

SENATE REVENUE COMMITTEE
August 12, 2003 2:30 PM STATE CAPITOL BUILDING

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

Members Excused: Senator Lenn Hannon

Witnesses Present: Paul Romain, Oregon Beer and Wine Distributors Association
Karl Ockert, Bridgeport Brewery
Irene Firmat, Full Sail Brewery
Diane Belt, Oregon Association of County Tax Collectors
Gary Bartholomew, Oregon Association of County Tax Collectors
Jim Bernau, Oregon Wine Association
Sandra Bishop, Wine Institute
Gil Riddell, Association of Oregon Counties

Staff Present: Paul Warner, Legislative Revenue Office
Dick Yates, Legislative Revenue Office
Mazen Malik, 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 2:40 pm.

OPENS PUBLIC HEARING ON HB 2152

018 Paul Warner Discusses the original bill and the –A9 amendments (Exhibit 1), which constitute the Senate Revenue plan. Discusses each portion of the bill beginning with the means test elderly medical deduction. Refer to Senate Revenue Plan (Exhibit 2). Refers members to a Major Components fact sheet that gives details about the bill (Exhibit 3). Discusses the SUV depreciation portion of the bill.

066 Sen. Ringo Asks if the revenue impact should be bigger with the removal of the federal impact.

070 Dick Yates Responds that it was taken into consideration and that the federal tax break is still substantial and should not affect the use of the credit.

085 Warner Discusses the federal tax subtraction and changes that were made last year. Explains the reduction of the personal exemption credit and discusses the revenue impact. Discusses the personal income tax standard deduction, the income tax brackets, and itemized deductions. Discusses the increase in the corporate minimum tax, extraterritorial income, the reduction in corporate credits.

176 Sen. Deckert Asks about the carry forward for tax credits.

178	Lizbeth Martin-Mahar	Responds that there is a three year carry forward on the credit.
195	Warner	Discusses the property tax portion of the plan.
211	Sen. Ferrioli	Asks if the counties calculate the discount and send money back to the state after the distribution of taxes to the special districts.
219	Mazen Malik	Responds affirmatively.
222	Sen. Ferrioli	States that there are some times when taxpayers successfully appeal their property taxes and get a rebate, and asks if there is going to be a problem for the counties with this change in the law.
235	Warner	Responds that there are representatives from the county collectors that can talk to that issue later.
240	Sen. Deckert	Asks if the distribution goes to the state school fund and then the General Fund.
242	Warner	Responds that it goes 2/3 to the General Fund and 1/3 to the state school fund and points out that it is only a 1 year adjustment.
254	Warner	Discusses the beer and wine tax and the medical provider charge.
292	Sen. Corcoran	Asks about the lottery discretionary funds.
295	Warner	Responds that this bill does not include that and that it should be drafted in another bill.
302	Sen. Corcoran	Asks if there is an assumption made that the education stability fund would be increased by some additional lottery revenue.
306	Warner	Responds affirmatively.
325	Sen. Corcoran	Asks if the methodology to come up with an additional \$23 million uses the assumption of adding another machine, line games, or compensation.
334	Warner	Responds that those ideas have been discussed and this estimate uses the revenues that can be raised with those types of activities.
347	Sen. Corcoran	States that he has concerns with the legality of using PERS savings from other fund agencies and moving those into the General Fund. Asks if there was any discussion on this.
361	Sen. Deckert	Responds that in talking to Legislative Fiscal, they can get the money but they would need to make a statutory change and it would be done in Ways and Means.
370	Sen. Nelson	States that this bill is convoluted and that there must be a better plan out there to fix things. Asks how in good conscience they can consider this.
390	Sen. Corcoran	Asks how in good conscience they can consider the deaths that they have seen and not do anything.
397	Sen. Nelson	Responds that he is not against potential revenue increases but is against this bill.
402	Sen. Deckert	States that they took most of this from the House plan and was it was a

bipartisan agreement to get to a balanced budget.

410 Sen. Nelson Responds that there is more than one way to do it and they wouldn't be doing their job with this package.

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011 Sen. Corcoran States that if they delay the Bush tax break plan fifty percent for two years it would take care of the whole thing.

030 Paul Romain Testifies against starting any revenue raising measures in the Senate. Testifies against the increase in beer and wine taxes because Oregon has the number one micro-brewing industry in the nation and is one of the highest growing wine regions because they have low taxes. States that an increase in taxes will cause a decrease in the industry, creating a loss in jobs and revenues. Discusses the average wages in the distributing business.

085 Karl Ockert Gives history of the Bridgeport Brewery and discusses their financial statistics. Testifies against the increase in beer and wine taxes because it would hurt a vibrant local industry, it singles out the industry, and it would cost his business an additional \$150,000 in taxes.

144 Sen. Ringo Asks for an estimate of the financial size of the company.

155 Ockert Responds that their payroll is approximately \$2.5 million annually.

159 Firmat Responds that Full Sail will see an increase in of \$175,000 and are an \$11 million company with a \$2.2 million payroll. States that this would cause a decrease in Oregon investment.

178 Sen. Deckert Asks how this tax would compare with Washington and California.

180 Firmat Responds that California's tax is \$6.20 and Washington's is \$8.08.

185 Sen. Deckert Asks if the sales tax in those states makes a difference.

188 Firmat Responds that a sales tax is different because it is across all products and is added on to the total of the purchase. Discusses the distribution process and states that the costs would be marked up through the process, making the end cost to the consumer higher than the tax itself.

Discussion follows.

200 Sen. Ringo Asks why costs would be marked up through the distribution process.

215 Firmat Responds that wholesalers and retailers work on a percentage mark up.

Discussion follows.

231 Sen. Ferrioli Clarifies that the distributors and retailers only look at a unit cost and mark up a percentage of the unit cost.

240 Romain Explains that an excise tax is not consumer friendly because it gets marked up throughout the system.

Discussion follows.

293 Sen. Metsger Asks how the panel views the strength of the Washington microbrew industry.

- 305 Firmat Responds that it is very different because it didn't grow have such a groundswell of companies and that a few companies were able to get a jumpstart with much higher financing.
- 329 Sen. Metsger Asks how the tax increase would impact the industry if it were lower than all the surrounding states.
- 345 Firmat Responds that it would weaken the industry because they would have less money to invest in becoming more efficient. Points out that the two largest companies in Washington are public companies and are able to operate at a loss.
- 355 Sen. Metsger Asks at what price the excise tax becomes problematic for the brewers.
- 366 Firmat Responds that it would be hard for her to say that any increase would be a positive thing for them. Gives history of Full Sail Brewery.

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- 009 Romain Discusses the loss of jobs that will occur if the tax is increased, citing Widmer Brewery as an example.
- 036 Diane Belt Testifies that counties have the most concern about the discount rate portion of the bill and wish the legislature would just pick a number rather than make the process more complex with a variable rate. States that there needs to be a rule dealing with the issue of appeals and refunds.
- 070 Sen. Ferrioli Asks if the Department remits an assessment to the state for other purposes.
- 073 Belt Responds that it is not an assessment but a portion of the interest.
Discussion follows.
- 100 Sen. Deckert Asks what the discount rate should be.
- 105 Gary Bartholomew Responds that a one percent rate would decrease the number of citizens taking advantage of the discount rate.
- 120 Belt States that the federal rate is 1.5%.
Discussion follows.
- 142 Paul Romain Discusses the current wine tax structure in the state which exempts wineries that produce less than 40,000 barrels.
- 180 Jim Bernau Testifies against an increase in wine taxes because he would not be able to pass the costs on to consumers due to his size.
- 206 Sen. Ringo Asks what the increase per bottle for Bernau would be.
- 210 Bernau Responds that he didn't calculate it because he can't pass the cost on. States that for the first time in history, sales in wine have declined. Discusses the wine industry in Oregon and states that it has been successful because of tax policies. Gives history of Willamette Vineyards.
- 321 Sandra Bishop Testifies against the wine tax increase because it would put many small wineries out of business. States that the increase per bottle would be between \$1 and \$2, bouncing the bottle of wine out its price point. Declares that this is not a consumption tax, but rather an excise tax.

410	Sen. Deckert	Asks if the reason there is a high concentration of wineries is because of the tax structure.
416	Bernau	Responds that there are a lot of small wineries because they are exempt from taxes, but very few large wineries.
426	Bishop	Speaks to the competitive disadvantage of Oregon wines compared to foreign wines.

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043	Sen. Metsger	Asks if anyone supports the beer and wine tax increase.
049	Gil Riddell	Testifies that the counties support a beer tax dedicated to public safety and health services that deal with the problems that stem from the consumption of the product.

CLOSES PUBLIC HEARING ON HB 2152

065	Sen. Deckert	Adjourns meeting at 4:06 pm.
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Tape Log Submitted by,

Tara Lantz, Committee Assistant

Exhibit Summary:

1. HB 2152, Sen. Deckert, Proposed HB 2152-A9 Amendments, 56pp.
2. HB 2152, Paul Warner, Senate Revenue Plan, 1p.
3. HB 2152, Paul Warner, Major Components of the HB 2152 and the –A9 Amendments, 4pp.