

SENATE REVENUE COMMITTEE
JANUARY 29, 2003 1:00 PM STATE CAPITOL BUILDING

Members Present: Senator Ryan Deckert, Chair
Senator Ted Ferrioli, Vice Chair
Senator Tony Corcoran
Senator Charlie Ringo
Senator Bruce Starr

Members Excused: Senator Lenn Hannon

Invited Witnesses Present: Gweneth Van Frank Carlson, Support Oregon Services Alliance
Deborah Buchanan, Department of Revenue
Tim Nesbitt, President, Oregon AFL-CIO
Chuck Sheketoff, Executive Director, Oregon Center for Public Policy
Joe Swinehart, Associated Oregon Industries
J.L. Wilson, National Federation of Independent Business
Richard Butrick, Associated Oregon Industries

Staff Present: Paul Warner, Legislative Revenue Office
Lizbeth Martin-Mahar, Legislative Revenue Office
Tara Lantz, Committee Assistant

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003	Chair Deckert	Calls meeting to order at 1:20 pm
012	Gweneth Van Frank Carlson	Gives testimony in opposition to cuts due to the failure of Measure 28 and urges legislature to raise more revenue for human services.
060	Lizbeth Martin-Mahar	Gives brief overview of unofficial results from measure 28. Exhibit 1.
101	Martin-Mahar	Refers members to National Association of State Budget Officers (NASBO) fiscal survey of states and discusses major tax changes throughout the U.S. for fiscal year 2003. Exhibit 2.
172	Paul Warner	Adds to discussion on major tax changes in other states. Questions and answers follow.
188	Deborah Buchanan	Briefly discusses state employer withholding tax tables. Exhibit 3.
217	Tim Nesbitt	Refers members to document, Action Plan For Good Jobs and Better Government. Exhibit 4.
238	Nesbitt	Discusses shift in tax burden from businesses to working families.
259	Nesbitt	Compares Oregon state and local taxes to other states. Exhibit 5. Questions and answers interspersed.

- 360 Nesbitt Discusses equalizing corporate income tax and personal income tax rates.
Clarifying questions and answers interspersed.
- 391 Sen. Deckert Asks if reforming the corporate income tax would be a disadvantage for attracting new business.
- 399 Nesbitt Responds that there are other reasons businesses consider when choosing a location that are more important.

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- 019 Nesbitt Cautions against major tax reform, such as a sales tax, claiming it will not be any more stable than the current system and will be more regressive.
- 051 Nesbitt Recommends disconnecting from the federal tax code, equalizing corporate income tax with personal income tax rates, and to look at a statewide property tax.
- 080 Chuck Sheketoff Briefly discusses mission of the Oregon Center for Public Policy.
- 115 Sheketoff Briefly discusses Oregon's past and present economic situation.
- 132 Sheketoff Refers members to report, Boom, Bust, and Beyond: The State of Working Oregon 2002. Exhibit 6.
- 144 Sheketoff Refers members to report, Things Don't Look Different Here. Exhibit 7.
- 160 Sheketoff Refers members to report, Oregon State and Local Taxes in 2002. Exhibit 8.
- 173 Sheketoff Recommends repealing rolling reconnect.
- 205 Sen. Ringo Asks Warner whether a bill regarding a disconnect from the federal tax system has to start in the house.
- 207 Warner Responds that counsel has advised them to start it on the house side because of intent to raise revenue.
- 211 Sheketoff Advises legislature to preserve inheritance tax.
- 240 Sheketoff Advises against capital gains cuts.
- 254 Sheketoff Advises legislature to expand and fix Oregon's earned income credit.
- 284 Sheketoff Advises legislature to fix Oregon's corporate minimum tax.
Clarifying questions and answers interspersed.
- 309 Sheketoff Advises legislature to adopt corporate tax disclosure law.
- 349 Sen. Deckert Asks how corporate tax disclosure laws would effect the decision of businesses to locate in Oregon.
- 352 Sheketoff Responds that it would not effect corporate locations because there are several reasons why corporations choose locations. Adds that one example is a corporation that recently moved to Oregon but then laid off workers.
- 364 Sen. Deckert Argues that he is familiar with the company and sees their potential growth and potential jobs for Oregonians as an advantage.

381 Sheketoff Continues with his argument for a corporate tax disclosure laws.
Clarifying questions and answers interspersed.

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040 Sen. Deckert Asks if it is not in Oregon's best interest to have a corporate tax structure that would attract businesses to Oregon.

055 Sheketoff Responds that Oregon is only 1 percent of the national economy and that Oregon is at the whim of it, and that decisions made at the national level are the only ones that are going to affect the economy.

063 Nesbitt Responds that in the past Oregon managed to use targeted tax breaks to negotiate with specific companies and that if the legislature does across the board cuts Oregon will end up giving away money without getting anything in return.
Clarifying questions and answers interspersed.

088 Joe Swinehart Discusses current economic state of Oregon.

118 Swinehart Reads recent news headlines regarding Oregon business.

140 Swinehart Makes recommendations to reform PERS and Oregon Health Plan to make them more affordable, to enact government accountability, to regulate energy prices, to improve funding to school, to reduce capital gains, to create more business tax credits, and to improve roads.

179 JL Wilson Refers to written testimony. Exhibit 11. Discusses Oregon's small business problem.

218 Wilson Discusses Oregon's current tax system and stresses that reliance on income tax is not bad.

245 Wilson Recommends capital gains reductions and elimination of estate tax at the federal and state level.
Clarifying questions and answers interspersed

322 Sen. Corcoran Asks Swinehart about specific numbers regarding ESDs, motor pools, and contracting out management of prisons.

360 Swinehart Responds that he doesn't have the answers.

378 Sen. Deckert Asks how Oregon can make necessary investments on retention of current business and recruitment and investments in higher education that will be important in ability to compete in a knowledge based economy.

396 Swinehart Responds that AOI has found that taxes are the lead motivator for business and that Oregon needs to respond to that motivator.

421 Sen. Starr Asks about additional incentives for business, economic development, and urban growth boundary expansions.

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039 Swinehart Responds in agreement to Starr's position.

080	Sen. Corcoran	Asks what all of AOI's proposed tax cuts would amount to.
089	Swinehart	Responds that it would amount to a lot of money but that AOI sees economic development as the only solution to pull out of the recession.
095	Sen. Corcoran	Asks how it is beneficial to be in the national news about how poor the schools are in Oregon.
097	Swinehart	Responds that it is not an advantage but there are several other disadvantages as well.
099	Richard Butrick	Responds to previous questions regarding ESD's, motor pools, and contracting management of prisons.
194	Sen. Corcoran	Comments that AOI's ideas for eliminating wasteful spending, such as eliminating the Covered Bridge Association, which gets no General Fund dollars, is hard to deal with when the state is in such dire straits.
219	Butrick	Responds that AOI put the suggestions out there just to get the legislators to think and that if the legislature had acted on some of the suggestions years ago Oregon would not be in its current state.
235	Sen. Ringo	States that AOI's publication has done a great disservice to the state in propagating a misconception that there is a lot of quick fixes that can raise a lot of money.
240	Butrick	Responds that it has gotten a lot of attention and repeats his assertion that a lot of money could have been saved had the legislators taken up the suggestions years ago.
244	Sen. Deckert	Adjourns meeting at 3:00 pm.

Tape Log Submitted by,

Tara Lantz, Committee Assistant Reviewed by Kim Taylor James

Exhibit Summary:

1. Lizbeth Martin-Mahar, Measure 28 Unofficial Vote Count, 1p.
2. Lizbeth Martin-Mahar, NASBO Fiscal Survey of States: November 2002, 9pp.
3. Deborah Buchanan, Important Notice About the State Employer Withholding Tax Tables, 1p.
4. Tim Nesbitt, An Action Plan for Good Jobs and Better Government, 16pp.
5. Tim Nesbitt, 2003 Competitiveness Redbook, 2pp.
6. Chuck Sheketoff, Boom, Bust, and Beyond: The State of Working Oregon 2002, 118pp.
7. Chuck Sheketoff, Things Don't Look Different Here, 15pp.
8. Chuck Sheketoff, Oregon State and Local Taxes in 2002, 2pp.
9. Chuck Sheketoff, Empty Promises and False Hopes, 15pp.
10. Chuck Sheketoff, Cutting Capital Gains Taxes Will Hurt, Not Help, Oregon's Economy, 15pp.

11. J.L. Wilson, NFIB Written Testimony, 2pp.