

SB 660, SB 519

TAPE 179 A/B

TAPE 180 A

HOUSE SCHOOL FUNDING AND TAX FAIRNESS/REVENUE COMMITTEE

May 11, 2001 — 1:00 P.M. - HEARING ROOM A - STATE CAPITOL BUILDING

Members Present: Representative Lane Shetterly, Chair

Representative Janet Carlson, Vice Chair (Arrived 1:20 PM)

Representative Deborah Kafoury, Vice Chair

Representative Alan Bates (Arrived 1:24 PM)

Representative Chris Beck (Arrived 1:25 PM)

Representative Alan Brown

Representative Mark Hass

Representative Max Williams (Arrived 1:40 PM)

Representative Bill Witt

Staff: Paul Warner, Legislative Revenue Officer

Steve Meyer, Economist, Legislative Revenue Office

Richard Yates, Economist, Legislative Revenue Office

Jennifer Wells, Committee Clerk

Witnesses: Rep Bruce Starr, House District 3
Washington, County

Ross Marzolf, Deputy Director, Citizens for a Sound
Economy

Tessa Platt, Representing Senator Atkinson

Susan Schneider, City of Portland

Debra Buchanan, Department of Revenue

Jim Cravan, American Electronics Association

Mike Dewey, Oregon Cable Tele-communication

Tom O'Conner, Oregon Municipal Electric Utilities

TAPE 179, SIDE A

005 Chair Shetterly Meeting called to order at 1:17 PM

OPENED PUBLIC HEARING ON SB 519

CLOSED PUBLIC HEARING ON SB 519

OPENED PUBLIC HEARING ON SB 660

024 Richard Yates SB 660 addresses the question of taxation of the Internet or commerce on the Internet. The original bill that came before the house was a little broader than the A-Engrossed bill. It used words like electronic commerce, but basically the same issue is involved and that is whether the State or any municipal corporation or other political sub-division within this State may impose or collect a tax, a fee, or a charge. The bill also prevents Oregon from assisting any other State or political sub-division of any other State from the collection of such a tax. The A-Engrossed bill with the Senate Amendments adds a subsection 2 in section 1. This allows the legislature to authorize a tax, a fee, or charge on access authorizing local governments to levy such tax but they could not do it without the legislature action.

064 Richard Yates Introduces the (—8) Amendments. This amendment takes out the words charge or fee, making it clearer that we are dealing with a tax.

071 Rep Witt On the A-Engrossed version of the bill section 1 paragraph 2; isn't it redundant to say that notwithstanding section 1A the state may impose a tax if legislation authorizes such a tax?

- 075 Richard Yates Responds; not redundant, it is backing out in a sense that section 1 prohibits. Sub section 2 says local governments can charge a tax if authorized by the legislature.
- 082 Rep Bruce Starr Sponsors this bill along with Senator Atkinson and Speaker Simmons. What the sponsors are attempting to do here is to establish the fact that in Oregon we want tax sales. This is an opportunity to provide an incentive for businesses, to locate in Oregon. It will create investment and employment opportunity to any economic growth in the State of Oregon.
- 159 Rep Hass Would entering into this compact proposed by Rep. Starr impose a sales tax on Oregon Companies who sold their products over the Internet?
- 165 Debra Buchanan States that have a sales tax generally also impose a use tax. A sales tax and a use tax are sort of the same things. Washington for example has a sales tax. A Washington resident who comes to Oregon to buy a product from a company only located in Oregon does not collect a sales tax on that sale. The Washington resident is obligated to remit a use tax if the product is taken back and used in Washington. If an Oregon company has Nexus in a state and imposes a sales and use tax then that company can be required to collect sales or use tax.
- 204 Rep Bates When people buy through the internet or catalog sales from a state like Oregon where there is no sales tax; they get the goods without paying the sales tax. What is being done here is setting up a situation for sales out of Oregon to other states.
- 249 Dick Yates The concern by the business community is that they will end up having to track many communities in 50 States, and different sales tax rates in each jurisdiction within those States.

255 Ross Marzolf Oregon Citizens for a Sound Economy strongly supports an amendment to SB 660 that would prohibit the State or any of its political sub divisions from assisting in the collection of a sales or use tax opposed by another State. Sales and use taxes are a matter that should be addressed between a states government and the residents of that state. (Exhibit 7)

TAPE 180 SIDE A

005 Tessa Platt Spoke in support of the measure for Senator Atkinson. 3 points of why this bill is good for Oregon. 1) Good policy for Rural Oregon for small business's. 2) The energy Crisis 3) Oregon is hip and always ahead of the curve.

050 Jim Cravan Presented the (—8) Amendments.

267 Rep Witt Questioned if the (—8) Amendments go to the issue of electronic commerce at all; it only goes to no tax on the access or the use of the Internet itself.

280 Jim Cravan That is correct. Continued with discussion.

314 Rep Hass Questioned if there were some political reasons for passing this information?

322 Jim Cravan Noted support for placing a ban on taxing the Internet access.

337 Rep Witt The A engrossed version of the bill it is not compatible with the (—8).

370 Jim Cravan Clarified his understanding that the Senate Revenue did not allow assisting another state in collecting Internet access fees, and deleted the

word commerce on each of the bills.

388 Chair Shetterly Continued with discussion.

TAPE 179 SIDE B

050 Tom O'Conner Spoke in support of HB 660.

069 Susan Schneider Suggested in the (—A8) Amendments line 17 delete from "a" to the end of the sentence. Doing so it would read as follows: "A tax does not include any fee charged for providing a service or imposing for inferring a privilege or benefit to any individual or entity or to a class of individuals or entities." (Exhibit 8)

070 Mike Dewey Oregon Cable Telecommunications are interested in the A-Engrossed bill because it does say that a city can not oppose a fee and cities in some cases do impose a fee of 5% which has been litigated for a cable company that provides high speed cable modem service. Oregon Cable Telecommunications want to make sure the bill moves forward to allow charging a fee to customers who access the Internet.

CLOSED PUBLIC HEARING ON SB 660

Meeting adjourned at 2:30 PM

Submitted by, Reviewed by,

Jennifer Wells Kim Taylor James

Committee Assistant Revenue Office Manager

Exhibit Summary:

1. SB 660 Staff Measure Summary, Legislative Impact Statement, Economist, Richard Yates, 2 pages
2. SB 660 (-A4) Amendments, (5/10/01 DJ/hm/ps), Economist, Richard Yates, 1 page
3. SB 660 (-A5) Amendments, (5/10/01 DJ/hm/ps), Economist, Richard Yates. 2 pages
4. SB 660 (-A6) Amendments, (5/10/01 DJ/hm/ps), Economist, Richard Yates, 1 page
5. SB 660 (-A7) Amendments, (5/10/01 DJ/hm/ps) Economist, Richard Yates, 2 pages
6. SB 660 (-A8) Amendments, (5/10/01 DJ/hm/ps) Economist, Richard Yates, 1 page
7. SB 660 Testimony, Ross Marzolf, Deputy Director, (CSE) 15 pages
8. SB 660 Testimony, Susan Schneider, 1 page
9. SB 519 (-A2) Amendments, (5/10/01 CH/ps) Economist Steve Meyer, 2 pages
10. SB 519 School Finance Distribution, Economist, Steve Meyer, 6 pages