

**PUBLIC HEARING AND WORK SESSION: HB 2729-A**

**WORK SESSION: HB 2270-A, HB 3391-A, HB 2208-A, SB 188**

**TAPES 153-154, A/B**

## **SENATE REVENUE COMMITTEE**

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**May 31, 2001 — 1:30 P.M. - HEARING ROOM B - STATE CAPITOL BUILDING**

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Members Present: Senator Ted Ferrioli, Chair

Senator Lee Beyer, Vice Chair

Senator Susan Castillo

Senator Gary George (arrived 2:25 p.m.)

Senator John Minnis

Senator Charles Starr

Members Excused: Senator Tony Corcoran

Staff: Paul Warner, Legislative Revenue Officer

Lizabeth Martin-Mahar, Economist, Legislative Revenue Office

Steve Meyer, Economist, Legislative Revenue Office

Ed Waters, Economist, Legislative Revenue Office

Richard Yates, Economist, Legislative Revenue Office

Carol Phillips, Committee Assistant

Witnesses: Jim Craven, American Electronics Association

Gary Conkling, Intel Corporation

Paul Cosgrove, Distilled Spirits Council of the United States

Kristina McNitt, Brown Foreman

Representative Bill Witt, House District 7

John Roach, Beaverton

**TAPE 153, SIDE A**

005 Chair Ferrioli Meeting called to order at 1:45 a.m.

OPENED PUBLIC HEARING ON HB 2729-A

015 Ed Waters Gave overview of HB 2729-A. Explained that current Oregon law permits corporations to claim either one of two research tax credits for research conducted in the fields of advanced computing, advanced materials biotechnology, electronic device technology, environmental technology, and straw utilization. Extends sunset of Qualified Research Activities Tax Credit and Alternative Research Activities Tax Credit to December 31, 2007. Under current law both credits sunset December 31, 2001.

022 Chair Ferrioli Discussed the revenue impact as described in Exhibit 2.

031 Jim Craven Testified in support of HB 2729-A. Exhibit 4. Pointed out that this tax credit is part of the set of incentives that helped grow Oregon's economy, particularly regarding high tech. This credit helps convince companies to relocate to Oregon, encourages companies to put more efforts into research and development, and encourages small companies to explore niche technologies.

Questions and answers interspersed.

106 Gary Conkling Testified in support of HB 2729-A. Exhibit 5 and 6. Written testimony pointed out that Oregon's research and development tax credit serves as an important signal to Intel (and all other high technology companies) of the state's interest in encouraging research and

development activities here. In fact, Intel's largest site in the world is located in Oregon.

Questions and answers interspersed.

CLOSED PUBLIC HEARING ON HB 2729-A

OPENED WORK SESSION ON HB 2729-A

148 Vice Chair L. Beyer MOTION:  
MOVES HB 2729-A TO THE SENATE FLOOR WITH A DO PASS RECOMMENDATION.

151 Chair Ferrioli ORDER:  
HEARING NO OBJECTION, THE MOTION PASSES: 5 — 0 — 2

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

SENATORS EXCUSED: CORCORAN, GEORGE

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

CLOSED WORK SESSION ON HB 2729-A

OPENED WORK SESSION ON HB 2270-A

164 Lizbeth Martin-Mahar For review, stated that HB 2270-A is the bill regarding changes to the historic property special assessment program. Discussed Exhibit 8, which is a summary of what the (-A18), (-A19), (-A22), and (-A26) amendments accomplish. Discussed the (-A26) amendments in detail (Exhibit 7).

Questions and answers followed.

227 Vice Chair L. Beyer MOTION:

MOVES THE (-A19) AMENDMENTS TO HB  
2270-A BE ADOPTED.

231 Chair Ferrioli

ORDER:

HEARING NO OBJECTION, THE CHAIR SO  
ORDERED.

SENATORS EXCUSED: CORCORAN,  
GEORGE

239 Vice Chair L.  
Beyer

MOTION:

MOVES THE (-A26) AMENDMENTS TO HB  
2270-A BE ADOPTED.

244 Chair Ferrioli

ORDER:

HEARING NO OBJECTION, THE CHAIR SO  
ORDERED.

SENATORS EXCUSED: CORCORAN,  
GEORGE

245 Vice Chair L.  
Beyer

MOTION:

MOVES HB 2270-A AS AMENDED TO THE  
SENATE FLOOR WITH A DO PASS  
RECOMMENDATION.

249 Chair Ferrioli

ORDER:

HEARING NO OBJECTION, THE MOTION  
PASSES: 5 — 0 — 2

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

SENATORS EXCUSED: CORCORAN,  
GEORGE

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

251 Chair Ferrioli For the record, read a brief statement prepared by the League of Oregon Cities regarding HB 2270-A.

CLOSED WORK SESSION ON HB 2270-A

OPENED WORK SESSION ON HB 3391-A

288 Waters Gave overview of HB 3391-A. Discussed (-A7) amendments. This bill increases the income tax credit available for donations to fiduciary organizations administering individual development accounts (IDAs). During the previous public hearing on this bill it was brought out that tribal entities should be included among the fiduciary organizations eligible to administer IDAs. The (-A7) amendments were created to include tribal entities.

Questions and answers followed.

331 Waters Reminded committee members they also have the (-A3) amend-ments for consideration. Those amendments increase the maximum credit amount from \$50,000 to \$75,000 or 75% of amounts donated. Because the program has been significantly under-subscribed since its inception it is difficult to determine any possible revenue impact.

Further questions and answers followed.

361 Vice Chair L. MOTION:  
Beyer  
MOVES THE (-A3) AMENDMENTS TO HB 3391-A BE ADOPTED.

367 Chair Ferrioli ORDER:  
HEARING NO OBJECTION, THE CHAIR SO ORDERED.

SENATORS EXCUSED: CORCORAN,  
GEORGE

- 368 Vice Chair L. Beyer MOTION:  
MOVES THE (-A7) AMENDMENTS TO HB 3391-A BE ADOPTED.
- 376 Chair Ferrioli ORDER:  
HEARING NO OBJECTION, THE CHAIR SO ORDERED.  
SENATORS EXCUSED: CORCORAN,  
GEORGE
- 377 Vice Chair L. Beyer MOTION:  
MOVES HB 3391-A AS AMENDED TO THE SENATE FLOOR WITH A DO PASS RECOMMENDATION.
- 383 Chair Ferrioli ORDER:  
HEARING NO OBJECTION, THE MOTION PASSES: 5 — 0 — 2  
SENATORS VOTING AYE: CASTILLO, MINNIS, STARR, L. BEYER, FERRIOLI  
SENATORS EXCUSED: CORCORAN,  
GEORGE  
Sen. Starr will carry the bill on the Senate Floor.

CLOSED WORK SESSION ON HB 3391-A

- 399 Martin-Mahar Gave overview of SB 188. Stated that the (-3) amendments to SB 188 replace the original bill and authorize the Economic and Community Development Department to establish a work group to study the lending practices of financial institutions in rural and economically distressed

areas. That group will report its findings to the next legislative session.

Questions and answers interspersed.

435 Vice Chair L. Beyer Commented on discussions from the work group in which he participated where it was evident there is significant interest and concern regarding the issue.

450 Chair Ferrioli Thanked the Vice Chair for his participation in the work group. An objective of the group is to learn if tax incentives make a difference in lending practices in rural and distressed areas, but so far the work group could not answer that question. It is obvious that many people do not have equal access to credit. It may be determined that tax incentives are the least effective incentive to offer to commercial lenders since they are so market driven.

#### OPENED WORK SESSION ON SB 188

468 Vice Chair L. Beyer MOTION:  
MOVES THE (-3) AMENDMENTS TO SB 188 BE ADOPTED.

476 Chair Ferrioli ORDER:  
HEARING NO OBJECTION, THE CHAIR SO ORDERED.  
SENATORS EXCUSED: CORCORAN,  
GEORGE

477 Vice Chair L. Beyer MOTION:  
MOVES SB 188 AS AMENDED TO THE SENATE FLOOR WITH A DO PASS RECOMMENDATION.

481 Chair Ferrioli

ORDER:

HEARING NO OBJECTION, THE MOTION  
PASSES: 5 — 0 — 2

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

SENATORS EXCUSED: CORCORAN,  
GEORGE

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

CLOSED WORK SESSION ON SB 188

**TAPE 154, SIDE A**

051 Martin-Mahar

Reminded members that this committee had  
passed out  
HB 2208-A during the bill's last public hearing  
and work session. However, Legislative  
Counsel discovered some conflicts with another  
bill dealing with county biennium budgets. The  
(-A12) amendments are necessary to conform  
the conflicts existing in law.

OPENED WORK SESSION ON HB 2208-A

070 Vice Chair L.  
Beyer

MOTION:

MOVES THE RULES BE SUSPENDED FOR  
THE PURPOSE OF RECONSIDERING THE  
VOTE ON HB 2208-A.

072 Chair Ferrioli

ORDER:

HEARING NO OBJECTION, THE CHAIR SO  
ORDERED.

SENATORS EXCUSED: CORCORAN,  
GEORGE

073 Vice Chair L.  
Beyer

MOTION:



MOVES TO RECONSIDER THE VOTE BY WHICH HB 2208-A AS AMENDED WAS SENT TO THE SENATE FLOOR WITH A DO PASS RECOMMENDATION.

077 Chair Ferrioli

ORDER:

HEARING NO OBJECTION, THE CHAIR SO ORDERED.

SENATORS EXCUSED: CORCORAN,  
GEORGE

080 Martin-Mahar

Discussed the (-A12) amendments that deal with resolving the conflicts with another bill that has already passed.

097 Vice Chair L.  
Beyer

MOTION:

MOVES THE (-A12) AMENDMENTS TO HB 2208-A BE ADOPTED.

SENATORS EXCUSED: CORCORAN,  
GEORGE

100 Chair Ferrioli

ORDER:

HEARING NO OBJECTION, THE CHAIR SO ORDERED.

107 Richard Yates

Discussed the (-A13) amendments that deal with a particular type of alcoholic beverage made by combining "something" with hard liquor. The product is not a wine and not a malt beverage and not a cider. Currently because of that, the subject beverages are sold through Oregon Liquor Control Commission (OLCC) liquor agents and distribution centers. The wording in the (-A12)s specifies that a "low proof distilled beverage" is not distilled liquor and therefore not subject to OLCC distribution. The definition of a "low proof distilled beverage" means an alcoholic beverage that is

made by combining distilled liquor with other liquids and that contain not more than 14 percent alcohol by volume.

#### INVITED TESTIMONY

135 Paul Cosgrove Stated HB 2208-A is a companion to a bill to be reviewed in the House. The companion bill provides that the subject beverages could be sold in various kinds of retail places that OLCC licenses. Because there is a tax involved, HB 2208-A is before the Senate Revenue Committee for consideration. The tax does not come into effect unless the companion bill is adopted. Displayed two bottles containing alcohol beverages and discussed their respective taxing and distribution structures.

Questions and answers interspersed.

210 Kristina McNitt Commented on the difference in proof of various alcohol products and their corresponding tax rates.

Questions and answers interspersed.

261 Vice Chair L. Beyer MOTION:  
MOVES THE (-13) AMENDMENTS TO HB 2208-A BE ADOPTED.

265 Chair Ferrioli ORDER:  
HEARING NO OBJECTION, THE CHAIR SO ORDERED.

SENATOR EXCUSED: CORCORAN

271 Rep. Bill Witt Presented the (-A14) amendments. Exhibit 16. Discussed the current low-income senior property tax deferral program and the inclusion of low income disabled property owners. The (-A14)s also provide the property tax deferral to military service-connected disabled persons or

veterans.

321 Martin-Mahar Added that the (-A14)s remove the income requirement for disabled veterans who are 70% or more service-related disabled. The Department of Revenue believes there are approximately 825 new applicants who would qualify for the credit in the first year, followed by 925 applicants, then 1,000 applicants over three years.

Questions and answers interspersed.

355 Rep. Witt Asked if perhaps some of the people in the Department of Revenue's estimate may already be in the program under current statute.

Further discussion, with questions and answers interspersed.

#### **TAPE 153, SIDE B**

009 John Roach Testified regarding how the 70% disability factor is determined by the Veterans Administration (VA) system. The VA determines a veteran to be unemployable at 70% disability. There are programs that veterans qualify for when they reach the 70% disability level. That threshold allows veterans to raise their status financially so their dependent children can receive benefits for schooling. The (-A14) amendments help veterans who really need the property tax credit.

042 Rep. Witt Added further comments regarding veterans' 70% disability factor and the income cut-off level of \$32,000 to qualify for the program.

068 Chair Ferrioli Stated there may be a less significant revenue impact than was previously determined because it is undetermined exactly how many veterans may be on a property tax deferral program already.

- 069 Vice Chair L. Beyer Suggested this issue may need further research and could be brought back for discussion at another time.
- 072 Chair Ferrioli Pointed out this bill can either be moved to Ways & Means or it can be moved to the Senate Floor.  
  
Further discussion among members.
- 087 Rep. Witt Suggested perhaps if the bill passed to the Senate Floor, he could work with Legislative Revenue to refine the actual revenue impact.  
  
Further discussion among members.
- 099 Chair Ferrioli Because of the various options discussed among members, decided perhaps holding the bill for another work session would be beneficial.
- 109 Vice Chair L. Beyer Strongly recommends Rep. Witt work with Legislative Revenue staff to refine the anticipated revenue impact.  
  
Further discussion among members.
- 121 Chair Ferrioli Based on the question of revenue impact, stated the bill would be held for another opportunity to have a work session.

CLOSED WORK SESSION ON HB 2208-A

RE-OPENED WORK SESSION ON HB 3391-A

- 149 Vice Chair L. Beyer MOTION:  
  
MOVES THE RULES BE SUSPENDED FOR THE PURPOSE OF RECONSIDERING THE VOTE ON HB 3391-A.

- 152 Chair Ferrioli ORDER:  
  
HEARING NO OBJECTION, THE CHAIR SO ORDERED.  
  
SENATOR EXCUSED: CORCORAN
- 153 Vice Chair L. Beyer MOTION:  
  
MOVES TO RECONSIDER THE VOTE BY WHICH HB 3391-A WAS SENT TO THE SENATE FLOOR WITH A DO PASS RECOMMENDATION.
- 156 Chair Ferrioli ORDER:  
  
HEARING NO OBJECTION, THE CHAIR SO ORDERED.  
  
SENATOR EXCUSED: CORCORAN
- 158 Waters Stated that apparently the language in the (-A7) amendments regarding including federally recognized Indian tribes or bands as fiduciary organizations was too narrow. That can be repaired by the adoption of a conceptual amendment.
- 175 Chair Ferrioli MOTION:  
  
MOVES TO WITHDRAW THE PREVIOUSLY MADE DO PASS RECOMMENDATION AND TO CONCEPTUALLY AMEND (-A7) AMENDMENTS BY REMOVING THE LANGUAGE IN LINE 13 OF THE (-A7) AMENDMENTS AND THE LANGUAGE IN LINE 14 THROUGH COMMA BEFORE THE WORD "A".
- 202 Waters Stated that the committee needs to strike out on Line 13 after (the): "in the case of individual development accounts established for the

purpose described in ORS 458.685.1.c,".

208 Chair Ferrioli ORDER:  
  
HEARING NO OBJECTION, THE CHAIR SO ORDERED.  
  
SENATOR EXCUSED: CORCORAN

210 Vice Chair L. MOTION:  
Beyer  
  
MOVES HB 3391-A AS CONCEPTUALLY AMENDED TO THE SENATE FLOOR WITH A DO PASS RECOMMENDATION.

216 Chair Ferrioli ORDER:  
  
HEARING NO OBJECTION, THE MOTION PASSES: 6 — 0 — 1  
  
SENATOR EXCUSED: CORCORAN  
  
Sen. Starr will carry the bill on the Senate Floor.

CLOSED WORK SESSION ON HB 3391-A

222 Chair Ferrioli Adjourned meeting at 2: 46 p.m.

Submitted by, Reviewed by,

Carol Phillips Kim Taylor James

Committee Assistant Revenue Office Manager

Exhibit Summary:

1. HB 2729-A, Waters, Staff Measure Summary, 1 pp.
2. HB 2729-A, Waters, Revenue Impact Statement, 1 pp.

3. HB 2729-A, Waters, Fiscal Impact Statement, 1 pp.
4. HB 2729, Craven, Written testimony dated May 31, 2001, 1 pp.
5. HB 2729, Conkling, Written testimony dated May 31, 2001, 1 pp.
6. HB 2729, Phillips, Written testimony undated, 1 pp.
7. HB 2270-A, Martin-Mahar, Comparison of Amendments, 1 pp.
8. HB 2270-A, John DiLorenzo, (-A26) amendments (DJ/ps) 5/31/01, 1 pp.
9. HB 3391-A, State Treasurer, (-A7) amendments (DJ/ps) 5/31/01, 6 pp.
10. SB 188, Sen. Ferrioli, (-1) amendments (BHC/tm/ps) 5/24/01, 1 pp.
11. SB 188, Sen. Ferrioli, (-2) amendments (BHC/tm/ps) 5/29/01, 2 pp.
12. SB 188, Sen. Ferrioli, (-3) amendments (BHC/ps) 5/31/01, 2 pp.
13. SB 188, Martin-Mahar, Staff Measure Summary, 1 pp.
14. HB 2208-A, Sen. Ferrioli, (-A12) amendments (DJ/ps) 5/29/01, 6 pp.
15. HB 2208-A, Sen. Ferrioli, (-A13) amendments (DH/ps) 5/31/01, 8 pp.
16. HB 2208-A, Rep. Witt, (-A14) amendments (DJ/hm/ps) 5/31/01, 8 pp.