

## HOUSE REVENUE COMMITTEE

FEBRUARY 16, 1999 at 8:30 A.M. - HEARING ROOM A - STATE CAPITOL BUILDING

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Members Present: Rep. Ken Strobeck, Chair

Rep. Anitra Rasmussen, Vice Chair

Rep. Deborah Kafoury

Rep. Jeff Merkley

Rep. Diane Rosenbaum

Rep. Lane Shetterly

Rep. Jim Welsh

Rep. Bill Witt

Absent: Rep. Max Williams

Staff: Paul Warner, Legislative Revenue Officer

Lizbeth Martin-Mahar, Economist, Legislative Revenue Office

Ed Waters, Economist, Legislative Revenue Office

Richard Yates, Economist, Legislative Revenue Office

Barbara Guardino, Committee Assistant

Witnesses: Rep. Ron Sunseri, Gresham

Lynn McNamara, League of Oregon Cities

Rep. Roger Beyer, Clackamas

Richard P. Burke, Leadership Council, Mainstream Liberty Caucus

David Moss, Associated Oregon Industries

**TAPE 051, SIDE A**

008 Chair Strobeck Called meeting to order at 8:40 a.m. Opened public hearing on HB 2078.

**PUBLIC HEARING n HB 2078**

012 Lizbeth Martin-Mahar Reviewed HB 2078 Revenue Impact statement (**EXHIBIT 1**). Provides a partial property tax exemption for senior citizens, for principal residence.

Tax break serves as an incentive to keep their homes.

075 Lynn McNamara Spoke in support of part of the measure. See Testimony of the League of Oregon Cities (**EXHIBIT 2**).

090 Rep. Witt Asked the LOC's position on giving the tax break to all senior citizens, or making a distinction on income levels.

096 McNamara This is a question the committee should ask.

110 Chair Strobeck Recessed for 10 minutes. Called meeting to order at 9:00 a.m.

125 Rep. Sunseri Spoke in support of the measure. Gave brief background of bill. It is geared toward seniors who are having trouble paying their property taxes. It reduces the first \$40,000 of value of a residence for senior citizens. Average savings is \$600/year. Will take some mobile homes off the tax rolls. Would not oppose an income cap on this bill.

Discussion and questions interspersed.

198 Chair Strobeck Closed public hearing on HB 2078. Opened public hearing on HB 2343 and HB 2368.

**PUBLIC HEARING n HB 2343 AND HB 2368**

220 Ed Waters Reviewed HB 2368: Reduces personal income tax rates applicable to each Oregon taxable income bracket by one percentage point, beginning January 1, 2000 (**EXHIBITS 3, 4**).

Reviewed HB 2343: Phases in reduction in personal income tax rates for ordinary income beginning January 1, 2000 (**EXHIBIT 5**).

282 Rep. Witt Spoke in support of the HB 2343. Oregon tax system is anti-growth. See "HB

2343" (**EXHIBIT 6**).

1) Provides for four-year phased in reduction on personal income taxes; lowers taxes over four years.

2) Reduces capital gains rate to 5%. It is now 9%.

3) Increases corporate income tax from 6.6% to 8%, so corporate and personal income taxes will be taxed at same rate.

4) Businesses have left Oregon to avoid income tax. Oregon has highest state income tax rate in the country per \$1,000 of income.

391	Rep. Roger Beyer	Spoke in support of the HB 2368. Concurred with Rep. Witt but disagrees with raising corporate income tax rate. Believes the only way to control government is to control the revenue. Is working with Rep. Witt to combine both bills into one workable bill that will cut taxes.
347	Rep. Witt	Do you believe that in initial biennium, the revenue impact of \$743 million to the general fund is excessive? Would you believe a phase-in? Questions concerning Rep. Beyer's opposition to increase in corporate income tax.
425	Rep. Beyer	Replied does not believe this bill is excessive, but politically not do-able, so a phase-in is necessary. Concerning increased corporate income tax, raising taxes on one segment of the population is not controlling government. Oregon has enough tax dollars, doesn't need more from any one sector.
445	Rep. Merkley	Discussed the concept of nominal impact versus effective rate. This bill would continue the disparity caused by these. Is this a good thing? Nominal is which tax bracket, effective is federal adjustment. Rep. Beyer's bill would continue that disparity. Is this good?

**TAPE 052, SIDE A**

044	Rep. Beyer	Is not familiar with this concept. Would not be opposed to lowering taxes for all Oregonians.
064	Rep. Merkley	Is it appropriate to consider this bill before state has funded education?
069	Rep. Beyer	Yes, these are two separate issues. We need to know how much money there is before we can spend it.
086	Richard Burke	Spoke in support of HB 2343. See Mainstream Liberty Caucus ( <b>EXHIBIT 7</b> ). Taxes are the result of uncivilized society. Discussed how taxes affect the middle class. Middle class provides jobs for the disadvantaged. HB 2343 provides a chance for the poor to get richer.

Lawmakers need to look at "trickle out" tax breaks that help the middle class. Proposed budget in testimony saves \$3.4 billion off of governor's tax budget.

158	Rep. Witt	Commented on impact of middle class taxes. Does he believe that the wealthy have ways to protect themselves from higher tax rates?
170	Burke	Government is the friend of the poor and the rich. Government is not the friend of the middle class. Going after the middle class hurts the poor. Government has its place, but it should not be the financial domain of middle class.
190	Rep. Welsh	Bill does not take care of the issue of double taxation on corporations. Has he considered a single flat tax that would be more equitable?
199	Burke	Disagreed with Rep. Witt about increasing corporate taxes. Bill is not perfect, but it is a start.
219	Rep. Witt	Could the issue of double taxation be solved by allowing corporations to deduct dividends from taxable income?
229	Burke	Make it easier for middle class to make money. Considers middle class to be in income area of \$25,000 to \$150,000.
292	Rep. Merkley	More discussion on effective and nominal tax rates.
311	Rep. Witt	Commented on impact of deductibility of Oregon tax on federal tax rates.
375	Burke	Would prefer getting away from property taxes and replacing them with a consumption tax. Ran for governor on this platform.
388	Dave Moss	Spoke on behalf of Associated Oregon Industries in support of the measure with exception of corporate tax portion. See Testimony Before House Revenue Committee on HB 3243 by Gary Carlson ( <b>EXHIBIT 8</b> ). Directed members' attention to chart in testimony concerning corporate income tax rates. Issue of equity between corporate and personal income taxes. Increase in corporate income tax would decrease Oregon's ability to compete. As we compete in international market, tax rate becomes more of a part of decision for new businesses locating here.

**TAPE 051, SIDE B**

018	Rep. Rosenbaum	Asked Moss to comment on fact that 50% of corporations don't pay taxes at all after
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deductions.

022	Moss	Not familiar with this fact.
030	Rep. Witt	Questioned Moss about corporate income tax shelters, chart in exhibit 5.
060	Moss	Chart applies to Portland, but this is the largest proportion of the business community.  More questions and discussion.
131	Rep. Witt	Summarized, HB 2343 is a good bill, not perfect. He does not like raising corporate income taxes but saw it as a matter of equity. Encouraged committee to give this bill (with amendments) some serious thought.
145	Chair Strobeck	Adjourned meeting at 9:55 a.m.

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Submitted by, Reviewed by,

Barbara J. Guardino Kim T. James

Committee Assistant Revenue Office Manager

Exhibit Summary:

1. HB 2078, Martin-Mahar, Revenue Impact of Proposed Legislation, 2 pp.
2. HB 2078, McNamara, Testimony of the League of Oregon Cities, 1 p.
3. HB 2368, Waters, Revenue Impact of Proposed Legislation, 1 p.
4. HB 2368, Waters, Oregon Personal Income Tax: 1998 Tax Year, 1 p.
5. HB 2343, Waters, Revenue Impact of Proposed Legislation, 1 p.
6. HB 2343, Witt, HB 2343, 1 p.
7. HB 2343, Burke, Mainstream Liberty Caucus, 5 pp.
8. HB 2343, Moss, Testimony Before House Revenue Committee on HB 2343 by Gary Carlson, Associated Oregon Industries, 6 pp.
9. HB 2343, Witt, Tax Bites, 6 pp.
10. HB 2343, Witt, Individual Income Tax Collections FY 1997 Preliminary Per \$1,000 of Income, 1 p.
11. HB 2343, Witt, Individual Income Tax Collections FY 1997 Preliminary Per Capita, 1 p.

