

ORIENTATION: EXCISE TAXES

PUBLIC HEARING: HB 2040, HB 2049

TAPES 012, 013 A/B

HOUSE REVENUE COMMITTEE

JANUARY 21, 1999 ñ 8:30 A.M. - HEARING ROOM A - STATE CAPITOL BUILDING

Members Present: Rep. Ken Strobeck, Chair

Rep. Anitra Rasmussen, Vice Chair

Rep. Jeff Merkley

Rep. Diane Rosenbaum

Rep. Jim Welsh

Rep. Max Williams

Rep. Bill Witt

Members Absent: Rep. Deborah Kafoury

Rep. Lane Shetterly

Staff: Lizbeth Martin-Mahar, Economist, Legislative Revenue Office

Richard Yates, Economist, Legislative Revenue Office

Barbara Guardino, Committee Assistant

Witnesses: Jon Mangis, Oregon Dept. of Veterans Affairs

Jim Markee, Oregon Collectors Association

Diane Belt, Washington County Assessor

Gary Bartholomew, Oregon Assoc. of County Tax Collectors

TAPE 012, SIDE A

005 Chair Strobeck Called meeting to order at 8:30 a.m. Opened public hearing on HB 2040.

PUBLIC HEARING n HB 2040

012 Lizbeth Martin-Mahar Summarized HB 2040: Clarifies that annual war veterans exemption from property taxation shall increase 3% each year. Consistent with Constitutional requirement. Allows counties to increase exemption from \$8,250 to \$8,500 for FY 1998-99. Distributed revenue impact statement. **(EXHIBIT A)**

029 Jon Mangis Dir. Oregon Dept. Veterans Affairs. Spoke in support of the measure. Offered amendment, page 1, line 28: United States Veterans Administration no longer exists. It is the United States Department of Veterans Affairs. Rates listed on lines 17, 18, and 19 should be updated:

Veterans compensation cost of living adjustment act of 1998

HR 4110 (passed and signed by President effective date: December 1, 1998)

New Rates: (can be inserted in section 1, (b), (A) of HB 2040)

Veteran Without Dependent: \$8,778

Veteran with one dependent \$11,497

Amount for each additional dependent \$1,496

056 Mangis Gave background of veterans property tax exemption for veterans with disabilities, how to arrive at amount that a veteran receives.

114 Vice Chair Rasmussen Asked, why is this bill needed?

120 Mangis Referred committee to page 2, section 1, line 6, which includes non-service disabled veterans. This is the only reason for the new bill.

133 Richard Yates Bill makes the 3 % legal. Discussion and questions interspersed.

135 Rep. Shetterly Page 2, line 23-25, what does "validated and affirmed" mean?

143 Martin-Mahar Some of counties have chosen to give non-service disabled veterans the exemption. This makes it legal.

153 Chair Strobeck Closed public hearing on HB 2040. Opened public hearing on HB 2049.

PUBLIC HEARING ñ HB 2049

- 160 Martin-Mahar HB 2049 expands the ability of county tax collectors to use *continuous* garnishment to collect taxes and debts that are due. Distributed revenue impact statement. **(EXHIBIT D)**
- 175 Diane Belt Washington County Tax Department, Personal Property Collections. See Washington County, Oregon ñ HB 2049 **(EXHIBIT B)**. Requests to allow county tax collector to use a continuous garnishment for the collection of personal property taxes due the county.

Discussion and questions interspersed.
- 216 Gary Bartholomew Oregon Association of County Tax Collectors, Multnomah County. Spoke in support of the measure. Bill would increase efficiency in collection.
- 248 Rep. Shetterly Questioned the need for bill since counties already have garnishment capabilities.
- 268 Belt Counties want same garnishment capabilities as Department of Revenue so they can bypass court system.
- 297 Rep. Williams Directed committee to page 2, subsection 8, being deleted. Limited counties to single writ as opposed to continuing writ. Complicated process to go through writ of garnishment court system. This would make process cleaner and save taxpayer dollars.

Discussion and questions interspersed.
- 337 Rep. Rosenbaum Section 2, line 43: asked, why is language being added? "Öincluding property classified as real property machinery and equipmentÖ"
- 345 Belt Machinery and equipment is taxed as real property. This property is removable, county wants ability to seize property before it is removed.
- 405 Rep. Merkley Page 3, lines 34-36: Questioned language being deleted in regard to notification process of garnishment. Would prefer to retain notice provision.

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- 056 Rep. Williams Trick to make garnishment effective is to catch person unaware. Giving debtors too much notice will allow them to take their money and run.

085	Belt	Agreed, this is a problem, people get 6-8 notices that they owe bill. Notice goes to bank first so taxpayers can't close out their accounts. At times, taxpayers will come forward and pay.
115	Jim Markee	<p>Oregon Collectors Association. See Special Actions and Procedures (EXHIBIT C). Spoke in opposition to bill.</p> <ul style="list-style-type: none"> • Garnishment run against a bank is good for one day. • Continuing garnishment against an employer is good for 90 days. • Continuous garnishment has no expiration date. <p>This bill would add county tax collectors to the agencies that can run a continuous garnishment. Believes counties already have power to file writ of garnishment against bank account or writ of continuing garnishment against an employer. Objects to giving counties continuous garnishment with no expiration date. Asked committee to consider who should have the right to continuous garnishment as opposed to those who only have the ability to run a garnishment for 90 days. This will open the door for other collectors to want the same right.</p>
190	Rep. Shetterly	<p>Discussion on confusion between "continuing" garnishment and writ of "continuous" garnishment.</p> <p>Discussion and questions concerning who should be paid first.</p>
234	Markee	Concerned that this bill would create an uneven playing field between private creditors and counties. Playing field is already uneven because state agencies have continuing garnishment rights already.
298	Rep. Shetterly	Clarified, reason for confusion. Page 1, lines 20-21. Compared this with page 2, line 33. Bill confuses "continuing" and "continuous" garnishments. Need to clarify language to give counties 90-day writ.
324	Belt	To do continuous garnishment on wage, counties would have to go to courts to get a writ, to get judgement of <i>continuing</i> garnishment, would need to include legal counsel. Now, they don't need legal counsel, they issue judgement through bank.
343	Rep. Shetterly	Suggested committee clear up prohibition on continuing garnishment so counties could use Writ of Continuing garnishments without court proceedings.
403	Rep. Williams	Proposed that himself, Rep. Shetterly and representatives from county tax collectors and from Oregon Collectors Association correct the language.
416	Rep. Shetterly	Page 2, line 32: Delete the expressed prohibition of continuing writs.

440 Belt Collection agencies keep a percentage of their collections; county tax collectors do it at no cost. They have an easier way of finding people than county does; county is first in line to collect.

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025 Rep. Witt Asked Belt about relevance that private collectors get a percentage. Why should private creditors be at a disadvantage to the counties?

051 Belt It is never good public policy to try to disadvantage anyone.
Explained difference between lien and garnishment.

077 Chair Strobeck Asked LRO staff to work with legislative counsel to prepare amendments that clean up conflicting language.

092 Chair Strobeck 9:30 a.m., closed public hearing on HB 2049, called for recess. Reconvened meeting at 9:45 a.m. Opened orientation meeting on Excise Taxes.

096 Yates Directed members' attention to Excise Taxes and OLCC Revenues (**EXHIBIT E**).

124 Yates Began slide presentation: Excise Taxes (**EXHIBIT F**)

Cigarette Taxes

Other Tobacco Products Tax

Beer and Wine Taxes

Wine Making Ingredients

Liquor Revenue

140 Yates Cigarette Tax Rate History, 1967 ñ 1997 graph of increase in tax per pack.

152 Yates Cigarette Tax Rates: Measure 44 will be sunset January 1, 2000.

Cigarette Tax Distribution

(These two frames are blank, Yates will bring better copies).

212 Yates Cigarette Tax Rankings (1998): Oregon in relation to other states in cents per pack. At 58 cents, it would rank 10th. Tobacco growing states, taxes are lowest. Currently, Oregon tax is 68 cents per pack.

246	Yates	1997-99 Revenue Before Measure 44: Majority (75%) goes undedicated into general fund.
258	Yates	1997-99 Revenue After Measure 44: General fund gets 48%.
282	Yates	<p>Other Tobacco Products (slide is blank): 35% before Measure 44.</p> <p>State General Fund ; State Other Fund</p> <p>Questions and discussion concerning relating income groups to consumption of tobacco products.</p>
331	Yates	<p>State Ranking (1998) (slide is blank): Tax rate (% of wholesale Price)</p> <p>Alaska and Massachusetts wholesale price at 75%; Oregon is fourth.</p>
370	Yates	<p>Revenue From Tobacco: 1980 ñ 1998</p> <p>Oregon Health Plan tax began in 1992, 10 cents per pack goes to health plan, is included in General Fund. Transit begins 1987; Tobacco Use Reduction Account begins with Measure 44.</p> <p>Questions and discussion interspersed.</p>

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030	Rep. Rosenbaum	Asked for figures regarding whether increase in tax corresponds to decrease in smoking, thus canceling out tax increase. Yates will provide this information later.
060	Yates	Beer Tax Rates: Increased from \$1 per barrel to \$2.60, or 8.38 cents per gallon.
072	Yates	<p>Beer Tax Rankings 1998: Oregon ranks 46th in beer taxes.</p> <p>Beer Tax History: 1981 - 1998</p>
095	Yates	<p>Wine Tax Rates: 1933 - 1983</p> <p>Rates have varied widely per gallon over time.</p> <p>Questions and discussion about who levies the tax, cost of collecting it.</p>
149	Yates	Wine Tax Rankings 1998: Oregon is 22 nd of 47 states who do rankings.

164	Yates	Wine Tax History: Table wines generate the bulk of revenue; dessert wines very little.
180	Yates	<p>Agricultural Ingredients (taxed)</p> <ul style="list-style-type: none"> • Vinifera Grapes: \$25 per ton • Vinifera Products: 16.7 cents per gallon • Other Products: 2.1 cent per gallon produced
195	Yates	Liquor Markup: History since 1978
215	Yates	Net Revenue From Alcohol: (Privilege tax is small strip, bottom of graph)
245	Yates	Liquor Sales: Measures cases sold, dollars. (Red line is top line)
283	Yates	1997-98 OLCC Revenue
301	Yates	1997-98 Expense & Distribution: Fund adjustment is \$0.03
310	Yates	<p>1997-98 Distribution</p> <p>Discussion and questions interspersed.</p>
355	Yates	<p>Distribution Formula</p> <ul style="list-style-type: none"> • Privilege Tax • OLCC Net Revenue
383	Yates	OLCC Distributions: Percentages are relatively stable in comparison to one another.
380	Chair Strobeck	Adjourned meeting at 10:28 a.m.

Submitted by, Reviewed by,

Barbara J. Guardino Kim T. James

Committee Assistant Revenue Office Manager

Exhibit Summary:

- A. HB 2040, Martin-Mahar, Revenue Impact of Proposed Legislation for HB 2040, 1 p.
- B. HB 2049, Belt, Washington County, Oregon, 1 p.
- C. HB 2049, Markee, Special Actions and Proceedings, 2 pp.
- D. HB 2049, Martin-Mahar, Revenue Impact of Proposed Legislation for HB 2049, 1 p.
- E. Orientation, Yates, Excise Taxes and OLCC Revenues, 2 pp.
- F. Orientation, Yates, Excise Taxes slide presentation, 13 pp.