

INFORMATIONAL MEETING

PUBLIC HEARING: HB 2717, HB 3942

TAPE 115 A/B

TAPE 116 A

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

APRIL 4, 2001 — 1:30 P.M. - HEARING ROOM A - STATE CAPITOL BUILDING

Members Present: Representative Lane Shetterly, Chair

Representative Janet Carlson, Vice Chair (1:45 arrived)

Representative Deborah Kafoury, Vice Chair

Representative Alan Bates

Representative Chris Beck

Representative Alan Brown

Representative Mark Hass

Representative Max Williams (1:45 arrived)

Representative Bill Witt

Staff: Paul Warner, Legislative Revenue Officer

Steve Meyer, Economist, Legislative Revenue Office

Joan Green, Committee Assistant

Witnesses: Laurie Wimmer Whelan, Oregon
Education Association

Rich Peppers, Oregon Public Employees Union

David Williams, Oregon School Employees
Association

Gary Carlson, Associated Oregon Industries

Jack Munro, Independent Insurance Agents of Oregon

Dave Nelson, Oregon Association of Insurance and Financial Advisors; Oregon Seed Council; Oregon Dairy Farmers Association

Jim Wall, Professional Insurance Agents of Oregon/Idaho

Jim Craven, American Electronic Association

TAPE 115, SIDE A

004 Chair Shetterly Meeting called to order at 144: p.m.

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020 Laurie Wimmer Presented coalition's message of "No New Tax
Whelan Cuts" and referenced listing of coalition members and measures that reduce revenue introduced in 2001 session, as of March 16, 2001. (Exhibit 1)

072 Rich Peppers Spoke to Coalition's message of no new tax cuts.

137 David Williams Spoke to the coalition's long-range plan and summarized today's presentation.

157 Questions and discussion regarding testimony and proposals.

300 Continued with questions and discussion regarding testimony and proposals.

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400 Paul Warner Reviewed recession scenarios, as requested by the Chair. (Exhibit 2)

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025 Warner Continued with review of recession scenarios, (Page 2, Exhibit 2)

075 Vice Chair What components of the package are figured in
Carlson the numbers or does it is the corporate tax replaced with the Business Activity Tax (BAT)?

082	Warner	Noted that all of the components are figured in and explained the differences between the current system and the BAT system, (Page 2, Exhibit 2). This has not been run through Oregon Tax Incidence Model (OTIM) and explained why.
089	Rep. Witt	<p>Questions and discussion regarding:</p> <ol style="list-style-type: none"> 1. Elasticity and proportional comparisons between the current system and the BAT. 2. Government growth being moderated by the BAT.
120	Rep. Hass	Questions and discussion regarding rating the stress on business during a recession under the current system and the BAT.
142	Chair Shetterly	Questions and discussion regarding the impact of a recession to the general fund today, with the post-Measure 5 obligations, as compared to 1980's recession.
159	Rep. Bates	Questions and discussion regarding about how the BAT will affect new business and what models are available for comparison, as related to new business.
170	Warner	Continued with review of recession scenarios, (Page 3, Exhibit 2)
239	Chair Shetterly	Referenced prior testimony, reading excerpts, and questioned how can both statements be true, (Reference 04/02/2001, Exhibit 3).
252	Gary Carlson	It can't be both for the same business; explained how each statement pertains to different businesses.
278	Chair Shetterly	Spoke of tax shifting and how that affects business.
280	Warner	Spoke to backward shifting under the OTIM model.
294	Rep. Witt	Questions and discussion regarding elasticity and growth in government spending
346	Rep. Hass	Questions and discussion regarding how sales tax affects Oregon business.
384	Rep. Bates	Questions and discussion regarding the basic

principle behind the measure and if stabilization of the State's tax system is important to Oregon businesses.

TAPE 115, SIDE B

- 025 Rep. Beck Questions and discussion regarding primary concerns of Carlson's organization relating to BAT.
- 118 Chair Shetterly Noted issues that are being noted for further consideration and refinement and questioned if those considerations make a difference in Carlson's and his organization's position.
- 143 Carlson Cannot respond at this time.
- 149 Jack Munro Spoke to the measure; noted potential problems with the current measure for his industry.
- 217 Rep. Witt Does Washington State exempt sales taxes from insurance policies sold in that state?
- 222 Munro Uncertain how other states accommodate insurance companies.
- 236 Rep. Witt Questions and discussion regarding offsetting advantages for agents in HB 3942.
- 250 Chair Shetterly Spoke of the impacts, large and small, of moving towards the BAT or staying with status quo and referenced report titled "State Tax Collection by Source" and Oregon's ranking per that report, (Reference 03/30/2001, Page 2, Exhibit 4).
- 298 Jim Wall Spoke to the measure; noted potential problems with the current measure for his industry. (Exhibit 3)
- 323 Dave Nelson Spoke to the measure; noted potential problems with the current measure for his industries; noted concern and expressed interest.
- 389 Jim Craven Spoke in opposition to the measure; noting concerns and willingness to participate in the conversation.

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- LRO Staff Distributed Fiscal statement. (Exhibit 4)
- 454 Chair Shetterly Meeting adjourned at 3:06 p.m.

Submitted by, Reviewed by,

Joan Green Kim Taylor James

Committee Assistant Revenue Office Manager

Exhibit Summary:

1. Informational, Testimony, Wimmer-Whelan, 7 pages
2. HB 3942, Recession Scenarios dated 04/04/2001, Warner, 3 pages
3. HB 3942, Testimony, Wall, 1 page
4. HB 2717, Fiscal statement, Warner, 1 page