

**PUBLIC HEARING: HB 2033, HB 2035, 2036**

**PUBLIC HEARING AND WORK SESSION: HB 2518**

**TAPES 063 A/B,**

**064 A**

## **HOUSE REVENUE COMMITTEE**

**FEBRUARY 24, 1999 ñ 8:30 A.M. ñ HEARING ROOM A ñ STATE  
CAPITOL BUILDING**

Members Present: Rep. Ken Strobeck, Chair

Rep. Deborah Kafoury

Members Absent: Rep. Anitra Rasmussen, Vice Chair

Rep. Jeff Merkley

Rep. Diane Rosenbaum

Rep. Lane Shetterly

Rep. Jim Welsh

Rep. Max Williams

Rep. Bill Witt

Staff: Paul Warner, Legislative Revenue Officer

Lizbeth Martin-Mahar, Economist, Legislative Revenue Office

Ed Waters, Economist, Legislative Revenue Office

Joan Green, Committee Assistant

Witnesses: Gary Carlson, Associated Oregon Industries

Tim Nesbitt, Service Employees International Union

Terry Lamers, Oregon Small Woodlands Association

Don Schellenberg, Oregon Farm Bureau

Sharon Scott, Salem Citizen

**TAPE 063, SIDE A**

005 Chair Strobeck Meeting called to order at 8:39 a.m., as a subcommittee for purposes of public hearing.

PUBLIC HEARING ON HB 2033, HB 2035, HB 2036

012 Ed Waters Described what HB 2033 does. The bill would increase the allowable deduction for federal income taxes against Oregon taxable income.

Distributed Revenue impact statement. (EXHIBIT 1)

028 Waters Described what HB 2035 does. The bill would exempt interest income received by an individual in an estate or a trust from personal income tax. Interest income is defined and would apply to tax years beginning January 1, 2000.

Distributed Revenue impact statement. (EXHIBIT 3) Distributed Fiscal impact statement. (EXHIBIT 4)

035 Waters Described what HB 2036 does. The bill would reduce the maximum personal income tax rate for capital gains income. The bill would also reduce the corporate income tax rate for capital gains. The changes would take effect with the 2000 tax year.

Distributed Revenue impact statement. (EXHIBIT 2)

047 Chair Strobeck The figures in the revenue impact statements, for the above bills, are for one year?

048 Waters Concurred.

055 Gary Carlson Presented testimony in support of measures. (Exhibit 5)

121 Carlson Continued with testimony, (Page 2, Exhibit 5).

158 Carlson Continued with testimony, (Page 3, Exhibit 5).

192	Rep. Rosenbaum	What is the distribution of income level for those benefiting from each proposal?
197	Carlson	<p>The three bills, as a package, give benefit to all income segments of personal income tax payers.</p> <ol style="list-style-type: none"> <li>1. Interest exemption primarily impacts lower income taxpayers.</li> <li>2. The increase in the federal tax deduction limit primarily impacts middle income taxpayers.</li> <li>3. Capital gains primarily impact higher income taxpayers.</li> </ol>
225	Rep. Witt	Could you advise what the potential dynamic impact of these measures would be to the State?
235	Carlson	It would have a dynamic impact to the State, however it is difficult to estimate what that impact might be.
276	Rep. Witt	Is there an overall economic benefit from these kind of tax cuts that would stimulate economic activity and have a benefit to everyone?
285	Carlson	That is the belief of Associated Oregon Industries (AOI).
299	Rep. Rosenbaum	Referenced the fiscal impact and the cost to the general fund. How would the State pay for these measures?
306	Carlson	The bills were brought forward as concepts. The Legislature can adjust any or all of these measures to fit within the confines dictated by the State's budget.
339	Rep. Witt	Would AOI support legislation that brought forth these reductions in increments to minimize the fiscal impact?
351	Carlson	Yes.
378		Discussion and questions regarding the benefits of allowing a deduction of federal payroll taxes instead of federal income taxes on State income.

**TAPE 064, SIDE A**

036	Rep. Shetterly	Requested a menu and phase-in options be compiled to provide the Committee choices among the various options available and what the impacts would be.
045	Rep. Rosenbaum	What portion of the biennium is referenced in the fiscal impact statement?
051	Waters	With a start date of January 1, 2000 approximately two-thirds of the biennium is impacted.
066	Tim Nesbitt	Spoke in opposition to the measures. Referenced handout in testimony. (EXHIBIT 6)
114	Vice Chair Rasmussen	What is SEIU's position on enacting cuts, but phasing the cuts in to reduce the fiscal impact?
119	Nesbitt	It is incumbent on the Legislature to look at how they will afford it in future beinniums, if this biennium will not support the cuts.
142	Rep. Witt	Are savings a good thing for the economy, and if so how would you change the tax code to encourage savings?
144	Nesbitt	Yes, savings are good for the economy. Changes are being made regularly at the federal level. Proposals for change to the Oregon tax code should focus savings and investment incentives toward the lowest income levels where savings are a big challenge.
156		Discussion and questions interspersed regarding the handout, (Exhibit 6).
275	Terry Lamers	Spoke in support of HB 2036.
340	Don Schellenberg	Presented testimony in support of HB 2036. (Exhibit 7)
385	Chair Strobeck	Do most members of the Farm Bureau file taxes as corporations or individuals?
389	Schellenberg	Only about 15-20% of Oregon farms are incorporated, and those incorporations are family corporations, not large out-of-state corporations. Most farmers file as an individual taxpayer.
401	Chair Strobeck	Requested Mr. Schellenberg's opinion on the section of the bill that would reduce the

corporate income tax rate for capital gains?

403 Schellenberg That issue has not been reviewed, testimony was for the personal portion only.

413 Sharon Scott Spoke in opposition to the measure.

**TAPE 063, SIDE B**

PUBLIC HEARING ON HB 2518

059 Lizbeth Martin-Mahar Described what HB 2518 does. (EXHIBIT 11) Referenced and explained matrix. (EXHIBIT 8). There are twelve categories, which affect 79 sections of the bill.

There are no revenue, (EXHIBIT 9) or fiscal impacts, (EXHIBIT 10).

080 Dexter Johnson This is one of the two reviser bills prepared by Legislative Counsel each session, which make minor, technical corrections to the statutes.

Highlighted three sections where existing law is being repealed:

1. Page 18 of the bill, §26
2. Page 23 of the bill, §34
3. Page 24 of the bill, §38

127 Discussion and questions regarding the revisers bills.

180 Rep. Merkley Requested clarification on the difference between tax base and permanent rate.

183 Johnson Explained the history and changes in recent years to the term "tax base"; this bill would eliminate a now obsolete term.

WORK SESSION ON HB 2518

209 Vice Chair Rasmussen MOTION: MOVED HB 2518 TO THE HOUSE FLOOR WITH A DO PASS

RECOMMENDATION.

212 VOTE

ROLL CALL VOTE: MOTION PASSES 9-0-0

REPRESENTATIVES VOTING AYE: Kafoury, Merkley, Rosenbaum, Shetterly, Welsh, Williams, Witt, Rasmussen, Chair Strobeck

Rep. Williams will carry the bill.

224 Chair Strobeck

Meeting adjourned at 9:54 a.m.

Submitted by, Reviewed by,

Joan Green Kim T. James

Committee Assistant Revenue Office Manager

Exhibit Summary:

1. HB 2033, Waters, Revenue impact statement, 1 page
2. HB 2036, Waters, Revenue impact statement, 1 page
3. HB 2035, Waters, Revenue impact statement, 1 page
4. HB 2035, LRO Staff, Fiscal impact statement, 1 page
5. \*HB 2033, Carlson, Written testimony, 4 pages
6. \*HB 2033, 2035, 2036, Nesbitt, Handout, 2 pages
7. HB 2036, Schellenberg, Written testimony, 1 page
8. HB 2518, Martin-Mahar, Matrix, 2 pages
9. HB 2518, Martin-Mahar, Revenue impact statement, 1 page
10. HB 2518, LRO Staff, Fiscal impact statement, 1 page
11. HB 2518, Mahar, Preliminary staff Measure Summary, 1 page

\*Refers also to HB 2035 and HB 2036