

**HOUSE REVENUE COMMITTEE  
JULY 11, 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: Representative Max Williams, District 35  
 Representative Ben Westlund, District 53

Staff Present: Paul Warner, Legislative Revenue Officer  
 Kathy Tooley, Committee Assistant

**TAPE 221, SIDE A**

004	Chair Shetterly	Calls meeting to order at 9:10 a.m.
010	Rep. Williams	Discusses the hearings from the last two weeks and the wide diversity of opinion in Oregon on tax reform. Refer to verbatim testimony (Exhibit 1). States that a majority agreed that the tax system was broken and needs reform and that lacking the Legislature's ability to put together a tax reform proposal, there will be a number of efforts through the initiative process that might not be as successful. Discusses reasoning for bringing forward HB 3500.
110	Rep. Williams	Addresses the arguments of regressivity, federal deductibility, cost of administration, and the shrinking base of sales taxes.
156	Rep Williams	Discusses the benefits of a tax reform system that includes an additional broad base and the politics on this issue.
248	Rep. Westlund	Provides committee with analysis of testimony heard during the two weeks of tax reform discussion. States that Oregon needs fundamental, comprehensive, and effective tax reform now. Discusses the responsibility of the Legislature to address the tax reform issue.
343	Verger	Asks what to say to those who sincerely believe that Oregon has a spending problem and not a tax problem, pointing to the fact that when there were jobs, revenue was more than adequate to fund services.
350	Westlund	Responds that that point highlights the need for fundamental tax reform because of dependency on the volatile income tax, which produces too much revenue when times are good and not enough when times are bad. States that the fundamental reason for tax reform is the stability issue.
390	Chair Shetterly	States that there are clearly elements of both spending and revenue problems and that reform does not exclude one or the other.
400	Rep. Westlund	Points out that they have cut \$1 billion out of last biennium's budget and

initiated reforms to create efficiency.

415 Rep. Hass Discusses the argument given by some that a sales tax is regressive and that they should just increase the beer and cigarette taxes. Argues that the beer and cigarette taxes are more regressive than any sales tax and discusses the misinformation regarding tax reform.

**TAPE 122, SIDE A**

030 Rep. Westland Agrees with Rep. Hass on the need for legislators to educate constituents as to where revenue is coming from.

044 Rep. Berger Expresses appreciation for the thoughts of Rep. Williams and Rep. Westlund, and states that she is open to tax reform but not a new tax. Discusses factors of fairness, stability, and adequacy and states that she is not convinced a sales tax would strengthen fairness or adequacy. Expresses concern for the lack of deductibility and the cost to administer. Supports looking at the kicker or other ways to force the Legislature to put money away in the good times for the bad times.

115 Rep. Scott States that it is clear that reform is something the Legislature should carefully review, but that he is not convinced that Oregon needs a sales tax. Disagrees with statement that if a sales tax is implemented every Oregonian would pay less in taxes. Asserts that reform must include spending habits and that they must satisfy the majority of citizens.

161 Rep. Farr Discusses accomplishments of the session including spending cuts and eliminating government inefficiencies. Quotes witnesses on the need for tax reform. Discusses the need for human services. Asserts that this is only the beginning of the discussion and much more deliberation is needed. Suggests that a work plan be put in place to continue the work of the committee with a date certain to report back to the body with a plan for tax reform.

252 Rep. Hopson Disagrees a little with Rep. Williams in that she doesn't believe HB 3500 succeeds in its mission if it just sparks a discussion. Discusses witness testimony and the opinion held by most that something needs to be done. States that they have had a conversation with the public and that continuing that discussion won't bring up anything new. Expresses concern that tax structures are built around being business friendly. Agrees that tax reform cannot be solved in two or three weeks and that they need to go out and listen to the public even if it only substantiates what they have already heard. States that the Legislature is obligated to do something.

380 Rep. Barnhart States that Oregon is in a crisis in that it cannot provide services and also in the disagreements on what the basic facts are.

**TAPE 121, SIDE B**

042 Rep. Barnhart Expresses concern with the current business climate. Discusses basic public services that should be provided and the threat to public schools. Supports a progressive tax system, but states that he is willing to give up some progressiveness if that is essential to get to adequacy. Asserts that the urgent thing to do is to adopt a budget and that the tax reform process takes too long.

127 Rep. Verger Questions if they are going to talk about not taxing people at the lowest income. Asks if they are going to talk about tax expenditures. Questions if people that testified did not feel the support of the group they represented. Asks if people want action in this biennium. States that her correspondence

doesn't tell her that everyone believes the tax system is broken. Discusses the connection between taxation and economic development.

- 184 Rep. Westlund Responds that issues still need to be resolved and that when they do develop a tax reform proposal, it will be done as soon as possible but with enough time to answer the questions.
- 211 Rep. Verger Asks if this includes looking at how we tax the poor in Oregon and tax expenditures.
- 215 Rep. Westlund Responds affirmatively.
- 217 Rep. Williams Responds that he does not believe that everyone believes the system is broken, but that a majority of people do. Strongly believes that any discussion be a comprehensive discussion but isn't sure that there needs to be another task force. Expresses concern that after this discussion nothing will be done.
- 240 Rep. Hass States that when they choose to not go forward on this they are also choosing to stick with the current system that has given them a bad reputation.
- 267 Rep. Barnhart Declares that Oregon is the worst in the nation in hunger, but also has one of the most progressive tax systems in nation, making it clear that a flat tax system is not a solution for the poor. Agrees that reviewing how the tax system affects the low income population is necessary, but asserts that an adequate system is more important. Discusses the cyclical nature of tax systems.
- 317 Rep. Hopson Points out that this discussion is to identify the questions, issues, concerns, and choices that are out there before looking to comprehensively develop something. States that they never look at the big picture, which is what they need to do.
- 350 Chair Shetterly Responds that the legislature is uniquely qualified to look at the big picture.
- 356 Rep. Barnhart Responds that the Legislature is not good at doing that, but that they have to do it.
- 360 Chair Shetterly Declares that this has been one the finest exercises he has been involved in. Discusses witness testimony. Expresses concern about what is next, but believes that there is consensus that there is a revenue problem in Oregon. Discusses the need for tax reform.

**TAPE 122, SIDE B**

- 042 Chair Shetterly States that they are at a point where they need to recognize that there is a serious problem and that they need to get to the budget immediately and then continue the effort of reviewing tax reform. Commits to continue efforts to form the most comprehensive reform possible.
- 076 Rep. Verger Concludes with a quote from Robert Frost.
- 084 Chair Shetterly Meeting adjourned at 10:48 a.m.

Kathy Tooley, Committee Assistant Tara Lantz, Committee Assistant

Exhibit Summary:

1. Rep. Williams, Written Testimony, 7pp.
2. Ben Brandon, Revised Written Testimony, 6pp.