

**PUBLIC HEARING: HB 2279**

**WORK SESSION: HB 2033, HB 2047 A-ENG.**

**TAPES 104 — 105 A/B**

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

---

**MARCH 28, 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 (1:54 arrived)

Representative Alan Bates

Representative Chris Beck (1:50 arrived)

Representative Alan Brown

Representative Mark Hass

Representative Max Williams

Representative Bill Witt

Staff: Paul Warner, Legislative Revenue Officer

Lizbeth Martin-Mahar, Economist, Legislative Revenue Office

Ed Waters, Economist, Legislative Revenue Office

Richard Yates, Economist, Legislative Revenue Office

Joan Green, Committee Assistant

Witnesses: John McCulley, Oregon Fairs Association

Gary Conkling, Oregon Winegrowers Association

Robert Butler, Alliance Portland Neighborhood

Business Associations

Terri Williams, City of Portland

Dave Boyer, Multnomah County

Chuck Martin, Alliance Portland Neighborhood  
Business Associations

Jason Williams, Tapayer Association of Oregon

Mark Holling, United Finance Company

Michelle Deister, League of Oregon Cities

**TAPE 104, SIDE A**

005 Chair Shetterly Meeting called to order at 1:44

**OPENED WORK SESSION ON HB 2047**

016 Richard Yates Reviewed measure.

021 John McCulley Requested measure be referred to the Ways and Means Committee, referenced three measures that passed out of House Agriculture and Forestry Committee with a referral to Ways and Means, and if HB 2047 is sent to Ways and Means they can all be evaluated together in the budgetary process.

038 Vice Chair  
Carlson **MOTION: MOVED HB 2047 TO THE HOUSE FLOOR WITH A DO PASS RECOMMENDATION AND THE BILL BE REFERRED TO THE JOINT COMMITTEE ON WAYS AND MEANS.**

049 Rep. Williams Spoke to concerns about the "do pass" recommendation in the motion and noted for the record that he could not support a straight do pass motion and therefore cannot support the "do pass" portion of the current motion.

084 Rep. Hass Referenced a measure debated in House Environment Committee that was referred to Ways and Means without recommendation and believes this measure is in the same category.

097 Vice Chair  
Carlson Clarified prior testimony as to the amount of lottery money for 2001-03 and that the fiscal impact statement did not reflect the offset of the three programs listed.

- 105 Yates Reviewed the fiscal impact statement.
- 111 Vice Chair Spoke to other measures that have left  
Carlson committee with a "do pass" recommendation that have affected counties, cities and school districts by property tax exemptions at a much higher level; "I am trying to determine the distinction."
- 117 Yates The sum of the numbers involved is \$5.3 million; gave breakdown of where those dollars would go.
- 124 Vice Chair Clarified that would be from Lottery money that  
Carlson goes to a number of various purposes, including the Economic Development Department.

135 Rep. Beck Spoke in opposition to the motion.

142 Vice Chair **AMENDED MOTION: MOVED HB 2047  
Carlson TO THE HOUSE FLOOR WITHOUT RECOMMENDATION AS TO PASSAGE AND THE BILL BE REFERRED TO THE JOINT COMMITTEE ON WAYS AND MEANS.**

**ROLL CALL VOTE: MOTION PASSED 8-1-0**

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

**REPRESENTATIVES VOTING NAY: Beck**

#### **OPENED WORK SESSION ON HB 2033**

- 185 Lizbeth Martin- Described the (-3) and (-4) amendments.  
Mahar (Exhibits 1-3)
- 217 Gary Conkling Spoke in support of the (-3) amendments,  
(Exhibit 2). Described the (-4) amendment,  
(Exhibit 3).
- 257 Rep. Williams **MOTION: MOVED LC (-3)  
AMENDMENTS DATED 03/27/2001 TO HB 2033 BE ADOPTED. HEARING NO OBJECTION, THE CHAIR SO ORDERED. (ALL MEMBERS PRESENT)**
- 259 Rep. Williams **MOTION: MOVED LC (-4)  
AMENDMENTS DATED 03/27/2001 TO HB 2033 BE ADOPTED. HEARING NO OBJECTION, THE CHAIR SO ORDERED.**

**(ALL MEMBERS PRESENT)**

269 Rep. Williams **MOTION: MOVED HB 2033 TO THE HOUSE FLOOR WITH A DO PASS AS AMENDED RECOMMENDATION.**

289 Rep. Witt Spoke in support of the measure.

300 Rep. Bates Spoke in support of the measure.

306 **ROLL CALL VOTE: MOTION PASSED 9-0-0**

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

**Rep. Bates will carry the bill.**

**OPENED PUBLIC HEARING ON HB 2279**

339 Ed Waters Provided a description of the measure and discussed the background. (Exhibit 4)

347 Rep. Witt Spoke in support of the measure.

384 Robert Butler Presented testimony in support of measure. (Exhibit 5)

**TAPE 105, SIDE A**

025 Butler Continued with testimony in support of measure. (Exhibit 5)

125 Butler Continued with testimony in support of measure. (Exhibit 5)

217 Butler Continued with testimony in support of measure. (Exhibit 5)

310 Rep. Witt "Is it true that the owners compensation exceeding \$53,000 that is rolled back into business income would not be taxed as business income by the federal government or the State of Oregon?"

315 Butler Yes, as I understand it.

330 Rep. Bates "If the four-factored tax was changed to a single factor sales tax would your position on this measure change?"

346 Butler No.

350 Terri Williams Presented testimony in opposition to measure. (Exhibit 6)

**TAPE 104, SIDE B**

034 Rep. Witt Questions and discussion regarding:

1. Whether the net business income is being taxed or are wages be taxed.
2. Questioned the built-in bias as to how large and small corporations are taxed.
3. Discussed publicly owned companies vs. closely held companies and the built-in bias between those two entities.
4. Questioned if there could not be adjustments made to setting the city tax rate to keep it revenue neutral.

124 Dave Boyer Presented testimony in opposition to measure. (Exhibit 7)

159 Rep. Witt Questions and discussion regarding whether indexing should have been considered in 1976 when the tax was enacted.

187 Chuck Martin Spoke in support of the measure.

271 Jason Williams Spoke in support of the measure.

318 Chair Shetterly Cited an example and questioned how the "equities" work in this situation; "it appears 'equities' fly in all directions."

356 Williams "A business tax would be disproportional, but the City of Portland and Multnomah County have gone to far in the other direction and created a small business owner penalty."

362 Rep. Witt Spoke to the bias that concerns him on the City of Portland's process and creating inequities on smaller closely held corporations.

372 Chair Shetterly Noted that if the legislature gets into this he does not want to create another inequity, spoke of the inequities in a number of areas.

389 Rep. Witt Cited example and questioned if that is Williams's testimony.

398 Williams Concurred.  
401 Mark Holling Presented testimony in support of measure.  
(Exhibit 8)

**TAPE 105, SIDE B**

031 Holling Continued with testimony in opposition.  
(Exhibit 8)

058 Michelle Deister Spoke to possible concerns with §2 (3) of the  
printed measure and possible interpretations as  
they relate to franchise fees.

077 Rep. Witt Noted that franchise fees are based on revenues  
that telecommunications carry not their net  
income.

079 Rep. Bates Spoke to concerns of local issues being fixed at  
the State level. Requested Deiseter poll her  
membership to see if this measure has  
unintended consequences for cities in this state  
outside of what was just mentioned.

091 Deister Noted that the City of Roseburg imposes a fee  
based on gross revenues in its downtown  
district, but does not know how it is applied or if  
it is analogous.

091 Chair Shetterly Meeting adjourned at 3:11 p.m.

Submitted by, Reviewed by,

Joan Green Kim Taylor James

Committee Assistant Revenue Office Manager

**Exhibit Summary:**

1. HB 2033, (-4) Revenue Impact statement, Martin-Mahar, 1 page
2. HB 2033, (-3) amendment, (DJ/ps) 03/27/01, LRO Office, 5 pages
3. HB 2033, (-4) amendment, (DJ/ps) 03/27/01, Conkling, 1 page
4. HB 2279, Revenue and Fiscal impact statements, Waters, 2 pages
5. HB 2279, Testimony, Butler, 7 pages
6. HB 2279, Testimony, Williams, 2 pages
7. HB 2279, Testimony, Boyer, 2 pages
8. HB 2279, Testimony, Holling, 1 page