUSE REVENUE COMMITTEE**  
**MARCH 3, 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

Witness Present: Marge Kafoury, City of Portland  
Abby Solomon, SEIU Local 503 and Oregon Revenue Coalition  
J.L. Wilson, NFIB  
Joe Schweinhart, Associated Oregon Industries

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

**TAPE 63, SIDE A**

004 Chair Shetterly Calls meeting to order at 8:35 a.m.

**WORK SESSION FOR BILL INTRODUCTION**

012 Chair Shetterly **MOVES INTRODUCTION OF LC 1724 (Exhibit 1), AT THE REQUEST OF OREGON MUNICIPAL FINANCE OFFICERS ASSOCIATION; LC 1741 (Exhibit 2) AT THE REQUEST OF OREGON FIRE CHIEF'S ASSOCIATION, OREGON FIRE DISTRICT DIRECTORS' ASSOCIATION, AFSCME, OREGON STATE FIRE FIGHTERS COUNCIL; LC 1609 (Exhibit 3), LC 2324 (Exhibit 4), LC 2578\* refer to Tape 66, Meter 004, LC 2579 (Exhibit 5), LC 2850 (Exhibit 6), LC 2851 (Exhibit 7), LC 2852, (Exhibit 8) AS COMMITTEE BILLS.**

025 Chair Shetterly Clarifies the bills are entered as Committee Bills, but does not indicate support or opposition by the members of the Committee.

030 Chair Shetterly **ORDER THERE BEING NO OBJECTION, THE CHAIR SO ORDERS: Members Present: Shetterly, Verger, Barnhart, Berger, Hass, Hopson, Williams, EXCUSED: Hass, Williams.**

**OPENED WORK SESSION ON HB 2379**

032 Mazen Malik Provided background on HB 2379, (Exhibit 9) and -1 amendment, (Exhibit 10). Discussed sunset provisions and program evaluation, page 226-227 (Exhibit 11), of Tax Expenditure Report. (See House Revenue Committee

Minutes February 3, 2003, Exhibit 1).

- 060 Chair Shetterly Are the amendments satisfactory and do what you intended?
- 057 Marge Kafoury Answered affirmatively.
- 060 Rep. Verger On February 17, the question was asked, what percentage of land is considered distressed?
- 074 Kafoury I think Portland can designate 20% of total land area as distressed, far from expanding to the full 20% allowed.
- 080 Rep. Verger Concerned the person testifying in the prior hearing did not know the percentage. It is important that a city be tracking the percentage of land designated distressed, and be able answer that question.
- 084 Rep. Barnhart What would the affect be on the development of housing in these areas if this bill were not passed?
- 095 Kafoury The program has resulted in construction of 2000 housing units, which qualify at the 120% or less housing price. Portland is the only jurisdiction using this program, so the tax expenditure report reflects Portland figures.
- Questions and discussion regarding tax abatement and scope of the program.
- 130 Rep. Barnhart These houses would not have been constructed if not for this tax abatement?
- 133 Kafoury There would have been some, but not at current locations and levels.
- 139 Chair Shetterly Directed the committee's attention to written testimony from "Oregon Revenue Coalition", (ORC), (Exhibit 12).
- 143 Rep. Williams **MOTION: MOVED (-1) AMENDMENTS DATED 02/17/03 TO HB 2379 BE ADOPTED.**
- 144 **ORDER: HEARING NO OBJECTION, THE AMENDMENT IS ADOPTED.**
- 146 Rep. Williams **MOTION: MOVED HB 2379 AS AMENDED TO THE HOUSE FLOOR WITH A DO PASS RECOMMENDATION.**
- 150 Chair Shetterly Discussed local option nature of bill, agrees with allowing a local community to forego its own property tax for the purpose of meeting housing needs.
- 160 Rep. Barnhart In reviewing ORC material, (Exhibit 12) would have liked to hear from them today regarding objections to this exemption. Agrees with criteria for assessing tax breaks, but local communities should be able to make decision on foregoing taxes for this purpose.
- 164 Rep. Berger Regarding ORC, (Page 2, Exhibit 12), we appear to be in line with their objectives.
- 178 Rep. Barnhart Puzzled by comments on front page, would like to understand reasoning.
- 177 Abby Solomon The statement is one the Coalition wants the Committee to be aware of for every tax expenditure. ORC would like the Committee to review criteria and if an tax expenditure meets the criteria, would like it to pass in tandem with closing out an outdated tax expenditure that may not meet these criteria to remain revenue neutral in a time of financial crisis.

- 201 Chair Shetterly That is fair commentary about new expenditures, this bill continues an expenditure that is serving its purpose.
- 203 Rep. Williams How does HB 2379 specifically not meet the criteria when the third criteria is promote home ownership and affordable housing?
- 205 Solomon ORC believes it meets the criteria, but wants to raise the issue about taking out another outdated tax expenditure leaving it revenue neutral.
- 208 Rep. Williams You oppose this bill even though it meets your criteria?
- 211 Solomon ORC does not oppose this bill, but will oppose all new tax expenditures unless moved out in tandem with closing another.
- 218 Rep. Williams It makes the criteria and understanding what you oppose and don't oppose almost useless from an evaluative standpoint. If ORC provides testimony in opposition to all tax credits, even if it meets your criteria, I don't know how to evaluate it.
- 217 Rep. Farr Agree in principal that this is not the time to raise taxes unnecessarily. This bill is the best reason to provide tax abatements of any property.
- 235 **ROLL CALL: MOTION PASSED 9-0-0**  
**REPRESENTATIVES VOTING AYE: Barnhart, Berger, Farr, Hass, Hopson, Scott, Verger, Williams, Chair Shetterly.**
- Rep. Williams will carry the bill.**

**OPENED WORK SESSION ON HB 2380**

- 243 Chair Shetterly Nothing has changed on HB 2380, it was just held up to move with HB 2379?
- 247 Malik Gave background and history of HB 2380, (Exhibit 13), sunset provision (Exhibit 14).
- 252 Kafoury Spoke in support of HB 2380 and gave description of program which sunsets in 2006.
- 287 Chair Shetterly Described bill as providing for a local option.
- 293 Rep. Berger **MOTION: MOVED HB 2380 TO THE HOUSE FLOOR WITH A DO PASS RECOMMENDATION.**
- ROLL CALL: MOTION PASSED 9-0-0**  
**REPRESENTATIVES VOTING AYE: Barnhart, Berger, Farr, Hass, Hopson, Scott, Verger, Williams, Chair Shetterly.**
- Rep. Farr will carry the bill.**

**WORK SESSION ON HB 2312**

- 335 Dick Yates Gave background of HB 2312 as a housekeeping bill.
- 350 Scott **MOTION: MOVED HB 2312 TO THE HOUSE FLOOR WITH A DO PASS RECOMMENDATION.**

355 **ROLL CALL: MOTION PASSED 9-0-0**  
**REPRESENTATIVES VOTING AYE: Barnhart, Berger, Farr, Hass, Hopson, Scott, Verger, Williams, Chair Shetterly.**

365 Rep. Barnhart **MOTION: MOVED TO PLACE HB 2312 ON THE CONSENT CALENDAR.**

368 **ORDERED: THERE BEING NO OBJECTION SO ORDERED. Members present: Shetterly, Barnhart, Berger, Farr, Hass, Hopson, Scott, Verger, Williams.**

#### **WORK SESSION ON HB 2186**

378 Chair Shetterly Advised Committee amendments are as yet undrafted.

369 Lizbeth Martin-Mahar Provided background on HB 2186 and the (-1) amendment.

413 Martin-Mahar Followed up on question from Chairman Shetterly, regarding states with rolling reconnects and discussed tax changes in connection with Federal law. Discussed Vermont, Rhode Island, North Dakota, Colorado and Utah.

#### **TAPE 64, SIDE A**

037 Martin-Mahar New amendment will retain connection with depreciation, IRAs and similar financial instruments. A second amendment will go back to a rolling reconnect prospectively January 1, 2006.

043 Debra Buchanan Discussed issues increasing difficulty include: depreciation, timing and basis.

084 Chair Shetterly Is there an aspect of depreciation in current tax laws before Congress?

084 Martin-Mahar Discussed 179 expensing to threshold is going up.

092 Rep. Hass Depreciation, does it need to be done every year? What are the ramifications if not?

097 Buchanan Discussed affects of depreciation, sale of capital assets. One year disconnect can show on returns for many years.

120 Chair Shetterly The focus of an amendment to HB 2186, will connect going forward and make a prospective reconnection retroactive to January 1, 2006, the issue can be re-addressed in the next session by a simple majority.

145 Rep. Barnhart Supported and should be entertained in any tax reduction the Committee has before it.

157 J.L. Wilson NFIB would oppose divorcing from rolling reconnect. This increases the regulatory burden in tax compliance and payroll affecting small business. A date certain reconnect would ease the pain, would like to see an earlier date.

190 Chair Shetterly The amendments try to provide some accommodation with the depreciation and net operating loss carry forward which are the most administratively complex areas, and with employee benefit plans.

194 Rep. Hass Has to be December 31 or January 1 date for tax purposes.

200 Chair Shetterly In the next session the retroactive reconnect could come as early as January 2003.

211	Rep. Barnhart	Are there other areas other than recordkeeping that would cause problems?
205	J.L. Wilson	Anything having to do with the definition of taxable income. There are tax calculations that would have to be looked at separately with disconnect.
211	Rep. Barnhart	Changing depreciation schedules results in multi-year re-calculations, concern is recordkeeping over many years and re-calculation each tax year, are there other aspects that fall into that kind of calculation.
235	J.L. Wilson	Defer to CPAs.
225	Joe Schweinhart	Expecting to have federal legislation complete by May 31. AOI concerned long term solutions are being overlooked. Job retention is a major issue that needs to be addressed. Disconnection, reconnection leads to confusion and minimizes stimulus federal tax law changes tend to achieve.
287	Rep. Scott	Opposes HB 2186, but may agree with amendments. Concerned that economic stimulus must be included.
299	Chair Shetterly	Want to be very accommodating to business needs, especially with compliance issues, will see stimulus going forward.
307	Rep. Berger	States with date certain disconnects, do you have a sense about them?
330	Martin-Mahar	Did not call states regarding date certain disconnect, only rolling reconnect.
332	Rep. Berger	We're proposing a course, curious what states which have done it look like.
320	Martin-Mahar	Rhode Island, disconnected saying they could not afford any other reductions in revenues.
337	Rep. Barnhart	Tax rates are a small part of operating costs of business and unlikely to affect businesses issues, except in recordkeeping. Should get bridge and highway construction, basic maintenance in order. Expenditure side would have economic stimulus.
357	Rep. Farr	Would agree, but needs to be multi-faceted.
381	Chair Shetterly	Phil Romero from the Tax Options and School Accountability Work Group meeting in Eugene said, rates are more important in small business, less so with multi state corporation.
396	Schweinhart	Spoke to small business challenges, need relief with capital gains, less disincentives to existing and new business to state.
424	Chair Shetterly	Disconnecting from the federal tax code prospectively allows margin to make Oregon specific changes.
448	Chair Shetterly	Meeting recessed at 9:30 p.m.

**TAPE 65, SIDE A**

002	Vice Chair Verger	Calls meeting to order at 3:35 p.m.
004	Rep. Scott	<b>*MOTION: TO RECONSIDER THE VOTE BY WHICH LC 2578 WAS INTRODUCED AS A COMMITTEE BILL.</b>

**ORDER: HEARING NO OBJECTION THE VICE-CHAIR SO ORDERS. (Members Present: Barnhart, Hass, Hopson, Scott, Verger. EXCUSED: Chair Shetterly, Berger, Farr, Williams.)**

014 Vice Chair Verger **MOTION: TO INTRODUCE LC 2568 (Exhibit 15) AS A COMMITTEE BILL.**

Clarifies the bill is entered as a Committee Bill, but does not indicate support or opposition by the members of the Committee.

**HEARING NO OBJECTION THE VICE CHAIR SO ORDERS.**

023 Vice Chair Verger **MOTION: MOVES INTRODUCTION OF LC 2911 (Exhibit 16) AT THE REQUEST OF THE OREGON CABLE TELECOMMUNICATIONS ASSOCIATION AS A COMMITTEE BILL**

Clarifies the bill is entered as a Committee Bill, but does not indicate support or opposition by the members of the Committee.

**HEARING NO OBJECTION THE VICE CHAIR SO ORDERS. (Members Present: Barnhart, Hass, Hopson, Scott, Verger. EXCUSED: Chair Shetterly, Berger, Farr, Williams).**

027 Vice Chair Verger **MOTION: MOVES INTRODUCTION OF LC 1199 (Exhibit 17), LC 1510 (Exhibit 18), LC 1653 (Exhibit 19), LC 2322 (Exhibit 20), LC 3176 (Exhibit 21), LC 3253 (Exhibit 22), LC 3308 (Exhibit 23), LC 3309 (Exhibit 24), LC 3349 (Exhibit 25), LC 3438 (Exhibit 26), LC 3476-A (Exhibit 27) AS COMMITTEE BILLS.**

Clarifies the bill is entered as a Committee Bill, but does not indicate support or opposition by the members of the Committee.

**HEARING NO OBJECTION THE VICE CHAIR SO ORDERS. (Members Present: Barnhart, Hass, Hopson, Scott, Verger. EXCUSED: Chair Shetterly, Berger, Farr, Williams).**

054 Vice Chair Meeting adjourned at 3:50 p.m.

Tape Log Submitted by,

Kathy Tooley, Committee Assistant Reviewed by Kim Taylor James

Exhibit Summary:

1. Chair Shetterly, "LC 1724", 15 pages
2. Chair Shetterly, "LC 1741", 2 pages
3. Chair Shetterly, "LC 1609", 17 pages
4. Chair Shetterly, "LC 2324", 1 page
5. Chair Shetterly, "LC 2579", 15 pages
6. Chair Shetterly, "LC 2580", 6 pages
7. Chair Shetterly, "LC 2851", 24 pages
8. Chair Shetterly, "LC 2852", 24 pages
9. Malik, "Staff Measure Summary HB 2379-1 and Revenue Impact HB 2379-1", 2 pages
10. Malik, "HB 2379-1", 2 pages
11. Malik, "Tax Expenditure Report" select pages 226-227
12. Solomon, "Oregon Revenue Coalition HB 2379", 3 pages
13. Malik, "Staff Measure Summary HB 2380 and Revenue Impact HB 2380" 2 pages

14. Malik, "Tax Expenditure Report" select pages 229-231, 3 pages
15. Vice Chair Verger, "LC 2568", 16 pages
16. Vice Chair Verger, "LC 2911", 1 page
17. Vice Chair Verger, "LC 1119", 34 pages
18. Vice Chair Verger, "LC 1510", 33 pages
19. Vice Chair Verger, "LC 1653", 7 pages
20. Vice Chair Verger, "LC 2322", 20 pages
21. Vice Chair Verger, "LC 3176", 12 pages
22. Vice Chair Verger, "LC 3253", 144 pages
23. Vice Chair Verger, "LC 3308", 6 pages
24. Vice Chair Verger, "LC 3309", 1 pages
25. Vice Chair Verger, "LC 3349", 4 pages
26. Vice Chair Verger, "LC 3348", 2 pages
27. Vice Chair Verger, "LC 3476-1", 2 pages