

**PUBLIC HEARING AND WORK SESSION:**

**HB 2111-A, SB 740**

**TAPES 145-146, A/B**

**SENATE REVENUE COMMITTEE**

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**May 21, 2001 — 8:00 A.M. - HEARING ROOM A - STATE CAPITOL BUILDING**

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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

Lizbeth Martin-Mahar, Economist, Legislative Revenue Office

Ed Waters, Economist, Legislative Revenue Office

Carol Phillips, Committee Assistant

Witnesses: Gil Riddell, Association of Oregon Counties

Diane Belt, Washington County Personal Property Tax Collector

Mark Noakes, Linn County Assessor and Tax Collector

Hasina Squires, Special Districts Association of Oregon

Michelle Deister, League of Oregon Cities

J. L. Wilson, National Federation Independent Business

Gregg Del Ponte, Manager, Transportation Division, Oregon Department Of Transportation

Bob Russell, Director of Government Affairs, Oregon Trucking Associations, Inc.

Dee Bridges, Oregon Forest Products Transportation Assn.

Earl Fultz, log truck driver/owner

Joan Robinson, Legislative Counsel

**TAPE 145, SIDE A**

005 Chair Ferrioli Meeting called to order at 8:31 a.m.

018 Lizbeth Martin-Mahar Explained that HB 2111-A increases the assessed value amount for personal property exempt from personal property taxes from \$10,000 to \$12,500. Applies to tax years beginning on or after July 1, 2002. The bill links the maximum amount of the assessed value exempt from property taxation to annual changes in the U.S. Average CPI beginning tax year 2003-04. Current law exempts business personal taxation from taxation if \$10,000 or less in assessed value. Discussed (-A5) amendments, which would increase the threshold from \$10,000 to \$15,000. In 1997 the threshold was increased from \$3,000 to \$10,000.

Questions and answers interspersed.

OPENED PUBLIC HEARING ON HB 2111-A

083 Gil Riddell Testified against HB 2111-A. Exhibit 6. Summarized:

- The 333% increase in the cancellation threshold in 1997 hit the right balance;
- There is no need for this bill;

- It will not give regulatory relief, as claimed;
- It will not give paperwork relief, as claimed; and
- It is a gift of taxpayer revenue that is too expensive.

Said no one likes to pay taxes, but local public services that result from them make communities livable and good for business.

- 159 Diane Belt      Testified against HB 2111-A. Discussed Exhibit 7, which is a six-page example of a personal property tax return.
- 200 Mark Noakes      Testified against HB 2111-A. Would normally be in favor of any proposal that reduces workload on tax assessors and reduces the taxpayer burden. But as stated previously by Mr. Riddell and Ms. Belt, HB 2111-A does not do that. Tax assessors would still be sending out personal property tax returns and taxpayers would still be required to fill out returns regardless of the dollar threshold. In fact, there may be possible increased cost to counties for administering the proposal. This would be caused by computer reprogramming changes to allow for the yearly change to the taxable threshold beginning in 2003.
- 236 Chair Ferrioli      Observed that HB 2111-A was passed in the House chamber by a vote of 44 to 3 vote. Asked Mr. Riddell about figures in Exhibit 6. Said this seems a rather small issue for Associated Oregon Counties to take such a vehement stand against.
- 245 Riddell      Continued testimony regarding House Revenue Committee action on the bill.
- 278 Chair Ferrioli      Asked Mr. Riddell for clarification regarding his testimony that passage of HB 2111-A would

be too expensive and that over \$660,000 of local revenues per biennium that would otherwise go to schools would be lost.

- 299 Riddell Stated that although the amount in question is only a small fraction of the \$5.2 billion school funding budget, the \$660,000 that would not be available for school interests to use.
- 302 Chair Ferrioli Pointed out that the \$660,000 shortfall would be spread over 36 counties and 3.1 million people. Acknowledged that after 19 weeks of testimony on how seriously school districts consider biennial increases or losses in revenue, is trying to understand, regarding the relative size of this issue, why it elicits such vehement opposition from the Association of Oregon Counties. HB 2111-A seems to be a rather small adjustment to a program the counties are currently living with.
- 320 Sen. Corcoran Asked the Legislative Revenue Office to give him a list of proposed tax breaks passed this session and their combined impact on schools and local governments.
- 333 Chair Ferrioli Reminded members that this is the Revenue Committee, and that the committee is charged with raising revenue. This committee also has the opportunity to make adjustments to the system.
- 349 Vice Chair L. Beyer Asked for confirmation that less than \$10,000 in taxable personal property pays no tax, and amounts of \$10,001 in taxable personal property and up pay on total amount of taxable personal property.
- 373 Noakes Stated that county assessors agreed in 1997 to raise the threshold from \$3,000 to \$10,000 with the expectation that workload would be reduced. However, that did not turn out to be the case. Taxpayers still had to report each year

whether they were above or below \$10,000; and because there was no other way to learn this information, assessors had to send returns to taxpayers for this purpose. It is estimated that two hours is required to process each return from mail-out to final completion.

Questions and answers interspersed.

**TAPE 146, SIDE A**

- 031 Hasina Squires Testified against HB 2111-A. Exhibit 8. The Special Districts Association of Oregon opposes this legislation that would increase property tax exemptions, thus reducing revenues from special districts that have no mechanism to replace them. Explained that each special district that has property taxing authority has a permanent tax rate issued under ballot measure 50.

Questions and answers followed.

- 062 Michelle Deister Testified against HB 2111-A. Exhibit 9. Stated that an analysis by the Oregon Economic and Community Development Department indicates that the change from \$3,000 to \$10,000 has been successful in reducing the filing burden for small business and is consistent with Oregon's desire to encourage entrepreneurial activity in the state. However, the League of Oregon Cities objects to passage of an additional exemption at this time because need has not been established.

Questions and answers interspersed.

- 109 J. L. Wilson Testified in support of HB 2111-A. Exhibit 10. Small business owners put in long hours and hard work to achieve their dream. As stated in the Governor's Small Business Council Report, small business owners will probably earn less than if they worked for another employer. For example, members of National Federation of Independent Business (NFIB) make about \$38,000 per year. No one is getting rich. After

five years, 80% of small businesses fail. The bottom line is that Oregon is extremely reliant on small business, but small business is always in a tenuous position. Sixty percent of Oregon's small businesses have four or fewer employees. Sixty percent of Oregon's employment growth is generated by small business.

130 Wilson

As also indicated in the governor's report, regulatory burdens fall disproportionately on small business, particularly in the area of tax compliance. HB 2111-A helps alleviate the administrative and tax burden associated with the personal property tax. For taxation purposes, personal property is computer hardware, phone systems, copiers, printers, fax machine, desks, display cases, filing cabinets, TVs, furniture, etc. These were bought and paid for initially. Despite being bought and paid for, personal property tax is imposed over and over. HB 2111-A provides very modest administrative and tax relief for small businesses. Small businesses have no accounting department or tax department or any other department. The business owner must do everything himself or herself, thus taking time away from conducting business. The bill provides only \$175 or \$200 annually in tax relief for the smallest businesses, but for small businesses cash flow is critical. Urges adoption of the (-A5) amendments.

Extensive continued testimony, with several questions and answers following.

CLOSED PUBLIC HEARING ON HB 2111-A

OPENED WORK SESSION ON HB 2111-A

404 Sen. Minnis

MOTION:

MOVES HB 2111-A TO THE SENATE  
FLOOR WITH A DO PASS  
RECOMMENDATION.

409 Chair Ferrioli

ORDER:

ROLL CALL VOTE: MOTION PASSES: 6 —  
1 — 0

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

SENATOR VOTING NO: CORCORAN

Sen. Ferrioli will carry the bill on the Senate  
Floor.

CLOSED WORK SESSION ON HB 2111-A

433 Sen. Corcoran

While waiting for the next bill to be discussed,  
advised committee members that there are  
approximately \$9.4 million in cuts to local  
taxing districts being considered for the  
biennium and approxi-mately \$3.57 million  
biennium to counties (not counting the general  
fund revenue impact approaching \$500,000,000  
in 03-05).

448 Chair Ferrioli

Agreed that revenue shifting and changes occur,  
but there is also revenue sharing with many  
jurisdictions.

465 Sen. Corcoran

Stated that the legislature should look for ways  
to get more money into school funding to  
balance out the loss of federal forest receipts.  
Bills such as HB 2111-A to benefit small  
business take money away from school  
funding..

470 Chair Ferrioli

Pointed out that growing businesses is what  
creates wealth in Oregon. Business and  
individual income is heavily taxed, and that is  
where the general fund money comes from.

031 Richard Yates Discussed SB 740-A. This bill affects interstate motor carriers operating vehicles over 26,000 lbs. under International Fuel Tax Agreements (IFTA). Federal government has required all states to become members of IFTA. The bill requires fees be designed to recover the full direct and indirect costs of participating in IFTA. The advantage of joining IFTA is that motor carriers involved in interstate commerce do not have to file returns with every state in which they operate but only with their base state. Carriers report to the base state the number of miles they have traveled in each state and the average fuel efficiency of their vehicle fleet. The Department of Transportation in each base state determines the tax to be paid to each state traveled in. Oregon operators do not pay fuel taxes, but pay weight/mile tax instead.

Further discussion, with questions and answers interspersed.

#### OPENED PUBLIC HEARING ON SB 740-A

102 Gregg Dal Ponte Testified in support of SB 740-A. Exhibit 13. Stated in written testimony that if all Oregon carriers and each truck currently participating in the IFTA program paid annual fees as proposed in the bill, the \$1.375 million needed to cover all program costs would be collected.

Further testimony, with several questions and answers interspersed.

325 Bob Russell Stated the Oregon Trucking Association (OTA) does not like the bill, but they support it anyway. From OTA's perspective, there is no alternative but for Oregon to continue to participate in IFTA because there is no other mechanism for truckers to pay their diesel fuel taxes to other states.

Further testimony, with questions and answers interspersed.

405 Dal Ponte Testified in support of SB 740-A. Added that



the current fee is per carrier or licensee, not for each individual truck. Other states have different types of fee structures. Fee per carrier is best for simplicity of compliance and arithmetic in determining amount due. Approximately 55,000 trucks in Oregon participate in IFTA (with 4,300 licensees) charged \$25.00 per truck. That comes to \$1.375 million. A fleet of 40 trucks would cost \$1,000 to participate in IFTA, and that may drive them out of Oregon.

**TAPE 146, SIDE B**

003 Dee Bridges Testified that his organization does not like SB 740-A, but because it is the best among the alternatives available, he will support it.

Several questions and answers interspersed.

043 Earl Fultz Testified in support of SB 740-A. Exhibits 14 and 15. Stated he owns one log truck, but is close to going out of business. Said he is running out of energy watching Oregon run its small and large businesses out of state by imposing excessive taxes. If he loses any more business to truckers from Washington, he will just shut down operations altogether. Government has interfered with the logging business so much that he has not made money in years.

Questions and answers interspersed.

095 Sen. George Gave example of a neighbor who, because of the difficulty of doing business in Oregon, left the state to relocate in Arizona.

101 Fultz Continued testimony in support of SB 740-A.

122 Joan Robinson Commented regarding adding the word "only" to the sentence in the bill that reads "Fees shall be designed to recover the costs..." Recommended against adding the word "only"

because it might lead to unintended consequences.

Questions and answers interspersed.

- 176 Chair Ferrioli Observed that the question seems to be fee versus tax. Anything over and above a cost is interpreted to be a tax.
- Further discussion, with questions and answers interspersed.
- 247 Dal Ponte Stated that the Governor's recommended budget assumes the cost of the IFTA program administration.
- 250 Chair Ferrioli Pointed out that the bill summary indicates the bill was not anticipated by the Governor's recommended budget. In other words, the revenue would be extra, but the expenditure of operating the program was anticipated.
- 258 Dal Ponte Added that if SB 740-A does not go forward based on the strength of the Attorney General's letter of counsel, IFTA will cease to be in operation.

CLOSED PUBLIC HEARING ON SB 740-A

OPENED WORK SESSION ON SB 740-A

- 267 Sen. Minnis MOTION:
- MOVES SB 740-A TO THE COMMITTEE ON WAYS AND MEANS WITHOUT RECOMMENDATION.
- 276 Sen. Castillo Asked if there was some way Senate Revenue could ask Ways and Means to explore how to help phase in the fee structure to minimize impact on smaller trucking operators.

286 Chair Ferrioli Said he would like to know out of over 3,100 small trucking carriers how many are actually one-truck operations. Maybe a different threshold should be established for those one-truck companies.

291 Chair Ferrioli ORDER:  
  
HEARING NO OBJECTION, THE MOTION  
PASSES: 5 — 0 — 2  
  
SENATORS EXCUSED: CORCORAN, L.  
BEYER

CLOSED WORK SESSION ON SB 740-A

293 Chair Ferrioli Stated he will discuss with the Ways and Means Chairs their approach to SB 740-A and also raise the issue of one-truck or small operators relative to the cost to see if an accommodation could be made for them.

301 Sen. Minnis Said it would be appropriate to receive follow-up information regarding questions raised by Sen. Castillo and others today.  
  
Further discussion, and questions and answers interspersed.

320 Chair Ferrioli Adjourned meeting at 10:12 a.m.

Submitted by, Reviewed by,

Carol Phillips Kim Taylor James

Committee Assistant Revenue Office Manager

Exhibit Summary:

1. HB 2111-A, National Federation of Independent Business (NFIB), (-A5) amendments (DJ/hm/ps) 5/18/01, 1 pp.

2. HB 2111-A, Martin-Mahar, Staff Measure Summary, 1 pp.
3. HB 2111-A, Martin-Mahar, Revenue Impact Statement, 1 pp.
4. HB 2111-A, Martin-Mahar, Estimated Revenue Loss, 1 pp.
5. HB 2111-A-5, Martin-Mahar, Estimated Revenue Loss, 1 pp.
6. HB 2111-A, Gil Riddell, Written testimony dated May 21, 2001, 2 pp.
7. HB 2111, Belt, Confidential Personal Property Return, 6 pp.
8. HB 2111, Squires, Written testimony dated May 21, 2001, 1 pp.
9. HB 2111, Deister, Written testimony undated, 1 pp.
10. HB 2111, Wilson, Written testimony dated May 21, 2001, 5 pp.
11. SB 740-A, Yates, Staff Measure Summary, 1 pp.
12. SB 740, Yates, Fiscal Impact Statement, 1 pp.
13. SB 740-A, Dal Ponte, Written testimony dated May 21, 2001, 2 pp.
14. SB 740, Fultz, International Fuel Tax Agreement (IFTA) Tax Return, 1 pp.
15. SB 740, Fultz, Proposed amendment language, 2 pp.