

PUBLIC HEARING: HB 2947

PUBLIC HEARING & WORK SESSION: HB 3323

WORK SESSION: SB 125

TAPES 126, 127 A/B

HOUSE REVENUE COMMITTEE

APRIL 12, 1999 ñ 8:30 A.M. - HEARING ROOM A - STATE CAPITOL BUILDING

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. Max Williams

Members Excused: Rep. Bill Witt

Staff: Paul Warner, Legislative Revenue Officer

Lizbeth Martin-Mahar, Economist, Legislative Revenue Office

Ed Waters, Economist, Legislative Revenue Office

Barbara Guardino, Committee Assistant

Witnesses: Shelley Brannan, Portland

Wendy Willet, Oregon Commission for Child Care

Peter West, Renewable Northwest Project Rep. Jeff Kruse, District 45

Rep. Randy Leonard, District 21

Gary Carlson, Associated Oregon Industries

Tim Nesbitt, Service Employees International Union

Jerry Scott, City Watch, Salem

Lynn Frank, Polk County

Sylvie Horne, Multnomah County

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0012 Chair Strobeck Called meeting to order at 8:30 a.m. as subcommittee. Opened public hearing on HB 2947, tax credits. (See HB 2947-1 amendments, April 8, exhibit 2).

PUBLIC HEARING n HB 2947

033 Shelley Brannan Spoke in opposition to the measure. (Add sunset date to 1.123: Child and Dependent Care). Single parent gave testimony on the importance of the childcare credit to her success.

068 Wendy Willet Spoke in opposition to the measure. (1.123, 1.124, 11126, child care and employer tax credits) See written testimony for Oregon Commission for Child Care (**EXHIBIT 1**). 66.9% of all Oregon families with household incomes under \$25,000 report that child care is unaffordable.

102 Willet Task force has following recommendations:

1. Maintain current child and dependent care credit
2. Expand or make refundable the working family child care credit
3. Maintain the employer tax credits

128 Peter West Spoke in opposition to the measure. (Delete 1.141: Alternative Energy Devices) Alternative energy helps Oregon avoid pollutants. Every dollar of tax credits leverages 4 more dollars of private investment. These tax credits are among few of their type nationwide.

151 Chair Strobeck Would these energy savings not have occurred without this credit?

161 West Substantial amount would not have occurred.

166 Rep. Kruse Spoke in opposition to the measure. (Delete 1.140: Fish Screening Devices) HB 2947 and HB 2929 in regard to fish screening tax credit are similar in scope. Lawmakers are asking a lot of Oregonians in regard to trying to modify the way they do business. These tax credits speak to fact that lawmakers are willing to go the extra step. Not significant revenue impact on state. Fish screening is working and is very important to Oregon Salmon Recovery Plan.

212 Vice Chair Rasmussen Would a direct grant be just as effective rather than an indirect tax credit?

221 Rep. Kruse That is already being done. Favors retaining both methods. Fish screens are not a major part of Oregon plan, but are a very significant issue.

247 Rep. Rosenbaum Are small landowners mostly making use of this tax credit?

253 Rep. Kruse Yes.

165 Chair Strobeck Suspended public hearing on HB 2947; opened public hearing on HB 3323.

PUBLIC HEARING ñ HB 3323

269 Ed Waters Summarized HB 3323-1 amendments (**EXHIBIT 2**) increase corporate income and excise tax rates 1% for tax years 1999-2000. Would dedicate increased revenues to state school fund. Estimated revenue impact is \$100 million.

289 Rep. Leonard Is unhappy with the sudden "gut and stuff" in the bill that he sponsored. There is no justice in this process to the children of Oregon. Governorís opponents are using this bill as a tool to embarrass the governor, who is trying to find a way to fund schools. If the committee "gut and stuffs" HB 3323 with the amendments proposed, it will alienate the governor and lawmakers who believe there is an equitable tax structure in this state towards working class Oregonians. Mocking raising corporate income tax is an insult to working Oregonians.

339 Chair Strobeck Does not intend to embarrass the governor. The governor called for the ñ2 amendments and did not submit a bill. Drafters had to find a bill with a related clause in order to submit a bill.

350 Rep. Leonard Clarified, all things being equal, he would have voted for ñ2 amendments. Last week when Democrats were on a field trip, the Republicans were singing songs in the halls to embarrass the governor. To suggest that attitude has changed is hard to believe.

371 Chair Strobeck Governor called for this bill. If he is serious about it, he should be here to advocate for it.

385 Gary Carlson Spoke in opposition to the measure. Expressed concern with Rep. Leonardís testimony about inequities in the tax system in comparing individual and corporate tax burdens. Key differences in two kinds of taxes: Different bases ñ corporations donít get deductibility for

federal taxes. Corporate profits are taxed twice for a total 40.6%. What is left goes back into dividends for shareholders, and are taxed again at personal level in rates up to 39.6% federal and 9% by state. What is left over is retained earnings profits, for potential growth.

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- 023 Carlson Oregon's 6.6% corporate rate is only "marginally competitive." Most states tax at 6%. If taxes are raised, they will make Oregon noncompetitive.
- 047 Carlson Gave summary of corporate tax rates paid in City of Portland and Multnomah County. See Corporate Income Tax Rates (**EXHIBIT 5**).
- Governor's proposal is "ill-thought out, a Band-Aid approach to a perceived problem." Measure is not needed, not welcomed, and would be bad for state of Oregon.
- 082 Rep. Merkley What does Associated Oregon Industries bring the discussion to solve the school funding problem?
- 089 Carlson AOI has sponsored two bills: Charter schools bill, which has passed the House. A second bill deals with post-secondary enrollment options or the "student bill of rights." Gives power to parents and students to decide where they can get the best education with public dollars. Students in grades 11-12 can opt to finish their education at community colleges, universities, trade schools, etc. These bills improve the quality of education without increasing the cost.
- AOI believes there is enough money to support K-12 education. It is a matter of how that money is allocated. Allocation is not the responsibility of AOI; it is the responsibility of lawmakers.
- 143 Rep. Rosenbaum Questions concerning the importance of educating people to be ready for the workforce, and availability of higher education, other factors.
- 159 Carlson Businesses do look at readiness of freshmen to do college work.
- 176 Tim Nesbitt Spoke in support of the measure without amendments. Oregon is one of only 11 states that taxes corporate profits at a lower rate than personal income. One of even smaller number of states that has had tax shift from corporations to income taxes. Oregonians believe they are paying more and getting less. Nesbitt's daughter's text books all pre-date passage of Measure 5. It is the corporations who have been largest beneficiaries of tax relief. Solution is to equalize income tax rates, as do most states.
- 231 Nesbitt Some amendments are being drafted that would proceed with proposal that will give some tax relief for taxpayers and more money for schools.
- Responded to Mr. Carlson's testimony on differences between corporate and personal taxes. Corporate income taxes are paid after all expenses are deducted. Personal income

taxpayers can deduct a few things, but for the most part they are paying taxes on gross income. Also, corporations can deduct their state taxes from their federal income taxes.

- 258 Nesbitt Encouraged members to adopt 8.85% tax figure. Fourteen other states have corporate income tax rates at 8.85% or higher. Urged serious consideration for this proposal.
- 269 Rep. Witt Would Nesbitt support amendment that would preempt counties and cities from levying income taxes on corporations if the basic intention of HB 3323 continued to stay in the bill? Follow-up questions.
- 275 Nesbitt No, does not believe in preempting local control.
- 312 Chair Strobeck Primary reason for scheduling this bill is to consider governor's proposals, so the content of the original bill is not relevant.
- 318 Rep. Shetterly There is a bill to create a tax incident study. Without it, there is no way to know who ultimately pays a corporate tax.
- 336 Nesbitt That is a good argument for a tax incident study. Other states export much of their tax burden; Oregon does this much less.
- 352 Rep. Witt If governor's corporate tax increase is enacted; dividends paid to shareholders would also be subject to tax. Does this double taxation concern you?
- 359 Nesbitt There are many incidences of double taxation. Paying for gasoline with wages leads to double taxation.
- 373 Jerry Scott Spoke in support of the measure. Supreme Court has declared corporations have same rights as people, so why shouldn't they be taxed like people?

For every three jobs created in Oregon, two new people move here. They create demand on state services. Idea of double taxation is puzzling. Every dollar that goes through economic system is taxed more than once.
- 415 Chair Strobeck Closed public hearing on HB 3323. Opened work session on HB 3323.

WORK SESSION n HB 3323

- 396 Chair Strobeck **MOVED n2 AMENDMENTS TO HB 3323 BE ADOPTED.**

- 420 Rep. Merkley Asked Chair Strobeck to review House Leadership Budget in context of this discussion?
- 424 Chair Strobeck Issue is to raise corporate income taxes 1% for two years. Briefly reviewed section-by-section. This is an effort to comply with governor's request for \$4.9 billion for local school districts. One of two proposals by governor.
- 458 Rep. Merkley It is extremely important to have a budget before considering where a tax increase fits into it. This discussion is premature. Also, has there been any effort on part of leadership to engage in a bipartisan discussion to work out a way to tackle school funding?
- 470 Chair Strobeck Is not willing to answer question. Regrets that the school funding issue is so polarized and politicized. Blame begins with governor's office. If this proposal is not to be taken seriously, why is he proposing it?

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- 047 Vice Chair Rasmussen No one votes for a tax increase just because they want to pay more. There appears not to be any solution for a budget. Can only conclude bill this is another exercise in political theater. Will not support amendments. Called for an open discussion on this issue. That this is only one proposal, one solution. It is not the only one. Lawmakers have missed the point by rejecting this proposal rather than trying to find a solution. Asked chair not to move this bill today. Called for parties to sit down together to find a solution.
- 076 Rep. Witt To consider this tax increase is most appropriate Before lawmakers can have a firm budget, they need to know what revenues are available. Revenues for 1999 are 15% greater than 1997 biennium. Important lawmakers deal with that proposal so they can
- 089 Rep. Williams Will vote no on the amendments. Issue is to determine how to best spend \$1.2 billion available dollars. It is appropriate committee has this discussion. This is the wrong direction for Oregon to go. Appreciates chair opening up possibility for discussion to take place.
- 109 Rep. Welsh Some people are always eager to propose more taxing strategies. Some group wants more money. This bill is appropriate. Appreciates courage of those who have come forward to say this amendment makes sense, although he doesn't agree with them. Disappointed that nobody from governor's office is here. Will not vote for amendments.
- 138 Rep. Rosenbaum Will not vote for amendments. Concerned how amendments fit into long-term discussion. It is very difficult to change tax system. Concern that amendments don't do enough to change the tax system. If change can't be done in a bipartisan way, public will see this as not a serious process to find a solution. Constituents want a permanent, long-term solution.

- 161 Chair Strobeck Repeated, governor advanced this proposal and said he will run an initiative to take a more serious look at the tax proposal. This bill is a temporary, short-term increase.
- 169 Rep. Merkley It is essential that leadership of both parties sit down and discuss the options. Concerned that this proposal is a political stunt. Children of Oregon deserve more than political stunts. Will vote no on ñ2 amendments, but will be available for serious debate.
- 191 Rep. Shetterly Expressed opposition to ñ2 amendments. There are not 3/5 votes on floor, so why prolong discussion on an issue that is already dead. If there is a case to be made in context for a tax increase, let the governorís office persuade. Called for earnest discussion on budget.
- 218 Rep. Witt There is \$1.2 billion more for the 1999-01 budget than last biennium. Cannot accept claim that there is a budget cap. "Political stunt" is an unfortunate choice of words. Stunt was governor proposing a solution that has no chance to pass.
- 247 Rep. Merkley Believes governor should encourage serious discussions on this issue.
- 264 Vice Chair Rasmussen The governor is not the maker of this motion. It is the chair. Urged chair to choose set this vote aside and negotiate.
- 277 Rep. Kafoury Will vote no on ñ2 amendments. Despite tone of this conversation, it is at least a start in debate of school funding. This discussion needs to continue. Expressed hope that this is the beginning of a bipartisan effort to find adequate funding.
- 287 **VOTE** **ROLL CALL VOTE: MOTION FAILS 1-8-0**
REPRESENTATIVES VOTING AYE: CHAIR STROBECK
REPRESENTATIVES VOTING NAY: KAFOURY, MERKLEY, ROSENBAUM, SHETTERLY, WELSH, WILLIAMS, WITT, VICE CHAIR RASMUSSEN
- 296 Chair Strobeck Closed work session on HB 3323. Opened work session on SB 125.

WORK SESSION ñ SB 125

- 323 Lizbeth Martin-Mahar Reviewed SB 125-A10 amendments. See Revenue Impact of Proposed Legislation (**EXHIBIT 6**) section-by-section.
- Section 4: Narrowly targets Ms. Atterberryís situation. Cancels foreclosure proceedings, defers taxes until property is sold.
- Section 5: Changes interest rates 12% for refunds (integrated into ñA8 amendments).

380 Martin-Mahar ñA10 amendments is the new bill (**EXHIBIT 7**).

288 Chair Strobeck **MOVED ñA10 AMENDMENTS TO SB 125 BE ADOPTED.**

**ASKED FOR OBJECTIONS TO MOVING ñA10 AMENDMENTS INTO SB 125.
HEARING NO OBJECTION, THE CHAIR SO ORDERED.**

398 Rep. Shetterly **MOTION: MOVED SB 125, AS AMENDED, TO THE HOUSE FLOOR WITH A
DO PASS AS AMENDED RECOMMENDATION.**

402 **VOTE** **ROLL CALL VOTE: MOTION PASSES 9-0-0**

**REPRESENTATIVES VOTING AYE: KAFOURY, MERKLEY, ROSENBAUM,
SHETTERLY, WELSH, WILLIAMS, WITT, VICE CHAIR RASMUSSEN, CHAIR
STROBECK**

VICE CHAIR RASMUSSEN WILL CARRY THE BILL.

414 Chair Strobeck Closed work session on SB 125. Reopened public hearing on HB 2947.

PUBLIC HEARING ñ HB 2947

426 Lynn Frank Spoke in opposition to the measure. (Delete 1.143: Energy Conservation Lenders Credit)
This program has been of great benefit to people with older homes that are not well
weatherized. Loans help them replace older, inefficient furnaces.

450 Rep. Witt Noted, credit has less than a \$50,000 impact.

455 Chair Strobeck Credit is in a decline.

458 Frank Credit is reaching more people around the state. Those coming in for help today have no
other alternatives.

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031 Rep. Welsh This credit will increase in use after this session. House Water & Environment Committee
is considering legislation regarding heating oil tanks. 50% are leaking and must be replaced
or repaired. Many homeowners will change to alternative forms of heating.

048 Sylvie Horne Spoke in opposition to the measure. (Sunset date to 1.123: Child and Dependent Care).
This credit enables Powell Books to hire from a workforce that would otherwise be

unavailable because of child care expenses. Once these people get into work, they also receive other benefits (health care, etc.).

083 Chair Strobeck

Adjourned meeting at 10:00 a.m.

Submitted by, Reviewed by,

Barbara J. Guardino Kim T. James

Committee Assistant Revenue Office Manager

Exhibit Summary:

1. HB 2947, Willet, Oregon Commission for Child Care, 2 pp.
2. HB 3223, Leonard, Proposed Amendments to House Bill 3323 (HB 3323-2), 1 p.
3. HB 3323, Waters, Revenue Impact of Proposed Legislation for HB 3323-1, 1 p.
4. HB 3323, Waters, Proposed Amendments to House Bill 3323 (HB 3323-1), 1 p.
5. HB 3323, Carlson, Associated Oregon Industries, Corporate Income Tax Rates, 1 p.
6. SB 125, Martin-Mahar, Revenue Impact of Proposed Legislation for SB 125-A10, 2 pp.
7. SB 125, Martin-Mahar, Proposed Amendments to A-Engrossed Senate Bill 125 (SB 125-A10), 5 pp.
8. SB 125, Martin-Mahar, Revenue Impact of Proposed Legislation for SB 125-A9, 2 pp.
9. SB 125, Martin-Mahar, Proposed Amendments to A-Engrossed Senate Bill 125 (SB 125-A9), 4 pp.
10. SB 125, Martin-Mahar Proposed Amendments to A-Engrossed Senate Bill 125 (SB 125-A8), 2 pp.
11. HB 2947, Rohleder, Statement on House Bill 2947 by Oregon Dept. of Fish and Wildlife, 3 pp.