

**SENATE REVENUE COMMITTEE**  
**JUNE 4, 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

Witnesses Present: Senator Frank Morse, District 8  
Representative Wayne Scott, District 39  
Matt Meador, Representative Nelson's Office  
Erik Amos, Columbia Sportswear  
Mark Modjeski, Tektronix Inc.  
Al Logan, Nike Inc.  
Tim Nesbitt, Oregon AFL-CIO  
Laurie Wimmer Whelan, Oregon Education Association  
Curt Copenhagen, Longview Fibre  
Mark Nelson, Oregon Metals Industry Council  
Jim Craven, American Electronics Association  
Jim Geisinger, Association of Oregon Loggers  
Juan Yraguen, Basco Logging  
Bob Luoto, Cruss & Crown  
Craig Hanneman, Oregon  
Gil Riddell, Association of Oregon Counties  
Hasina Squires, Special Districts Association of Oregon  
Michelle Deister, League of Oregon Cities

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

**TAPE 139, SIDE A**

004 Chair Deckert Calls meeting to order at 1:16 pm.

OPENS WORK SESSION ON SJR 2

022 Sen. Morse Asks for the adoption of SJR 2-3 amendments, and the SB 5-1 and SB 5-3 amendments.  
Clarifying questions and answers follow.

056 Paul Warner Discusses the SJR 2-3 amendments, which corrects the language to reflect the General Fund and clarifies the 10 percent requirement. (Exhibit 1). Discusses SJR 2-4 amendments, which makes the same language changes and raises the reserve fund cap to 25 percent (Exhibit 2). Discusses SJR 2-5 amendments, which corrects the language and make technical treasurer changes (Exhibit 3). Discusses SB 5-1 amendments, which makes wording changes (Exhibit 4). Discusses SB 5-2 amendments, follow the SJR 2-3 amendments (Exhibit 5). Discusses SB 5-3 amendments, which makes

technical changes (Exhibit 6).

Discussion follows.

- 112 Sen. Deckert Asks Sen. Morse if he is asking for SJR 2-5 amendments and SB 5-1 amendments.
- 114 Sen. Morse Responds affirmatively.
- 115 Warner Adds that they need to adopt SB 5-3 amendments as well.
- 118 Sen. Ringo MOTION: MOVES SJR 2-5 AMENDMENTS DATED 6/4/03 BE ADOPTED.
- 122 Sen. Deckert ORDER: ROLL CALL VOTE: MOTION PASSES: 4-1-1.  
SENATORS ANSWERING AYE: CORCORAN, RINGO, STARR, DECKERT.  
SENATORS ANSWERING NO: FERRIOLI. SENATORS EXCUSED:  
HANNON.
- 126 Sen. Ringo MOTION: MOVES SJR -2 TO THE SENATE FLOOR WITH A DO PASS AS  
AMMENDED RECOMMENDATION.
- 130 Sen. Corcoran Thanks Sen. Morse and Sen. Burdick for their hard work.
- 132 Sen. Deckert Agrees with Sen. Corcoran.
- 134 Sen. Starr States that this is an important issue to discuss on the Senate Floor.
- 142 Sen. Deckert ORDER: ROLL CALL VOTE: MOTION PASSES: 4-1-1.  
SENATORS ANSWERING AYE: CORCORAN, RINGO, STARR, DECKERT.  
SENATORS ANSWERING NO: FERRIOLI. SENATORS EXCUSED:  
HANNON.  
Sen. Morse will carry the bill on the Senate Floor.

#### OPENS WORK SESSION ON SB 5

- 151 Sen. Ringo MOTION: MOVES SB-5 AMENDMENTS DATED 6/2/03 BE ADOPTED.
- 154 Sen. Deckert ORDER: ROLL CALL VOTE: MOTION PASSES: 4-1-1.  
SENATORS ANSWERING AYE: CORCORAN, RINGO, STARR, DECKERT.  
SENATORS ANSWERING NO: FERRIOLI. SENATORS EXCUSED:  
HANNON.
- 157 Sen. Ringo MOTION: MOVES SB 5-3 AMENDMENTS DATED 6/4/03 BE ADOPTED.
- 159 Sen. Deckert ORDER: ROLL CALL VOTE: MOTION PASSES: 4-1-1.  
SENATORS ANSWERING AYE: CORCORAN, RINGO, STARR, DECKERT.  
SENATORS ANSWERING NO: FERRIOLI. SENATORS EXCUSED:  
HANNON.
- 164 Sen. Ringo MOTION: MOVES SB 5 TO THE SENATE FLOOR WITH A DO PASS AS  
AMMENDED RECOMMENDATION.
- 166 Sen. Deckert ORDER: ROLL CALL VOTE: MOTION PASSES: 4-1-1.  
SENATORS ANSWERING AYE: CORCORAN, RINGO, STARR, DECKERT.  
SENATORS ANSWERING NO: FERRIOLI. SENATORS EXCUSED:  
HANNON.  
Sen. Morse will carry the bill on the Senate Floor.

#### OPENS PUBLIC HEARING ON HB 3183

177	Lizbeth Martin-Mahar	Explains HB 3183 which increases the sales factor of the corporate apportionment formula from 80% , to 90% and 5% payroll and property factors beginning in 2005 and phasing in an increase to 100% in 2007 (Exhibit 7). Discusses revenue impact (Exhibit 8) and the distribution of estimated tax returns with the sales only apportionment formula (Exhibit 9).
316	Rep. Scott	Testifies in support of HB 3183 because it will remove the disincentive for businesses to locate and expand in Oregon and make Oregon attractive for corporate headquarters.
344	Matt Meador	Testifies on behalf of Rep. Nelson in support of HB 3183 it will give Oregon a competitive edge to recruit companies. Refer to written testimony (Exhibit 9).
384	Erik Amos	Testifies in support of HB 3183 because it would encourage in-state economic development and stabilize corporate income taxes. Gives personal experience with the current apportionment formula. Refer to letter (Exhibit 11).

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023	Sen. Ringo	Asks why Washington's tax structure would be more favorable since Oregon has the lowest business tax burden in the Western states.
029	Amos	Responds that Washington's tax structure is fundamentally different and have a business and occupation tax that would benefit Columbia.
034	Sen. Ringo	Asks if he could say it would benefit all companies.
038	Amos	Responds negatively.
042	Sen. Deckert	Asks if the class of manufacturers similar to Columbia would benefit as well.
044	Amos	Responds that wholesale distributors probably would.
048	Mark Modjeski	Testifies in support of HB 3183 because it would give businesses a reason to build and expand operations in Oregon and help the staggering economy. Refer to letter (Exhibit 11).
075	Sen. Ringo	Asks whether Oregon's tax structure is unfriendly to business.
077	Modjeski	Responds that Oregon's tax structure is hurtful to large corporations that have predominantly used capital in business operations to invest in Oregon. Discusses Tektronix operations.
089	Sen. Deckert	Asks how significant the change to the 80% apportionment factor has been and asks if they should wait for more data and then just make the change to 100%.
096	Modjeski	Responds that Tektronix has only one month of closed data, but that the apportionment factor will be lower.
112	Sen. Deckert	Asks if it would be reasonable to wait off a year to see more data.
114	Modjeski	Responds that there probably wouldn't be any more to see because it takes longer than a year. States that he believes they should move forward on this now.
120	Sen. Starr	Asks if the timing for this is would coincide with expansions done in the future

and decided on today.

- 131 Modjeski Responds affirmatively.
- 141 Al Logan Testifies in support of HB 3183 because it would encourage businesses to locate and build in the state. Discusses data from the early 1990's after the formula was changed from equal weighting to double weighting. Refer to letter (Exhibit 11).
- 191 Sen. Deckert Asks if this bill would make Oregon a favorable state for business or if there would be other changes that would be contemplated.
- 199 Logan Responds that it would make Oregon a favorable state. Discusses taxes paid by Nike.
- 218 Amos Responds that companies are continuously updated on tax reform in states.
- 239 Modjeski States that some companies would not be happy with this bill, such as businesses that just use Oregon for marketing and that this might get them to build here.
- 246 Sen. Starr Asks how this compares the repeal of the unitary tax in the eighties that the state is open for business.
- 255 Logan Responds that this would have less of an effect because of the shift to 80% last session.
- 267 Sen. Ringo Asks why they are phasing in the increase to 100 percent.
- 270 Logan Responds that they are recognizing the situation that the state is currently in.
- 284 Sen. Ringo Asks how they would feel about going to a single sales factor and raising the corporate income tax rate.
- 287 Amos Responds that it would impact every single business in Oregon.
- 301 Tim Nesbitt Testifies in opposition to HB 3183 because Oregon's corporate income tax system already has the lowest rates and the lowest tax share. Discusses history of the single sales factor and who would benefit from the bill and who would not.
- 383 Laurie Wimmer Whelan Testifies against HB 3183 because it would decrease revenues. States that there are many reasons why companies locate in a certain state and tax policy is not among the top ones.

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- 021 Sen. Deckert States that you can never measure what causes companies to move or relocate and asks if there is any benefit in conveying to companies that Oregon is friendly and open to business.
- 026 Nesbitt Responds that more companies are probably worried about whether Oregon has fixed their schools than their tax policies.
- 030 Wimmer Whelan Adds that there was a study done on the top reasons for business location and tax policy was not on the list, but education was.
- Discussion follows.

- 084 Curt Copenhagen Testifies in opposition to HB 3183 in its original form because it would cost Longview Fibre between \$5 and \$6 million over a 10-year period. Proposes HB 3183-1 amendments, which would exempt Longview Fibre from the bill. Refer to written testimony and amendment (Exhibit 12).
- 103 Mark Nelson Testifies in support of HB 3183 because it will help businesses to look forward to coming out of the economy to expand and invest in Oregon. States that he doesn't believe Oregon is a tax friendly or business friendly state.
- 134 Sen. Deckert Asks what makes Oregon a tax unfriendly state if this bill is enacted.
- 137 Nelson Responds that tax policies do not drive final decisions, but that CEO's make decisions based on what is going to affect them and the income tax structure is one of the highest in the country.
- 155 Jim Craven Testifies in support of HB 3183 because it would benefit companies that are located here, manufacture here, and sell their products on a global market. Discusses the success of previous economic development measures. Points out that there is no revenue impact and it won't take away money from schools, and that it won't affect Oregon grown companies that don't operate in other states.
- 255 Sen. Ringo Asks if Craven believes the OTIM forecast that twenty jobs will be created from this .
- 257 Craven Responds that he doesn't know but that it seems false to him.

CLOSES PUBLIC HEARING ON HB 3183

OPENS PUBLIC HEARING ON HB 2372 A

- 302 Jim Geisinger Testifies in support of HB 2372 because the exemption helps small business, contributes to protecting the environment, and puts the logging industry on equal footing with agriculture. Refer to written testimony (Exhibit 15).
- 382 Juan Yraguen Testifies in support of HB 2372 because it would help loggers invest in environmentally sensitive equipment needed to log the second growth forests they have shifted to. Refer to written testimony (Exhibit 16).

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- 032 Sen. Deckert Asks why they should give tax credits for environmentally sensitive equipment that would have been bought anyway.
- 038 Yraguen Responds that there are many companies in need of assistance because of policies that have negatively impacted the logging industry in the past decades.
- 055 Sen. Ferrioli Responds that old style systems dragged on the ground and caused erosion and that new systems are more sophisticated and expensive to limit erosion and move towards logging second growth forests rather than old growth forests. Discusses parameters in the bill required by the Governor.
- 086 Sen. Deckert Asks if the Governor required the sunset.
- 087 Sen. Ferrioli Responds that they put the sunset in so that it could be a trial to see how successful it would be and that it has proved to be successful.

Discussion follows.

116	Bob Luoto	Testifies in support of HB 2372 because logging has shifted to private lands with second growth forests and this would help loggers acquire the equipment necessary to perform in an environmentally responsible manner. Refer to written testimony (Exhibit 17).
164	Craig Hanneman	Testifies in support of HB 2372 because it would equalize the timber industry with the agriculture industry.
190	Gil Riddell	Testifies in opposition to HB 2372 because the sunset clause gives the Legislature a tool for accountability and there hasn't been enough time to analyze the effectiveness of the exemption. Refer to written testimony (Exhibit 18).
252	Michelle Deister	Testifies against HB 2372 because they do not agree with eliminating sunset dates.
261	Hasina Squires	Testifies against HB 2372 because the special districts believe sunset dates are important for evaluation.
277	Sen. Ferrioli	Asks if they would oppose extending the sunset date.
279	Riddell	Responds negatively.
293	Sen. Ferrioli	Asks if they are suggesting the removal of the farm equipment exemption.
301	Riddell	Responds negatively and states that there is a distinction between the two because of when they were adopted.  Discussion follows.
386	Sen. Ferrioli	Adjourns meeting at 3:05 pm.

Tape Log Submitted by,

Tara Lantz, Committee Assistant

Exhibit Summary:

1. SJR 2, Sen. Morse, Proposed SJR 2-3 Amendments, 4pp.
2. SJR 2, Sen. Burdick, Proposed SJR 2-4 Amendments, 4pp.
3. SJR 2, Sen. Morse, Proposed SJR 2-5 Amendments, 4pp.
4. SB 5, Sen. Morse, Proposed SB 5-1 Amendments, 1p.
5. SB 5, Sen. Burdick, Proposed SB 5-2 Amendments, 1p.
6. SB 5, Sen. Morse, Proposed SB 5-3 Amendments, 2pp.
7. HB 3183, Lizbeth Martin-Mahar, Staff Measure Summary, 1p.
8. HB 3183, Lizbeth Martin-Mahar, Revenue Impact Statement, 1p.
9. HB 3183, Lizbeth Martin-Mahar, Sales Only Apportionment Formula Distribution, 2pp.
10. HB 3183, Rep. Nelson, Written Testimony, 1p.
11. HB 3183, Mark Modjeski, Letters of Support, 18pp.
12. HB 3183, Curt Copenhagen, Written Testimony and Proposed HB 3183-1 Amendments, 4pp.
13. HB 2372, Mazen Malik, Staff Measure Summary, 1p.
14. HB 2372, Mazen Malik, Revenue Impact Statement, 1p.
15. HB 2372, Jim Geisinger, Written Testimony, 3pp.

16. HB 2372, Juan Yraguen, Written Testimony, 3pp.
17. HB 2372, Bob Luoto, Written Testimony, 3pp.
18. HB 2372, Gil Riddell, Written Testimony, 4pp.