

PUBLIC HEARING: SB 469, SB 477, SB 555

PUBLIC HEARING AND WORK SESSION: SB 909

TAPES 080-081, A/B

SENATE REVENUE COMMITTEE

March 21, 2001 — 8:30 A.M. - HEARING ROOM A - STATE CAPITOL BUILDING

Members Present: Senator Ted Ferrioli, Chair

Senator Lee Beyer, Vice Chair

Senator Susan Castillo

Senator Tony Corcoran

Senator Gary George

Senator John Minnis

Senator Charles Starr

Staff: Paul Warner, Legislative Revenue Officer

Lizabeth Martin-Mahar, Economist, Legislative Revenue Office

Ed Waters, Economist, Legislative Revenue Office

Carol Phillips, Committee Assistant

Witnesses: John Phillips, Department of Revenue

Shirley Leiper, Department of Revenue, Deferral Unit

Donald McDaniel, Astoria, OR

Richard Burke, Legislative Assistant to Senator George

TAPE 080, SIDE A

- 005 Chair Ferrioli Meeting called to order at 8:40 a.m.
- 009 Paul Warner Gave overview of bills to be heard today.
- 033 Chair Ferrioli Stated that because the sponsor of SB 477 is not here today to speak about the bill, SB 477 will be brought back on the schedule at a later date. Therefore, the public hearing will be opened and closed without testimony.

OPENED PUBLIC HEARING ON SB 477

CLOSED PUBLIC HEARING ON SB 477

- 043 Chair Ferrioli Advised members that Senate Revenue will be closed sometime between May 1 and May 15, so any issues for consideration by this committee should be brought to committee attention as soon as possible.
- 051 Sen. Corcoran Asked the Chair why Senate Revenue is asked to move an OLCC bill to the Government and Transportation Committee, chaired by Sen. George, for re-referral to this committee if time is such an issue.
- 055 Chair Ferrioli Added that it was surprising an OLCC bill would be scheduled for Senate Revenue Committee when the Government and Transportation Committee had not heard it first. The bill will have a revenue impact, and will be re-referred to this committee.

OPENED PUBLIC HEARING ON SB 909

CLOSED PUBLIC HEARING ON SB 909

OPENED WORK SESSION ON SB 909

- 075 Vice Chair L. Beyer MOTION:
MOVES SB 909 WITHOUT
RECOMMENDATION TO THE

COMMITTEE ON GOVERNMENT AND
TRANSPORTATION WITH SUBSEQUENT
REFERRAL TO THE SENATE REVENUE
COMMITTEE.

082 Chair Ferrioli ROLL CALL VOTE: MOTION PASSES: 5 —
1 — 1

SENATORS VOTING AYE: CASTILLO,
MINNIS, STARR, L. BEYER, FERRIOLI.

SENATOR VOTING NO: CORCORAN

SENATOR ABSENT: GEORGE

CLOSED WORK SESSION ON SB 909

110 Lizbeth Martin- Gave overview of SB 469. The bill establishes a
Mahar Property Tax Rebate Act for senior
homeowners 65 and older. Requirements to
receive the rebate are: own and occupy the
residence, have an adjusted federal gross
income of less than \$30,000, and the assessed
value of the home must be less than \$300,000.
The property tax rebate shall equal 5% of the
property tax imposed on the residence. If the
income tax rebate credit is greater than the tax
liability of the taxpayer, the Department of
Revenue shall pay that amount to the taxpayer.

OPENED PUBLIC HEARING ON SB 469

129 John Phillips Testified in support of SB 469. Discussed
Exhibit 6. Gave brief overview of Senior
Deferral Program and listed several areas in
which the Program could be improved.

186 Shirley Leiper Testified in support of SB 469. Enumerated
several system changes the Department of
Revenue would like to see made to the Senior
Deferral Program.

219 Phillips Added that one of the goals of Senior Deferral
Program staff is to return phone calls within
two hours. Stated there are several bills in
consideration this legislative session regarding

seniors and their property tax and income tax concerns.

Questions and answers interspersed.

296 Chair Ferrioli Stated this bill has focused attention on blending the disabled tax deferral program (created in 1999 legislative session) with the existing senior tax deferral program. Feels certain the improvements hoped for by the Department of Revenue to improve the program would come about.

CLOSED PUBLIC HEARING ON SB 469

353 Ed Waters Stated SB 555 expands eligibility for the current Long Term Care Insurance Tax Credit to include premiums paid on long-term care insurance policies issued prior to January 1, 2000.

Questions and answers interspersed.

OPENED PUBLIC HEARING ON SB 555

420 Donald McDaniel Testified in support of SB 555. Exhibit 8. Long-term care for the aged can easily cost \$30,000 or more per year per individual cared for. As there is no federal program for the care of people without sufficient means of their own, the cost of caring for many of these aged citizens will fall upon the State of Oregon and its taxpayers. The purpose of this legislation is to encourage individuals to obtain insurance to cover these costs and, thus, relieve the State of the impending responsibility of funding such care.

TAPE 081, SIDE A

034 McDaniel Continued comments regarding proposed insurance credit.

076 Sen. George Gave additional information regarding the bill. Stated Mr. McDaniel is the citizen who brought

the long-term insurance issue for seniors to his attention. Sen. George stated he is somewhat surprised at the anticipated revenue impact, but still feels the issue is important and should be considered.

- 098 Waters Explained that the anticipated revenue impact was based on national data combined with Oregon data. Average long-term care premium is about \$1,300 per year, increasing at a fast rate. The average credit was anticipated at about \$170 per year, increasing approximately 2% per year. Based on 30,000 policies and growing, the revenue impact would be approximately \$9 million per year.
- Extensive comments, and questions and answers interspersed.
- 228 Sen. L. Beyer Observed that this bill seems to apply to people their 40s and 50s, and not particularly to senior citizens. Stated if this is about a tax credit, the credit should be offered to everyone in a similar situation.
- 247 Chair Ferrioli Pointed out that a distressing unintended consequence is that the long-term care issue leads to "churning". Churning is an unfortunate by-product of many service-sector industries, usually aimed at seniors. For example, people may currently be covered with a service or benefit, but when a new feature is introduced, those people are encouraged to drop their old policies and buy new ones to take advantage of that feature. However, they soon find the benefit or increased cost hardly justifies the acquisition of the new feature. Churning mainly produces revenue for the service sector industry, providing no valuable benefit for the individual.
- 269 Chair Ferrioli Acknowledged that Senator Bob Montgomery was in attendance and welcomed him to the meeting.

284 Richard Burke Testified in support of SB 555. Stated that people in their 40s and 50s may buy long-term care policies, but when their income levels fall and they decide to drop the premium, they know that the state will take care of them. This bill takes into consideration the concept of encouraging and rewarding people taking responsibility for their own welfare. This bill will send a good message to all Oregonians as they age. It will encourage more people to obtain long-term care plans, thus saving the State money in the long run.

320 Chair Ferrioli Added that the bill presents an important principle.

Further discussion, and questions and answers followed.

CLOSED PUBLIC HEARING ON SB 555

380 Chair Ferrioli Adjourned meeting at 9:30 a.m.

Submitted by, Reviewed by,

Carol Phillips Kim Taylor James

Committee Assistant Revenue Office Manager

Exhibit Summary:

1. SB 477, Martin-Mahar, Staff Measure Summary, 1 pp.
2. SB 477, Martin-Mahar, Revenue Impact Statement, 1 pp.

3. SB 909, Warner, Notice of Potential Revenue Impact, 1 pp.
4. SB 469, Martin-Mahar, Fiscal Impact Statement, 1 pp.
5. SB 469, Martin-Mahar, Revenue Impact Statement, 1 pp.
6. SB 469, Phillips, Property Tax Deferral Program, 4 pp.
7. SB 555, Waters, Revenue Impact Statement, 1 pp.
8. SB 555, McDaniel, Written testimony dated March 21, 2001, 2 pp.