

**PUBLIC HEARING: HB 2111**

**WORK SESSION: HB 2033**

**TAPES 97 - 99 A**

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

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**MARCH 22, 2001 — 1:30 P.M. - HEARING ROOM A - STATE CAPITOL BUILDING**

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Members Present: Representative Lane Shetterly, Chair

Representative Janet Carlson, Vice Chair

Representative Deborah Kafoury, Vice Chair (1:40 p.m. arrived)

Representative Alan Bates

Representative Alan Brown

Representative Mark Hass (1:50 p.m. arrived)

Representative Max Williams (1:53 p.m. arrived)

Representative Bill Witt (2:07 arrived)

Members Excused: Representative Chris Beck

Staff: Paul Warner, Legislative Revenue Officer

Lizbeth Martin-Mahar, Economist, Legislative Revenue Office

Joan Green, Committee Assistant

Jennifer Wells, Committee Clerk

Witnesses: J. L. Wilson, National Federation of  
Independent Business

Jason Williams, Taxpayer Association of Oregon

Steve McClure, Union County/Association of Oregon  
Counties

Gil Riddell, Association of Oregon Counties

Michelle Deister, League of Oregon Cities

Phil Fell, City of Eugene

John Phillips, Department of Revenue

Gary Conkling, Oregon Winegrowers Association

**TAPE 97, SIDE A**

005 Chair Shetterly Meeting called to order at 1:40 P.M

**OPENED PUBLIC HEARING ON HB 2111**

017 Lizbeth Martin- Gave background on HB 2111 clarifying the bill  
Mahar is increasing the access value for amount value  
for personal property that is exempt from  
property taxes from 10,000 to 20,000 dollars.  
Applies to taxes beginning on or after July 1,  
2002.

Subcommittee Brown, Bates, Carlson, Shetterly  
1:45 P.M.

037 Wilson Represents the national Federation of  
Independence Business in Oregon and currently  
has 13,000 small business members. Recent  
demographics show 14% of NFIB membership  
employs one person, an additional 14% employs  
2 people, 29% employs 3 to 5 people, and 57%  
employs 5 or more people. Average gross sales  
among NFIB members in Oregon is  
\$275,000.00. HB 2111 raises Oregon's business  
personal property tax exemption from \$10,000  
to 20,000. It will exclude over 14,000 of  
Oregon's smallest businesses. It would remove  
unnecessary barriers and disincentives to  
entrepreneurial activity. It provides widespread  
economic benefit with minimal revenue impact  
to local government.

066 Chair Shetterly Convened as a full committee with arrival of  
Hass 1:50 P.M.

- 196 Rep Hass            There was a voter's tax cut in Measure 5 in 1992, and then again in measure HB 4750. That is three tax breaks in the last decade. Are you saying that those are insufficient?
- 209 Wilson              I think it benefits the state in the long run.
- 225 Rep Bates            Was one of the difficulties for small businessmen the difficulty of just complying with this law of going through the tax tables and figuring out their personal property, etc... Was that a major problem for people in small business?
- 231 Wilson              The personal property tax form and the compliance with the tax itself; that is half of my argument.
- 244 Rep Bates            Considering small businesses had difficulty was there any decision of a business registration fee for people that have small businesses as a replacement for this at a lower level that would be a less burden on them financially?
- 249 Wilson              If that is something that the committee wanted to consider or local jurisdictions; I would consider any of those.
- 275 Chair Shetterly     Asks for further questions? Corrected a statement noting it is not necessary to file an LLC to become subject to the personal property tax.

Submitted by, Reviewed by,

Jennifer Wells Kim Taylor James

Committee Clerk Revenue Office Manager

**TAPE 98, SIDE A**

## OPENED PUBLIC HEARING ON HB 2111

- 004 Jason Williams Presented testimony in support of measure.  
(Exhibit 4)
- 051 Steve McClure Presented testimony in opposition to measure.  
(Exhibit 5)
- 124 Rep. Witt "Would you support a gradual increase, if it  
were indexed for inflation?"
- 129 McClure Has not given that consideration; would be open  
to those discussions.
- 139 Vice Chair "If it could be made more revenue neutral and  
Carlson the administrative costs could be offset by  
increasing the threshold would that change your  
position?"
- 143 McClure That was done in 1997; spoke to the  
administrative savings of that, but this goes  
beyond that.
- 154 Vice Chair "Is it a loss to you above the \$10,000  
Carlson threshold?"
- 151 Gil Riddell Provided legislative background and experience  
of counties from past legislation.
- 187 Rep. Bates "Is there anything in this measure or in law that  
would prevent a county from imposing a  
business registration fee for all businesses below  
\$20,000?"
- 193 Riddell That would work for the counties wishing to  
impose it, but there is still lost school revenues.
- 207 Michelle Deister Presented testimony in opposition to measure.  
(Exhibit 6)
- 243 Marge Kafoury Presented testimony in opposition to measure.  
(Exhibit 7)
- 271 Phil Fell Spoke in opposition to the measure.
- 334 Chair Shetterly "Why is the impact to the school fund not  
reflected in the revenue impact statement?"
- 336 Martin-Mahar "I can break out the impact to school funding; it  
would be about 40% or about \$3.2 million. I can  
break it out by county if you would like."
- 343 John Phillips Noted that the fee, charge or assessment can't be  
based on property; if the fee is based on value of  
property then it would become subject to  
Measure 5 limitations.

- 367 Rep. Bates Questioned if this is an inefficient tax, referenced McClure's testimony, (Exhibit 5)?
- 374 Martin-Mahar A flat tax is simpler to administrate.
- 379 Riddell Clarified the figure in McClure's testimony, (Exhibit 5).

**TAPE 99, SIDE A**

**OPENED WORK SESSION ON HB 2033**

- 008 Lizbeth Martin- Reviewed testimony on measure received previously and distributed a revised (-2) revenue impact statement and a fiscal statement. (Exhibit 8)  
Mahar
- 031 Chair Shetterly Questioned whether there was testimony previously as to the cost to local government resulting in the revised impact statement; referenced revenue impact from prior meeting, (Reference 03/14/2001, Exhibit 1).
- 036 Mm No, explained why the changes were made to the revenue impact distributed today. (Exhibit 7)
- 056 Rep. Hass Weren't we trying to figure what percentage of this applied to wineries vs. dairies, etc. and how that breaks out?
- 063 Gary Conkling Addressed the impact of section 7 and spoke to intent of its inclusion.
- 087 John Phillips Spoke to loss of local revenue, which would be relative to changed property ratio. Explained how ratios are applied and a loss of local revenue would occur only if there
- 108 Chair Shetterly Can it be quantified?  
  
Questions and discussion regarding what the interim work group looked at.
- 150 Chair Shetterly Requested Conkling responds to Rep. Hass' earlier question.
- 153 Conkling Wineries will be among the first to take advantage of the measure; cannot quantify how other industries will utilize the measure.
- 166 Chair Shetterly Can the local revenue question be quantified, if the measure were held over?
- 182 Martin-Mahar Could make additional contacts and address local concerns if it is held over.

195 Chair Shetterly Meeting adjourned at 2:43 p.m.

Submitted by, Reviewed by,

Joan Green Kim Taylor James

Committee Assistant Revenue Office Manager

Exhibit Summary:

1. HB 2111, Preliminary Revenue Impact, Lizbeth Martin Mahar, 4 pages
2. HB 2111, Testimony JL Wilson, 3 pages
3. HB 2111, Squires, 1 page
4. HB 2111, Testimony, Williams, 1 page
5. HB 2111, Testimony, McClure, 1 page
6. HB 2111, Testimony, Deister, 1 page
7. HB 2111, Testimony, Kafoury, 1 page
8. HB 2033, (-2) Revenue and Fiscal statements, Martin-Mahar, 3pages