

PUBLIC HEARING: HB 3377

WORK SESSION: HJM 25; HB 2704, HB 3942

TAPE 140 A/B

TAPE 141 A

HOUSE SCHOOL FUNDING AND TAX FAIRNESS/REVENUE COMMITTEE

APRIL 19, 2001 — 1:00 P.M. - HEARING ROOM A - STATE CAPITOL BUILDING

Members Present: Representative Lane Shetterly, Chair

Representative Janet Carlson, Vice Chair (1:22 arrived)

Representative Deborah Kafoury, Vice Chair (1:50 arrived)

Representative Alan Bates (1:22 arrived)

Representative Chris Beck

Representative Alan Brown

Representative Mark Hass (1:42 arrived)

Representative Max Williams

Representative Bill Witt

Staff: Paul Warner, Legislative Revenue Officer

Ed Waters, Economist, Legislative Revenue Office

Joan Green, Committee Assistant

Witnesses: Rep. Karen Minnis, Legislative House District 20

Rep. Kurt Schrader, Legislative House District 23

Linda Bye, Citizen

Debra Buchanan, Department of Revenue

Bob Russell, Oregon Trucking Association

Jennifer Boe, CNF Transportation

Jeff Koczylas, USF Redding

TAPE 140, SIDE A

006 Chair Shetterly Meeting called to order at 1:20 p.m.

OPENED PUBLIC HEARING ON HB 3377

014 Ed Waters Provided a description of the measure and discussed the background. (Exhibit 1)

021 Rep. Karen Spoke in support of the measure.
Minnis

046 Rep. Kurt Spoke in support of the measure.
Schrader

088 Linda Bye Spoke in support of the measure.

112 Rep. Witt Has indexing of the measure been considered?

114 Rep. Minnis No, but would be open to that.

134 Chair Shetterly Questioned how would the Department of Revenue review a qualification like the one seen in §2(c) of the measure.

141 Debra Buchanan That is a concern the Department of Revenue has with the measure; the Department of Revenue would request the word "voluntary" be removed.

Questions and discussion regarding whether the criteria is discriminatory towards self-employment and young people who would want to avail themselves of this credit.

216 Chair Shetterly Noted that the more permissive the language the higher the revenue impact; questioned Waters what the changes to the revenue impact be if it were expanded to include self-employed.

223 Waters Estimates are based on the participation rate and each condition that is relaxed makes it potentially available to more taxpayer increasing the revenue impact.

225 Chair Shetterly Questions and discussion regarding how this would impact Temporary Assistance for Needy Families (TANF).

OPENED WORK SESSION ON HB 3942

256 Paul Warner Reviewed issues that have been raised regarding the Business Activity Tax (BAT). (Exhibit 2)

327 Bob Russell Presented testimony in opposition to measure. (Exhibit 3)

TAPE 141, SIDE A

029 Russell Continued with testimony in opposition to measure and recommended an interim study to find ways to make the BAT tax work, (Page 3, Exhibit 3)

041 Jennifer Boe Presented testimony in opposition to measure. (Exhibit 4)

Questions and discussion regarding how Oregon's can provide a more diverse and stable tax base that is equitable.

Chair Shetterly Left at 1:56 p.m., passed gavel to Vice Chair Kafoury.

153 Jeff Koczylas Spoke in opposition to the measure.

208 Russell Provided analysis results done by United Parcel Services (UPS).

215 Rep. Witt Questioned if contracted labor would not be value added but salaries would?

221 Warner Concurred, explained there would not be an avoidance of the tax but a change in the initial incidence.

Questions and discussion regarding how HB 2281, which would go to a single sales factor, would affect the BAT if a company were using a sales apportionment factor.

274 Paul Warner Reviewed March revenue forecast in relation to the March income tax data — explained how the two interrelate. Described what the tax data says about the March revenue forecast.

Questions and discussion regarding how much higher the personal kicker will be based on the numbers.

313 Warner Continued with review and the impact of the March tax data to the corporate revenue.

Chair Shetterly Returned at 2:08 p.m.; resumed gavel.

Questions and discussion regarding:

1. Anticipation of a corporate kicker and the size.
2. Taxes paid on capitol gains and how that is reflected in the March tax data.

REOPENED WORK SESSION ON HB 3942

387 Chair Shetterly Noted that with the risk of issues, (Exhibit 2), described today it is the Chair's intent to amend the measure to create an Interim Work Group. Spoke to the proposed amendments, which would charge the Interim Work Group to develop 2003 legislation and detailed the goals to be accomplished. Discussed possible sources of funding for the Interim Work Group.

450 Rep. Witt **MOTION: MOVED LC (-1) AMENDMENTS DATED 04/09/2001 TO HB 2704 BE ADOPTED.**

TAPE 140, SIDE B

OPENED WORK SESSION ON 2704

029 Ed Waters Described the (-1) amendments, which set the base standard deduction amounts for 2002 tax year at \$3,280 for joint filers and \$1,640 for single filers. (Exhibit 5)

037 **HEARING NO OBJECTION, THE CHAIR SO ORDERED. (ALL MEMBERS PRESENT EXCEPT REP. BATES, EXCUSED)**

039 Rep. Witt **MOTION: MOVED LC (-2) AMENDMENTS DATED 04/09/2001 TO HB 2704 BE ADOPTED.**

043 Waters Described the (-2) amendments, which index the base standard deduction amounts for inflation beginning tax year 2003. (Exhibit 6)

LRO Staff Distributed Revenue and Fiscal Impact statements for the (-1 and -2) amendments. (Exhibit 7)

049 **HEARING NO OBJECTION, THE CHAIR SO ORDERED. (ALL MEMBERS PRESENT EXCEPT Rep. Bates, EXCUSED)**

052 Rep. Witt **MOTION: MOVED HB 2704 TO THE**

HOUSE FLOOR WITH A DO PASS AS AMENDED RECOMMENDATION.

059 Vice Chair Spoke in opposition to the motion.
Kafoury

067 Rep. Witt Spoke in support of the motion and acknowledged Vice Chair Kafoury's concerns.

Questions and discussion regarding what the cost to single filers will be and its impact.

112 **VOTE** **ROLL CALL VOTE: MOTION PASSED 7-1-1**

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

REPRESENTATIVES VOTING NAY: Kafoury

REPRESENTATIVES EXCUSED: Bates

Rep. Witt will carry the bill.

OPENED WORK SESSION ON HJM 25

131 Rep. Witt **MOTION: MOVED HJM 25 TO THE HOUSE FLOOR WITH A DO ADOPT RECOMMENDATION.**

Discussion regarding if Memorials, in general, serve a useful purpose or not and what impact they exert on Congress.

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

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

REPRESENTATIVES EXCUSED: Bates

Rep. Starr will carry the bill.

LRO Staff Distributed Revenue Impact statement for HB 3887. (Exhibit 8)

221 Chair Shetterly Meeting adjourned at 2:30 p.m.

Joan Green Kim Taylor James

Committee Assistant Revenue Office Manager

Exhibit Summary:

1. HB 3377, Revenue Impact Statement, Waters, 1 page
2. HB 3942, Business Activity Tax Issues paper, Warner, 1 page
3. HB 3942, Testimony, Russell, 3 pages
4. HB 3942, Testimony, Boe, 2 pages
5. HB 2704, (-1) amendment, (DJ/ps) 04/09/01, LRO Staff, 1 page
6. HB 2704, (-2) amendment, (DJ/ps) 04/09/01, LRO Staff, 1 page
7. HB 2704, (-1 and —2) Revenue and Fiscal Impact statements, Waters, 2 pages
8. HB 3887, Revenue Impact Statement, Jensen, 1 page