HOUSE REVENUE COMMITTEE
JUNE 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: Debra Buchanan, Oregon Department of Revenue

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

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004	Chair Shetterly	Calls meeting to order at 9:33 a.m.

OPENED WORK SESSION ON SB 228

005	Chair Shetterly	Explained SB 228 returned from the House floor to Committee for amendment.
009	Mazen Malik	Described the -A7 amendments, (Exhibit 1) is a compilation of three amendments. Provided background on the bill, (Exhibit 2).
029	Chair Shetterly	Questions and discussion with Debra Buchanan, as to whether the –A7 amendments work administratively, providing the information Multnomah County needs while protecting confidentiality?
037	Chair Shetterly	**MOTION: MOVED ADOPTION OF THE –7 AMENDMENTS INTO SB 228.** **ORDER: HEARING NO OBJECTION, THE CHAIR SO ORDERS. (ALL MEMBERS PRESENT).**
040	Chair Shetterly	**MOTION: MOVED SB 228, AS AMENDED, 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. Barnhart will carry the bill.**
046	Chair Shetterly	Closed the Work Session on SB 228.

INFORMATIONAL PRESENTATION

060	Lizbeth Martin-Mahar	Provided presentation on "State Revenue Impact from Federal Law Changes in 2003, H.R. 2", (Page 1, Exhibit 3).
062	Martin-Mahar	Described "Reduction in Capital Gains and Dividends Federal Tax Rate", (Page 1, Exhibit 3). Will not cause Oregon to have a negative loss in revenue, as it is not an exclusion from the taxable income.
098	Rep. Hass	Does anyone know why they did 10% for one year?
100	Chair Shetterly	Because they were limited to what they agreed it was going to cost, The sunsets are in to limit the costs.
104	Martin-Mahar	Discussed sunsets on taxable rates and dividends.
107	Martin-Mahar	Discussed "Accelerate Some Previously Enacted Tax Reduction in 2001", Page 1, Exhibit 3).
171	Martin-Mahar	Discussed "Depreciation Incentive for Businesses", (Page 1, Exhibit 3)
210	Martin-Mahar	Discussed "State Fiscal Relief Fund of $20 billion", (Page 1, Exhibit 3). Oregon will receive about 1%.
218	Martin-Mahar	Described "Breakdown of Oregon Feedback effects from Federal Stimulus Package". (Page 2, Exhibit 3)
270	Rep. Barnhart	Primary effect on Oregon income tax is a result of the federal tax deduction in Oregon's income decreasing which increases the Oregon net income which results in more Oregon taxes being paid. Are there other effects?
281	Martin-Mahar	That's all that is captured here, will be discussing further in presentation.
292	Martin-Mahar	Described "Oregon Tax Impact from Federal Jobs and Growth Tax Relief Act of 2003 (H.R. 2), (Page 3, Exhibit 3). Discussed static effects.
323	Martin-Mahar	Discussed, "OTIM Dynamic Feedback Effects", (Page 3, Exhibit 3).
339	Martin-Mahar	Discussed, "Total Static and Dynamic Impact", (Page 3, Exhibit 3)
342	Martin-Mahar	Discussed, "Total Depreciation Impact by Biennium", (Page 3, Exhibit 3).
357	Martin-Mahar	Discussed, "Reduction in Federal Tax Liability", (Page 3, Exhibit 3).
370	Martin-Mahar	Discussed, "Total Depreciation Impact and Positive Feedback Effects", (Page 3, Exhibit 3).
370	Rep. Verger	The window of opportunity on the depreciation schedule without the bonus is very short for business 2003-05 is it?
394	Martin-Mahar	Answered affirmatively, but extends an additional year from current law.
400	Rep. Hass	Did you do a feedback on the dividends and capital gains?
404	Martin-Mahar	Answered affirmatively, that was part of the components. Section 2 and Section 1 together became the total personal income tax reductions.
410	Martin-Mahar	Discussed "Revenue Impact on State Income Tax Revenue from the New Multnomah County Local Tax" (Exhibit 4).

440	Martin-Mahar	Multnomah will not be added back as local income tax.
468	Martin-Mahar	Discussed "Oregon Income Tax Reduction Due to Multnomah County Income Tax Deduction", (Exhibit 4), and revenue lost to Oregon income taxes. These are estimates that will be incorporated into current law.
501	Rep. Hass	Can you refresh as to why there are tax reductions here. Is that because of the total taxes paid?
504	Martin-Mahar	As far as Multnomah county?
505	Rep. Hass	Answered affirmatively.
506	Martin-Mahar	It's our connection to the federal tax code, which allows local income taxes to be deducted on federal returns and Oregon conforms to that code.

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043	Rep. Verger	For clarification, thought it was added back into state taxes.
045	Martin-Mahar	Oregon ads back state income taxes, but law does not say "all income taxes in Oregon", not clear legally that all state income taxes would be added back. According to Legislative Counsel, that would not include Multnomah County income tax. Additional legislation would be needed to include.
053	Rep. Barnhart	It may be time for another amendment to the Oregon tax code.
060	Paul Warner	These numbers mean the close of session forecast is down $52 million down from May 15 forecast. These numbers will go into the final budget as a -$52.
068	Rep. Hass	Where are you getting $52?
067	Warner	That would be summing up -$38.5 from the federal package and -$13.9 for Multnomah County deduction.
075	Vice Chair Verger	Meeting adjourned at 10:10 a.m.

Tape Log Submitted by,

Kathy Tooley, Committee Assistant

Exhibit Summary:
1. Malik, "SB 228-A7 Amendment", 1 page
2. Malik, "Staff Measure Summary SB 228-A7", 1 page
3. Martin-Mahar, "State Revenue Impact from Federal Law Changes in 2003, H.R. 2", 3 pages
4. Martin-Mahar, "Revenue Impact on State Income Tax Revenue from the New Multnomah County Local Tax" (Exhibit 4), 1 page