

HOUSE REVENUE COMMITTEE
AUGUST 25, 2003 3:00 PM 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: Mike Marsh, Oregon Department of Transportation, (ODOT)
Bob Russell, Oregon Trucking Association
John Marks, Portland
Ray Lewis, Portland

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

TAPE 248, SIDE A

004 Chair Shetterly Calls meeting to order at 3:17 p.m.

OPENED PUBLIC HEARING ON SB 469-A

014 Mike Marsh Spoke in support of SB 469-A –1 amendments, as it changes truck credentialing fees to align statutes with the passage of HB 2041 (Exhibit 1). The bill fixes a problem in the fee structure created by HB 2041. The amendment assures that fees are applied equitably to in state and out of state vehicles, and cost responsibility between trucks and cars.

045 Bob Russell This bill fixes a problem discovered after the passage of HB 2041. Described the amendment as cost responsible.

055 Marsh Discussed additional information on reductions in operating expenditures for ODOT by shifting to cities and counties. The amendment ensures the funds are consolidated at ODOT and are used on statewide maintenance and preservation projects that can seek limitations on later, deletes portion of bill that sends additional money to cities and counties.

066 Chair Shetterly Will this be distributed through the Area Commission on Transportation Process (ACTP)?

067 Marsh The amount discussed be discussed as part of the.ACTP, but the main thrust is for maintenance and preservation, not through the area commissions.

070 Chair Shetterly Will there be input from cities and counties on expenditures?

071 Marsh It will be used in local areas.

075 Chair Shetterly Closed public hearing on SB 469.

OPENED WORK SESSION ON SB 469-A

076 Chair Shetterly **MOTION: MOVED ADOPTION OF THE –A4 AMENDMENT (Exhibit 2), INTO SB 469-A.**
ORDER: HEARING NO OBJECTION, THE CHAIR SO ORDERS. (ALL MEMBERS PRESENT).

078 Chair Shetterly **MOTION: MOVED SB 469-A, AS AMENDED, TO THE HOUSE FLOOR WITH A DO PASS RECOMMENDATION.**

081 Rep. Verger This involves the payroll tax?

082 Chair Shetterly No, that amendment is not before the Committee.

083 **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.

092 Chair Shetterly Closed the work session on SB 469.

Chair Shetterly Recessed the meeting for 5 minutes.

OPENED WORK SESSION SB 362-A

093 Chair Shetterly Discussed the –A11 amendment.

112 John Marks This bill would discontinue the estate tax?

115 Chair Shetterly It does not. It raises the filing threshold to \$2 million over time.

119 Marks Opposed raising the exemption. Discussed personal experience with estate tax, which he found supportive. Said the estate tax is a way of ensuring there is not a hereditary plutocracy in this country. It is also a way of paying back for the privilege of living in Oregon, and a country in where wealth can be accumulated. Described the estate tax as a way of paying back to the community that has rewarded enterprise.

140 Ray Lewis Concurred with Marks' comments. Oregon does not need to lose a source of income. As a small businessperson, does not mind paying the increase of income taxes recently passed in order to have good schools; but would mind paying the increase if the estate tax was discontinued. Challenged the level of exemption changing to \$2 million as a person able to have an estate of that size would probably have the ability to plan ahead to eliminate or reduce their estate taxes.

174 Martin-Mahar Provided background and description of the –A11 amendments, similar to -A5 amendments. Clarifies the past and forgives a tax that would have been owed due to the filing threshold being at \$600,000 currently.

180 Chair Shetterly Told the Committee that this was the most critical part to be done in this session, forgiving the unintended tax liability accrued since 1997.

184 Martin-Mahar Establishes a date on which the estate tax connects to the Internal Revenue

Code for decedents dying on or after December 31, 2002; explained revenue neutrality of bill for 2003 05 biennium (Exhibit 4). Discussed revenue loss of \$27 million for 2005-07 biennium, (Exhibit 5).

- 211 Martin-Mahar Discussed conceptual amendments needed for –A11 amendments. On page 8, line 18, delete \$1,525,800 and replace with \$780,800; and on page 8, line 27, delete \$3.5 million and replace with \$2 million. –A11 deletes sunset in the –A5 amendments in 2010, keeps the estate tax going beyond 2010 and disconnects from future changes. Clarified Oregon no longer has a rolling reconnect to federal tax and should there be changes in federal tax law, the legislature would have to decide if it will connect. Currently connected to \$2 million filing threshold.
- 236 Chair Shetterly What year did we go to \$2 million?
- 237 Martin-Mahar 2006.
- 238 Chair Shetterly That stays in federal law until 2009?
- 239 Martin-Mahar Answered affirmatively.
- 240 Chair Shetterly Told the Committee of negotiations with the Governor's office, the chair had wanted a \$3.5 million threshold, the Governor is disinclined to do that. Want to protect estates from unintended tax liabilities, and is will forego the battle over the 2009 issue as federal law will be change and can be revisited in the next sessions. Right now the legislature can give estate planners a \$2 million threshold.
- 263 Chair Shetterly Looked to Margaret Hallock of the Governor's office for affirmation that he described correctly.
- 265 Margaret Hallock Nodded affirmation.
- 257 Rep. Barnhart Asked if -10 amendments deals with problem of prior tax returns where the law is ambiguous, and does it go forward with a cap of \$1 million?
- 270 Martin-Mahar The HB 2704-10 amendments, brought forward by Rep. Merkley, is capped at \$1 million and disconnected from future estate tax increases with add backs in 2003, and 2004. In 2005, there are no multipliers with a revenue loss of \$10 million which is less due to having a \$1 million threshold.
- 299 Rep. Barnhart The revenue impact is less in that proposal?
- 300 Chair Shetterly Yes, because the tax impact is higher.
- 301 Rep. Barnhart Commented that Congress was precipitous in its action on estate tax and is too high, had hoped for a smaller threshold.
- 313 Chair Shetterly **MOTION: MOVED ADOPTION OF CONCEPTUAL AMENDMENTS TO THE –A11 AMENDMENTS. DELETE \$1,525,800 ON LINE 18, PAGE 8 AND INSERTING \$780,800. ON LINE 27, PAGE 8, DELETE \$3.5 AND INSERT \$2.0.**
- 327 Rep. Scott Why conceptually change those, why not leave them where they are?
- 329 Chair Shetterly Explained the Governor's office will go to \$2 million, but not \$3.5 in 2009, this amendment was crafted contemplating increasing that threshold in 2009, that's something future legislatures can address.

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

340 Chair Shetterly

MOTION: MOVED ADOPTION OF THE –A11 AMENDMENTS, AS CONCEPTUALLY AMENDED, INTO SB 362-A.

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

346 Chair Shetterly

MOTION: MOVED SB 362-A TO THE HOUSE FLOOR, AS AMENDED INCLUDING CONCEPTUAL AMENDMENTS, WITH A DO PASS RECOMMENDATION.

348 Rep. Barnhart

This deletes the original bill?

349 Chair Shetterly

Answered affirmatively.

350

**ROLL CALL: MOTION PASSED 7-2-0
REPRESENTATIVES VOTING AYE: Berger, Farr, Hopson, Scott, Verger, Williams, Chair Shetterly. VOTING NO: Barnhart, Hass.**

Rep. Chair Shetterly will carry the bill.

367 Chair Shetterly

Meeting adjourned at 4:00 p.m.

Tape Log Submitted by,

Kathy Tooley, Committee Assistant

Exhibit Summary:

1. Marsh, testimony "Senate Bill 469 and -1 amendments", 1 page
2. Chair Shetterly, "SB 469-A4 amendments", 1 page
3. Chair Shetterly, "SB 362-A11 amendments", 10 pages
4. Martin-Mahar, "Comparison of Estate Tax Proposals" 1 page
5. Martin-Mahar, "Revenue Impact SB 362", 1 page
6. Chair Shetterly, "SB 362-7", 9 pages
7. Chair Shetterly, "SB 362-A9", 1 page
8. Yates, "SB 469-A", 1 page