

**SENATE REVENUE COMMITTEE**  
**FEBRUARY 20, 2003 1:00 PM STATE CAPITOL BUILDING**

Members Present: Senator Ryan Deckert, Chair  
Senator Ted Ferrioli, Vice Chair  
Senator Tony Corcoran  
Senator Lenn Hannon

Members Excused: Senator Charlie Ringo  
Senator Bruce Starr

Witnesses Present: Inga Deckert, Office of the State Treasurer  
Mike McArthur, Sherman County Judge  
Dave Stewart-Smith, Office of Energy  
Debra Buchanan, Department of Revenue  
John Phillips, Department of Revenue

Staff Present: Paul Warner, Legislative Revenue Office  
Mazen Malik, Legislative Revenue Office  
Tara Lantz, Committee Assistant

**TAPE 38, SIDE A**

004 Chair Deckert Calls meeting to order at 1:20pm.

OPENS PUBLIC HEARING ON SB 322

009 Mazen Malik Explains SB 322 which authorizes the State Treasurer to issue revenue bonds to be paid from income generated by the electric power transmission substation in Sherman County with net proceeds going to Sherman County. Exhibit 1. States that it has no revenue impact or fiscal impact issued yet. Discusses problems with the bill in its current form.

039 Sen. Ferrioli Discusses the importance of SB 322 in developing alternative energy sources and increasing the capacity to transmit this energy. Discusses the problems with the bill brought to his attention by the State Treasurer and what he's doing to address these problems.

086 Inga Deckert Discusses the problems the State Treasurer has with SB 322 and what they are doing to work around those problems.

095 Mike McArthur Discusses the importance of Sherman County in developing wind power in Oregon and how SB 322 would encourage this to happen. Discusses the problems with the bill in its current form and gives several options to take the bill from here.

175 Sen. Deckert Asks if McArthur wants the state to back the bonds or finance the project.

179 McArthur Responds that they only want to use the state's credit and that the developers would finance the project.

186 Dave Stewart-Smith Discusses programs the Office of Energy offers that could work for the Sherman County project and discusses the importance of wind energy for Oregon's future.

Discussion follows.

- 225 Sen. Ferrioli States that this is an opportunity to remove an obstacle that is slowing the growth of the alternative energy industry and to provide an infrastructure building vehicle.
- 262 Sen. Hannon Asks about the Office of Energy's track record on issuing bonds.
- 273 Stewart-Smith Responds that their track record has been fairly strong with the exception of Oregon Museum of Science and Industry (OMSI)
- 293 Sen. Ferrioli Discusses the purpose of hearing this bill which is to get the idea out there to build a public infrastructure.
- 315 Sen. Ferrioli Points out that the solution they come up with to help the development of alternative energy will become a mechanism for other counties in the future.

Discussion follows.

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CLOSES PUBLIC HEARING ON SB 322

OPENS PUBLIC HEARING ON SB 231

- 339 Malik Explains SB 231 which eliminates good and sufficient cause standards and the need to make a record of that reason by the Department of Revenue. Exhibit 3. Discusses revenue impact (Exhibit 4) and states that there is no fiscal impact (Exhibit 5).
- 388 Buchanan Testifies in support of SB 231 because it would give the Department of Revenue the ability to waive all or portions of penalties they deem as having sufficient cause but that do not currently fall into the category "good and sufficient cause". Exhibit 6.
- 424 Sen. Hannon Asks why he should trust the administrative rules when employees of the Department of Revenue were not elected by his constituents.
- 441 Buchanan Responds that the rule making process is open to the public and that with the rule they are allowed to more flexible in waiving penalties when there is good cause.
- 467 Sen. Hannon States that he would feel more comfortable if there were CPA's and tax lawyers testifying their support for the bill.
- 491 Buchanan States that she would be happy to come back with information from the Oregon Society of Public Accountants.

**TAPE 39, SIDE A**

- 034 Sen. Deckert Gives an example of a constituent who would have benefited from this bill and suggests putting a particular rule in the statute rather than giving the department to adopt rules.
- 049 Buchanan Responds that they could certainly put it into statute, but that if there was another situation that came up that wasn't covered in the statute that wouldn't allow them the flexibility to waive the penalty.
- 057 Sen. Deckert Asks about their current flexibility.

064 Buchanan Responds that they have no flexibility and that they have to follow the law as it is written.

CLOSES PUBLIC HEARING ON SB 231

OPENS PUBLIC HEARING ON SB 230

095 Malik Explains SB 230 which permits the Department of Revenue to reduce penalties for late filing or nonfiling for centrally assessed properties, conforms penalties for industrial properties to those of the centrally assessed properties, and permits the Department of Revenue to set and adopt rules for not imposing penalties. Exhibit 7. Discusses revenue impact (Exhibit 8) and states that there is no fiscal impact (Exhibit 9).

145 John Phillips Testifies in support of SB 230 because it would give the Department more flexibility in reducing penalties and improve compliance for industrial taxpayers. Exhibit 10. Begins by discussing Section 1.

227 Phillips Discusses Section 2 and the history of the bill.

276 Phillips Discusses Section 3.

303 Sen. Hannon Points out that the percentage of industrial non-filers have actually gone down and asks Phillips if he went back to the archives to see why the statute was created.

346 Phillips Responds that looking back at additional years would strengthen the data and would look that up.

Discussion follows.

375 Sen. Hannon Repeats question regarding archives and states that new legislators are coming in that have no historical perspective and that he doesn't agree with eliminating statutes and putting everything under administrative rule.

416 Phillips Responds that he would be happy to work with the members to put the changes in the statute rather than administrative rule.

Discussion follows.

470 Sen. Deckert States that they have another similar bill and will combine all the bills and form a work group to try and put them into one bill and avoid giving the Department the authority to adopt rules.

Discussion follows with everyone in agreement.

CLOSES PUBLIC HEARING ON SB 230

082 Sen. Deckert Adjourns meeting at 2:20pm.

Tape Log Submitted by,

Tara Lantz, Committee Assistant Reviewed by Kim Taylor James

Exhibit Summary:

1. SB 322, Mazen Malik, Staff Measure Summary, 2pp.
2. SB 322, Inga Deckert, Office of the State Treasurer Letter, 1p.
3. SB 231, Mazen Malik, Staff Measure Summary, 1p.
4. SB 231, Mazen Malik, Revenue Impact Statement, 1p.
5. SB 231, Mazen Malik, Fiscal Impact Statement, 1p.
6. SB 231, Debra Buchanan, Written Testimony, 1p.
7. SB 230, Mazen Malik, Staff Measure Summary, 1p.
8. SB 230, Mazen Malik, Revenue Impact Statement, 1p.
9. SB 230, Mazen Malik, Fiscal Impact Statement, 1p.
10. SB 230, John Phillips, Written Testimony, 2pp.