

HOUSE REVENUE COMMITTEE

MARCH 4, 1999 ñ 8:30 A.M. - HEARING ROOM A - STATE CAPITOL BUILDING

Members Present: Rep. Anitra Rasmussen, Vice Chair

Rep. Deborah Kafoury

Rep. Jeff Merkley

Rep. Diane Rosenbaum

Rep. Max Williams

Rep. Bill Witt

Members Excused: Rep. Ken Strobeck, Chair

Members Absent: Rep. Lane Shetterly

Rep. Jim Welsh

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

Ed Waters, Economist, Legislative Revenue Office

Richard Yates, Economist, Legislative Revenue Office

Barbara Guardino, Committee Assistant

Witnesses: Jim Markee, Oregon Mortgage Bankers Association

Tim Martinez, Oregon Banking Association

Terry Morrison, West Coast Bank

Rep. Roger Beyer, District 28

Susan Browning, Oregon Dept. of Revenue

TAPE 077, SIDE A

011 Vice Chair Rasmussen Called meeting to order at 8:38 a.m. Opened public hearing on HB 2139.

PUBLIC HEARING n HB 2139

024 Jim Markee Spoke in opposition to the measure. Problem is policy consideration about how assessment and taxation program is funded at the county level. Fee applies to 1 million documents per year. Referred to "Section B, Alphabetical Listing of Instrument Titles and Fees (Last Revised August 01, 1998)", a 22-page list from Washington County assessors. (not an exhibit.) It lists what documents would be affected. Under current law, fee is \$5 per page, which more than covers cost of processing documents. Clients get good service for this fee. Additional money for documents is used for other services.

The \$20 surcharge is not related to processing of documents. It is a tax on a limited number of people who file documents with county clerks. Dept. of Revenue would distribute most of that money back to counties, but it doesn't go back to the county from which it was generated.

085 Markee Counties' capacity has been limited by M50; many counties have lost timber revenues. This creates a constriction on county funding. If this process is begun, counties will ask for more. They will have to compete with one another for more funds.

Suggested, state directly fund a portion of assessment and taxation program.

123 Tim Martinez Spoke in opposition to the measure. Oregon Bankers Association is committed to helping first-time homebuyers. This bill would cost \$13 million, will come out of these people's pockets. An additional \$50 or \$100 in fees could keep these folks out of homes.

171 Terry Morrison Spoke in opposition to the measure. Greatest concern is impact on borrowers. Banks don't pay these fees; they pass them onto their customers. Greatest impact will be on first-time homebuyers. They fill out more documents to cover closing costs. They struggle to come up with closing costs. Could mean \$600 in additional recording fees.

202 All Questions and discussion on impact of fee increases for first-time homebuyers.

252 Rep. Witt Questions concerning \$60 million cost to run assessment and taxation program.

260 Morrison This \$20 tax would raise about 1/3 of that amount.

- 278 Paul Warner Those figures are in the interim study report.
- 283 Rep. Williams Asked for a list of 5-10 documents being recorded in a typical new home transaction. Follow-up questions.
- 338 Morrison Roughly 30-35% of clients are first-time homebuyers who use special programs that require additional recording documents.
- 370 Markee Residents who use these additional documents can least afford it. Savings and Loans League also opposes this legislation.
- 421 Markee Does not know how Dept. of Revenue will distribute this money, but was told it will be redistributed based on need of individual counties' ability to fund their assessment and taxation program. Most individuals affected by the bill would be in Portland area; the counties in most need would be elsewhere.
- Will provide committee with samples of closing documents from these special income programs.

TAPE 078, SIDE A

- 035 Vice Chair Rasmussen Closed public hearing on HB 2139. Opened public hearing on HB 2516.

PUBLIC HEARING ñ HB 2516

- 044 Ed Waters Reviewed HB 2516, Revenue Impact of Proposed Legislation (**EXHIBIT 1**). Creates subtraction from taxable income for family with non-working spouse and dependent children age 14 or younger residing at home.
- 054 Rep. Roger Beyer Bill provides \$5,000 subtraction for stay-at-home parents. It recognizes the contributions of non-working spouses.
- Referred to letter from Merrily H. Aylett-Ellis who inspired drafting of this bill (**EXHIBIT 2**).
- 073 Rep. Witt Supports concept. Asked if bill could be extended to spouse working part-time. Suggested amendment to phase out credit as stay-at-home parent begin to earn money.
- 095 Rep. Beyer Would include only spouses with no income.

Does not like phase-out suggestion. Studies show that most juvenile crime is between 3-6 p.m. when children are unsupervised. Governor has proposed spending money to decrease juvenile crime; this bill would do that.

- 119 Rep. Shetterly An example of taxpayers that would be excluded from this tax break is a family business where one spouse works at home part-time as a bookkeeper in order to receive benefits while staying home.
- 139 Rep. Beyer Stressed, would like to keep this bill simple.
- 154 Rep. Williams Noted, revenue impact statement would provide incentive to hide income.
- 195 Rep. Witt Suggested second amendment, to target lower income families only.
- 203 Rep. Beyer Considered this, but it is not just children of lower income families who can get out of control and get into trouble. People have a habit of spending what they earn. There could be just as much pressure on higher income people as lower income.
- 238 Vice Chair Rasmussen Closed public hearing on HB 2516. Opened public hearing on SB 256.

PUBLIC HEARING n SB 256

- 247 Ed Waters Gave overview of SB 256. See Revenue Impact of Proposed Legislation (**EXHIBIT 3**). Waives payment of income tax if amount due is less than \$1; changes minimum refund of excess income taxes from \$5 to \$1.
- 260 Susan Browning See Bill Summary for SB 256 (**EXHIBIT 6**). Dept. of Revenue views this as a taxpayer equity issue. Currently, Department doesn't refund any amount less than \$5; taxpayers are required to pay amounts less than \$5. The \$5 limit was originally set due to cost of processing. Now refund checks can be issued for less than \$1. Perception of fairness among taxpayers. Taxpayers are making a good argument. This would have very little revenue impact.
- 306 Rep. Rosenbaum Asked approximate cost of mailing refund checks.
- 308 Browning Costs less than \$1 per check. Amount keeps falling as more processes are automated.

339 Vice Chair Rasmussen Closed public hearing SB 256. Opened public hearing on SB 250.

PUBLIC HEARING n SB 250

345 Richard Yates Eliminates meter impression method of paying cigarette taxes (**EXHIBIT 7**). This technology is no longer used.

Discussed SB 250-1 amendments from Dept. of Revenue (**EXHIBIT 8**).

404 Susan Browning Explained how cigarette stamp program works. Distributors buy stamps to put on cigarettes, if cigarettes aren't sold, vendors return the stamped cartons for credit. This prevents smuggling.

Proposed legislation does not change the payment process. It streamlines it to require filing returns quarterly rather than monthly.

Referred to Bill Summary for SB 250 (**EXHIBIT 9**).

TAPE 077, SIDE B

040 Vice Chair Rasmussen Closed public hearing on SB 250. Opened public hearing on SB 255.

PUBLIC HEARING n SB 255

045 Richard Yates Bill limits withholding on lottery prizes to prizes paid to individuals (**EXHIBIT 10**).

060 Browning See Bill Summary (**EXHIBIT 13**). This is a tax administration issue, Oregon State Lottery is neutral on the bill. It clarifies that withholding is designed for individual taxpayers, not corporations. It also clarifies definition of a prize. There have only been a couple of instances where a corporation becomes a lottery winner.

080 All Questions and discussion interspersed.

146 Vice Chair Rasmussen Closed public hearing on SB 255. Adjourned meeting at 9:38 a.m.

Submitted by, Reviewed by,

Barbara J. Guardino Kim T. James

Committee Assistant Revenue Office Manager

Exhibit Summary:

1. HB 2516, Waters, Revenue Impact of Proposed Legislation, 1 p.
2. HB 2516, Rep. Beyer, Letter from Merrily H. Aylett-Ellis, 1 p.
3. SB 256, Waters, Revenue Impact of Proposed Legislation, 1 p.
4. SB 256, Waters, Staff Measure Summary, 1 p.
5. SB 256, Waters, Fiscal Analysis of Proposed Legislation, 1 p.
6. SB 256, Browning, Oregon Department of Revenue 1999 Legislative Session Bill Summary SB 256, 1 p.
7. SB 250, Yates, Staff Measure Summary, 1 p.
8. SB 250, Yates, Proposed Amendments to Senate Bill 250 (SB 250-1), 1 p.
9. SB 250, Yates, Oregon Department of Revenue 1999 Legislative Session SB 250, 2 pp.
10. SB 255, Yates, Staff Measure Summary, 1 p.
11. SB 255, Yates, Legislative Revenue Office no impact statement, 1 p.
12. SB 255, Yates, Legislative Fiscal Office, no expenditure impact statement, 1 p.
13. SB 255, Browning, Oregon Department of Revenue 1999 Legislative Session Bill Summary SB 255, 1 p.