

**HOUSE SCHOOL FUNDING AND TAX
FAIRNESS/REVENUE COMMITTEE**

FEBRUARY 7, 2001 — 1:30 P.M. - HEARING ROOM A - STATE CAPITOL BUILDING

Members Present: Representative Lane Shetterly, Chair

Representative Janet Carlson, Vice Chair

Representative Deborah Kafoury, Vice Chair (1:43 arrived)

Representative Alan Bates

Representative Chris Beck

Representative Alan Brown

Representative Mark Hass

Representative Max Williams (1:47 arrived)

Representative Bill Witt (1:48 arrived)

Staff: Paul Warner, Legislative Revenue Officer

Lizbeth Martin-Mahar, Economist, Legislative Revenue Office

Ed Waters, Economist, Legislative Revenue Office

Joan Green, Committee Assistant

Witnesses: Diane Belt, Oregon Association of Tax
Collectors

Randall Edwards, State Treasurer's Office

Michael Parker, State Treasurer's Office

John Van Landingham, Lane County Law and
Advocacy Center

Chuck Carpenter, Manufactured Housing
Communities of Oregon

Sally Harrington, Commonwealth Real Estate Services

TAPE 37, SIDE A

00 Chair Shetterly Meeting called to order at 1:42 p.m.

OPENED PUBLIC HEARING ON HB 2125

007 Ed Waters Reviewed HB 2125 and described the effect of the (-1 and —2) amendments. (EXHIBITS 1-2)

018 Randall Edwards Presented testimony in support of measure. (Exhibit 3)

Questions and discussion regarding mechanics of operation.

071 Rep. Beck Questioned what penalties would be assessed in the event that the person the account was opened for died?

080 Michael Parker The money could be withdrawn without penalty, cited circumstances that allow for withdrawal of the monies without penalty.

084 Chair Shetterly Is there a penalty at the State level for early withdrawal?

086 Parker "State and federal taxes would be paid at your level, not the student level, and an additional 10% penalty is assessed on the earnings portion, which would come back to the plan."

098 Rep. Beck What type of tracking system is being kept to market the plan to the average Oregonian?

105 Edwards Spoke to various marketing techniques that the Treasurer would like to implement to make the plan available to as large a cross-section of Oregonians as possible.

135 Rep. Beck What part of the application's information is public record, for purposes of tracking, and what is confidential?

132 Parker Responded.

130 Rep. Hass Summarized his understanding of the measure and asked if that was accurate.

147 Edwards Reviewed current law on penalties; the measure is trying to stop a potential loophole that might

be used to gain a tax break.

- 159 Chair Shetterly Requested clarification to the language on lines 4-8 of the printed measure; is it the lesser of those two amounts? (EXHIBIT 1)
- 173 Waters "Currently the subtraction is available for up to \$2,000."
- 176 Chair Shetterly "The most that would qualify for the break is the \$2,000. If \$5,000 is contributed there will not be a penalty for the excess \$3,000 because there is no tax break, correct?"
- 178 Waters Concurred; noted that only the amounts contributed in the last 12 months need to be added back in the case of an unqualified withdrawal.
- 185 Chair Shetterly Why is the time period being shortened?
- 186 Parker There is a 10% penalty that is being assessed.
- 197 Rep. Bates Presented scenario and questioned what portion of the earnings would be tax-free?
- 204 Edwards The plan is a deferral on the growth on the \$20,000; described the two different tax components.
- 210 Chair Shetterly What is the purpose of the (-2) amendments? (EXHIBIT 2)
- 214 Waters To address anticipated changes in the federal law; if the federal government makes no changes to the tax code the amendments would have no effect.

OPENED WORK SESSION ON HB 2125

- 228 Vice Chair **MOTION: MOVED LC (-2)**
Kafoury **AMENDMENTS DATED 02/06/2001 TO HB 2125 BE ADOPTED. HEARING NO OBJECTION, THE CHAIR SO ORDERED.**
- 232 Vice Chair **MOTION: MOVED LC (-1)**
Kafoury **AMENDMENTS DATED 01/29/2001 TO HB 2125 BE ADOPTED. HEARING NO OBJECTION, THE CHAIR SO ORDERED.**
- 238 Vice Chair **MOTION: MOVED HB 2125 TO THE**
Kafoury **HOUSE FLOOR WITH A DO PASS AS AMENDED RECOMMENDATION.**
- 242 **ROLL CALL VOTE: MOTION PASSED 9-**

0-0

REPRESENTATIVES VOTING AYE: Bates, Beck, Brown, Hass, Williams, Witt, Carlson, Kafoury, Chair Shetterly

Chair Shetterly will carry the bill.

OPENED PUBLIC HEARING ON HB 2029

- 258 Lizbeth Martin-
Mahar Described the (-1) amendment and what changes it will make to the printed measure. (EXHIBITS 4-5)
- 270 Chair Shetterly The amendments address the A1 accounts, correct?
- 271 Diane Belt Concurred, noted that Mr. Carlson of Associated Oregon Industries is in agreement with the amendments.

OPENED WORK SESSION ON HB 2029

- 288 Rep. Beck **MOTION: MOVED LC (-1) AMENDMENTS DATED 02/07/2001 TO HB 2029 BE ADOPTED. HEARING NO OBJECTION, THE CHAIR SO ORDERED. (ALL MEMBERS PRESENT EXCEPT WILLIAMS, WITT, CARLSON EXCUSED)**
- 298 Rep. Beck **MOTION: MOVED HB 2029 TO THE HOUSE FLOOR WITH A DO PASS AS AMENDED RECOMMENDATION.**
- 302 **ROLL CALL VOTE: MOTION PASSED 6-0-3* (Tape 38, Side A, 86 —Carlson votes aye. VOTE 7-0-2)**

REPRESENTATIVES VOTING AYE: Bates, Beck, Brown, Hass, Kafoury, Chair Shetterly

REPRESENTATIVES EXCUSED: Williams, Witt, Carlson

Rep. Beck will carry the bill.

OPENED PUBLIC HEARING ON HB 2031

- 324 Lizbeth Martin-
Mahar Described the (-1) amendment and what changes it will make to the printed measure. (EXHIBITS 6-7)
- 369 Diane Belt Presented testimony in support of measure.

(Exhibit 8)

451 Chair Shetterly The language on page 5 of the printed measure, allowing a relative to purchase the home, is being deleted by the amendment? (EXHIBIT 7)

452 Belt Concurred.

TAPE 38, SIDE A

009 Rep. Bates How is "disposed" defined?

015 Chair Shetterly Under current law it is defined on page 1, lines 12-15 of the printed measure.

020 Rep. Bates Disposition cannot result in a gain by a relative or an owner; described a situation and questioned how that would work.

026 John Van "A landlord can profit as long as the landlord
Landingham pays the back taxes."

033 Rep. Bates "I don't want to be in the position that a landlord or relative can buy a structure, not pay the back taxes, and profit from that. I am understanding that is not possible with this amendment."

035 Van
Landingham Concurred.

037 Belt Noted some drafting errors that will be addressed on the Senate side.

040 Vice Chair Requested review of the rationale on increasing
Kafoury the cost of the dwelling from \$3,500 to \$8,000.

047 Belt Provided background information on the value and how the \$8,000 figure was arrived at.

062 Chuck Carpenter Spoke in support of the (-1) amendments.
(EXHIBIT 7)

065 Sally Harrington Spoke in support of the (-1) amendments.
(EXHIBIT 7)

OPENED WORK SESSION ON HB 2031

072 Rep. Beck **MOTION: MOVED LC (-1)
AMENDMENTS DATED 02/07/2001 TO HB
2031 BE ADOPTED. HEARING NO
OBJECTION, THE CHAIR SO ORDERED.
(ALL MEMBERS PRESENT EXCEPT
WILLIAMS, WITT, EXCUSED)**

077 Rep. Beck **MOTION: MOVED HB 2031 TO THE
HOUSE FLOOR WITH A DO PASS AS**

AMENDED RECOMMENDATION.

079

ROLL CALL VOTE: MOTION PASSED 7-0-2

REPRESENTATIVES VOTING AYE: Bates, Beck, Brown, Hass, Carlson, Kafoury, Chair Shetterly

REPRESENTATIVES EXCUSED: Williams, Witt

Rep. Bates will carry the bill.

***REOPENED WORK SESSION ON HB 2029**

094 Vice
Kafoury

Chair

REQUESTED UNANIMOUS CONSENT THAT THE RULES BE SUSPENDED TO REOPEN THE WORK SESSION ON HB 2029 TO ALLOW VICE CHAIR CARLSON, WHO WAS EXCUSED WHEN THE VOTE WAS TAKEN, TO VOTE. HEARING NO OBJECTION, THE CHAIR SO ORDERED. (ALL MEMBERS PRESENT EXCEPT WILLIAMS, WITT, EXCUSED)

VICE CHAIR CARLSON BEING EXCUSED WHEN THE ROLL WAS CALLED, WAS GRANTED UNANIMOUS CONSENT TO BE RECORDED AS VOTING AYE ON HB 2029, AS AMENDED

HEARING NO OBJECTION, THE CHAIR SO ORDERED. (ALL MEMBERS PRESENT EXCEPT WILLIAMS, WITT, EXCUSED)

097 Chair Shetterly

Meeting adjourned at 2:19 p.m.

Submitted by, Reviewed by,

Joan Green Kim Taylor James

Committee Assistant Revenue Office Manager

Exhibit Summary:

1. HB 2125, (-1) amendment, (DJ/ps) 01/29/01, LRO Staff, 1 page
2. HB 2125, (-2) amendment, (DJ/ps) 02/06/01, LRO Staff, 1 page
3. HB 2125, Testimony, Edwards, 1 page
4. HB 2029, (-1) Staff Measure Summary and Revenue statement, Martin-Mahar, 4 pages
5. HB 2029, (-1) amendment, (DJ/ps) 02/07/01, LRO Staff, 1 page
6. HB 2031, (-1) Staff Measure Summary and Revenue statement, Martin-Mahar, 2 pages
7. HB 2031, (-1) amendment, (DJ/ps) 02/07/01, LRO Staff, 2 pages
8. HB 2031, Testimony, Belt, 3 pages