

HOUSE COMMITTEE ON COMMERCE
SUBCOMMITTEE ON TRADE & ECONOMIC DEVELOPMENT

April 26, 1999 Hearing Room 350

1:00 p.m. Tapes 43 - 44

MEMBERS PRESENT: Rep. Jerry Krummel, Chair

Rep. Ryan Deckert

Rep. Bob Montgomery

Rep. Diane Rosenbaum

STAFF PRESENT: Jason Cody, Administrator

Annetta Mullins, Administrative Support

MEASURE/ISSUES HEARD: HB 2093 ñ Public Hearing and Work Session

These minutes are in compliance with Senate and House Rules. Only text enclosed in quotation marks reports a speaker's exact words. For complete contents, please refer to the tapes.

TAPE/#	Speaker	Comments
TAPE 43, A		
004	Chair Krummel	Calls meeting to order 1:12 p.m. and announces that HB 3242 and HB 3283 will be held over until Wednesday.
020	Chair Krummel	Opens the public hearing on HB 2093.
<u>HB 2093 ñ PUBLIC HEARING</u>		
020	Jason Cody	Administrator. Reviews HB 2093.

025	Chair Krummel	Explains that the HB 2093-1 amendments are proposed by the logging industry seeking to get a tax credit for purchasing equipment that is more environmentally friendly (EXHIBIT A). Notes proposed amendments from the Oregon Venture Capitol Fund (EXHIBIT B).
052	Rep. Chris Beck	House District 12. Explains amendments are being drafted to promote an Oregon Venture Capital Fund to promote certain types of small businesses in Oregon. Advises that other states have more venture capital available because Oregon has not stepped up to the plate. The concept is intended to start the process and grant some tax incentives in the form of rather significant tax credits to individuals who want to contribute to the venture capital fund.
085	Cindy Becker	Director, Oregon Emerging Business Initiative. Explains the purpose of the initiative is to create and improve the business climate in Oregon for emerging growth companies. The perception is there is not a sufficient amount of early stage capital in Oregon. The purpose of this bill is to stimulate that type of activity. It would enable the creation of Oregon Venture Capital Fund, either as a stand alone or as part of other companies. Explains that when someone invests in those funds, they would get a 15 percent tax credit. The funds could only be used for Oregon businesses. Introduces Steven Christensen, Miller Nash law firm, drafter of the proposed amendment (EXHIBIT B) and Hugh Mackworth, Portland.
104	Rep. Montgomery	Comments he thought Oregon had a venture capitol fund about eight years ago. Asks if this is different.
119	Becker	Responds that Rep. Montgomery may be referring to the Oregon Capital Corporation. Adds that this is separate from the Oregon Research and Technology Development Fund.
119	Montgomery	Asks if it is correct that a very high rate is charged and the people who invest make a lot of money. Comments this will help those people make more money.
128	Don Douglas	Partner, Miller Nash. Comments that Rep. Montgomery was speaking of the Oregon Research and Technology Development Fund (ORTDF). Explains that seed money is to fund companies that do not have a product. Venture capitol comes in when production starts. States that the Oregon Growth Account is to do the same kind of investment.
152	Hugh Mackworth	Comments on his background and opportunities in the high tech industries. Explains cycle of small businesses starting and growing. Comments on the small amount of venture capitol compared to Oregon's population.
197	Mackworth	Comments on experiences in Arizona and the Silicon Valley.
205	Douglas	Comments on cumulative effects of investments for start-ups.
229	Rep. Deckert	Comments on recent investment in 800.COM. Asks how venture capitol compares to public investments.

250	Douglas	Responds he hopes the investment is a long-term trend.
260	Rep. Deckert	Comments on investments in high tech industries.
	Douglas	Explains difference between seed money and venture capital.
286	Mackworth	Comments on challenge to get people to invest in venture capital funds.
342	Steven L. Christensen	Attorney, Miller Nash. Explains North Dakota has had a similar bill in effect for 10 years. Kentucky and North Dakota have private funds. North Carolina and South Dakota have public funds. Explains HB 2093:
		<ul style="list-style-type: none"> • HB 2093 creates a fund with specific requirements.
		<ul style="list-style-type: none"> • Purpose is to raise capitol solely to invest in Oregon businesses and must be for production in Oregon.
		<ul style="list-style-type: none"> • Fund is a private fund.
		<ul style="list-style-type: none"> • \$500,000 minimum investment must be in the fund.
		<ul style="list-style-type: none"> • Manager could seek out four Oregon businesses for investment of the fund moneys.
		<ul style="list-style-type: none"> • Explains required size of business.
		<ul style="list-style-type: none"> • Explains how the fund must be managed and restrictions on the businesses.
TAPE 44, A		
022	Christesen	Explains how the investors can benefit and reviews restrictions placed on the businesses.
042	Douglas	Reiterates the benefits and restrictions on investors and businesses.
050	Chair Krummel	Comments he is curious why a separate bill was not introduced.
054	Douglas	Explains they are volunteers and did not understand the deadlines.
060	Mackworth	Reiterates what the fund could be used for and restrictions on use of the money.

072	Rep. Deckert	Comments on initiative of the witnesses.
088	Lynn McNamara	League of Oregon Cities (LOC). Submits and reviews a prepared statement noting objections to the property tax exemption for the logging equipment, changes in reporting of transient taxes and impact on City of Cannon Beach (EXHIBIT C) .
138	Chair Montgomery	Asks what the impact would be.
142	McNamara	Comments they do not know. Adds that a Revenue Statement has not been prepared on the bill. Adds they are generally opposed to all property tax exemptions that are not local options or are not funded by the state.
154	Rep. Rosenbaum	Comments she is surprised the bill is in this committee instead of Revenue.
158	Chair Montgomery	Notes the bill has to have a subsequent referral to Revenue.
166	Bob Cantine	Association of Oregon Counties (AOC). Expresses his concern on removal of property from tax rolls. Suggest it also creates a disconnect for the counties.
186	Tom Lenhares	County Assessor, Columbia County and representing the Oregon State Association of County Assessors. Comments that changes being made in Sections 1 and 2 of HB 2093 are already incorporated into HB 2043 that has already passed the House; the wording is different but the impact is the same. IHB 2043 was introduced at the request of the Oregon Tax Collectors Association. Thinks proponents have made the argument that they need the logging equipment exemption, the incentive, as a means to purchase new equipment. Suggests perhaps it should be a credit and should be referred to Ways and Means.
238	Rep. Montgomery	Asks if new equipment is depreciated annually.
243	Lenhares	Responds he believes logging equipment is on a 15 year accelerated depreciation schedule.
248	Montgomery	Asks if the depreciation scheduled is a state or county law or whether the assessor makes the call.
249	Lenhares	Explains state law. Explains that the Department of Revenue developed the depreciation scheduled and that some counties develop their own. States there is no revenue statement yet but he has provided Legislative Revenue with data from Columbia County. Estimates are that in excess of \$300 million in value will come off the property tax rolls. The average rural tax rate is at \$8 to \$9 per thousand.
281	Rep. Montgomery	Comments that other taxpayers are picking up the bill by paying more taxes.

287	Lenhares	Explains that personal property is taxed the same as all other property. The valuation is different. The same rate is applied to the logging equipment as land and everything else.
302	Chair Krummel	Asks if the addition of the Oregon Venture Capital Fund would change their position on the bill.
324	McNamara	Responds if the fund were put in the bill and everything else were removed, they might feel differently. Adds they have not seen the amendment. LOC has no opinion on the Oregon Venture Capital Fund.
334	Mike Miller	Associated Oregon Loggers. Explains the amendments provide property tax exemption for equipment less than 20 years old. Explains that the theory is the newer equipment is going to be more environmentally sensitive. Adds that an identical bill passed two sessions ago and was vetoed by the governor because he was trying to put together a task force to look at taxation in Oregon. They are working with the governor on the concept.
362	Miller	Adds that two sessions ago the estimated the total value of logging equipment would be \$225.6 Million. (EXHIBIT D).
381	Miller	States that with the environmental restrictions on logging operations, have taken a lot of companies out of business. The hope is with the transition to the environmentally sensitive equipment the contractors will be able to stay in business and attract others into small, young growth management.
420	Rep. Montgomery	Asks what "environmental equipment" means.
425	Miller	Reads a list of equipment that would be covered.
TAPE 43, B		
006	Miller	Comments on the requirements on forest land, loss of loggers and potential loss of additional businesses.
027	Chair Krummel	Closes the public hearing on HB 2093.
045	Cody	Reports that HB 2093 does have a subsequent referral to Revenue.
043	Chair Krummel	Opens a work session on HB 2093.
<u>HB 2093 n WORK SESSION</u>		
047	Chair Krummel	Advises members he believes it is a good idea to send the bill to Revenue.

		Believes the representatives from Miller Nash will ask Reps. Deckert and Beck to draft amendments. Suggests the committee not include the venture capitol amendment.
061	Rep. Deckert	Comments he would like to put the amendments in the bill and will talk to the Speaker and to Rep. Strobeck to see if there is interest at the Revenue Committee level on having the fund added. Adds that there is comfort in sending it to Revenue so they can remove some items from the bill.
072	Rep. Montgomery	Comments he supports the industry and venture capital. Comments on credits to the wealthy and suggest the Revenue Committee work on it.
092	Chair Krummel	Asks if there is interest in adding the venture capitol fund to the bill.
099	Rep. Montgomery	Suggests the Revenue Chair would need to be consulted.
100	Chair Krummel	Suggest the committee adopt the HB 2093-1 amendments (EXHIBIT A) and move the bill to Revenue so they can work with it.
105	Rep. Rosenbaum	Comments she is not in support of the amendments. Comments on work by the Revenue Committee to delete tax credits.
120	Rep. Montgomery	MOTION: Moves to ADOPT HB 2093-1 amendments dated 03/25/99.
132	Rep. Deckert	Comments on choosing tax credits and suggest that Rep. Rosenbaum, as a member of the Revenue Committee, keep an eye on the bill.
140	Chair Krummel	Comments that personally he does not agree with property tax exemptions, credits and abatements unless they are made at the local level but will let the bill go to Revenue.
155	Rep. Deckert	Suggests an alternative would be to ask the proponents of the fund to make their case before the Revenue Committee.
		VOTE: 3-1-0 AYE: 3 - Deckert, Montgomery, Krummel NAY: 1 - Rosenbaum
	Chair Krummel	The motion CARRIES.

183	Rep. Montgomery	MOTION: Moves HB 2093 to the full committee with a DO PASS AS AMENDED recommendation and BE REFERRED to the Committee on Revenue.
191	Rep. Montgomery	Comments he is voting for this because it means jobs for friends and neighbors, not because it is a tax credit.
195	Chair Krummel	Comments he believes the venture capitol amendment might stand a better chance when it gets to the floor if it can stand alone.
212		VOTE: 3-1-0 AYE: 3 - Deckert, Montgomery, Krummel NAY: 1 - Rosenbaum
	Chair Krummel	The motion CARRIES. REP. KRUMMEL will lead discussion on the floor.
218	Chair Krummel	Closes the work session on HB 2093 and adjourns the meeting at 2:22 p.m.

Submitted By, Reviewed By,

Annetta Mullins, Jason Cody,

Administrative Support Administrator

EXHIBIT SUMMARY

A ñ HB 2093, HB 2093-1 amendments, Mike Miller, 3 pp

B ñ HB 2093, conceptual amendments, Cindy Becker, 10 pp

C ñ HB 2093, prepared statement and letter from Cannon Beach, Lynn McNamara, 5 pp

D ñ HB 2093, 1995 logging equipment value chart, Mike Miller, 1 p