

PUBLIC HEARING & WORK SESSION: HB 2079

PUBLIC HEARING: HB 2080, HB 2792, HB 2947

WORK SESSION: HB 2811

TAPES 133, 134 A/B

HOUSE REVENUE COMMITTEE

APRIL 15, 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

Rep. Bill Witt

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. Betsy Close, District 36

Rep. Jason Adkinson, District 51

Lynn McNamara, League of Oregon Cities

Mark Noakes, County Assessors and Tax Collectors Associations

Paul Donheffner, State Marine Board

Gwen Dayton, Oregon Health Care Association

Gil Riddell, Association of Oregon Counties

Grover Simmons, Adult Care Providers of Oregon

Dean Kortge, Oregon Life Underwriters Association

Peggy Anet, Health Insurance Association of America

Lincon Cannon, Oregon Forest Industries Council

Don Schellenberg, Oregon Farm Bureau

TAPE 133, SIDE A

010 Chair Strobeck Called meeting to order at 8:38 a.m. Opened public hearing on HB 2792, senior property tax relief. Incorporates amendments from HB 3022.

PUBLIC HEARING n HB 2792

015 Rep. Close Reviewed HB 2792-2 amendments (**EXHIBIT 1**). These amendments change the property tax credit to be taken as a rebate on state income tax; add joint income cap of \$36,000; require filing deadline of July 1; allow late rebate filing date of December 31 with late fee to be determined by committee.

Program will be called "Senior Property Tax Rebate Act".

032 Rep. Close Referred to Revenue Impact of Proposed Legislation (**EXHIBIT 2**).

Goal of this bill is to honor seniors who are on fixed incomes by giving them a stable economic future.

041 Rep. Adkinson Co-sponsored bill with Rep. Close. Sponsors took Chair Strobeck's comments and suggestions and incorporated them so that the bill wouldn't hurt cities and counties. At same time, the bill helps target the intended recipients, senior citizens.

068 Chair Strobeck Questions in regard to "frozen value" that was of concern during previous hearing of this bill. This would be an administration problem for counties. It appears that the amendments still have this provision.

080 Lizbeth Martin-Mahar Counties would still base property taxes on assessed value. The increase from the frozen value is being rebated (page 2, subsection 3). Also, any additions to the house changes the frozen value. Frozen value determines the rebate from the Dept. of Revenue.

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| 090 | Chair Strobeck | Suggested dropping frozen value and having rebate as percentage as tax paid by qualifying senior. This would be easier to administer. Also, why would the tax be applied as a credit on the next tax year rather than simply as a refund check? |
| 106 | Rep. Close | Legislative counsel advised that this was the easiest way to do it. |
| 115 | Chair Strobeck | Reason for this concern is that counties would have to maintain a separate set of books. |
| 127 | All | More questions and discussion on ñ2 amendments. |
| 187 | Chair Strobeck | Amendments need more work although ñ2 amendments have accomplished a lot. Committee will hear this bill again. |
| 197 | Mark Noakes | Has not reviewed ñ2 amendments. Expressed concern with terminology in regard to Measure 50. Lawmakers need to be careful when they freeze values. Administratively, this language is not easily understood. |
| 224 | Lynn McNamara | League of Oregon Cities is concerned that taking tax dollars from cities doesn't help the rest of the community. It appears that the ñ2 amendments deal with this. |
| 242 | Martin-Mahar | Reviewed HB 2792-4 amendments (EXHIBIT 3). Amendments incorporate income level changes from HB 3022 (heard March 31) in order to have one bill dealing with senior issues. Referred to Revenue Impact of Proposed Legislation for HB 2792-4 (EXHIBIT 4) table. Increase in participation due to increase in income limit. Projected positive balance of \$4.7 million in 1999-2000. Questions and discussion. |
| 319 | Chair Strobeck | Will redraft first set of amendments and revisit this measure. Closed public hearing on HB 2792. Opened work session on HB 2811. |

WORK SESSION ñ HB 2811

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| 332 | Paul Donheffner | Marine Board has had number of conversations recently with Oregon Dept. of Transportation (ODOT) and Dept. of Administrative Services (DAS). The result is the HB 2811-4 amendments (EXHIBIT 6). Amendments provide that future estimates will be based on a survey, conducted by a third party. Estimate will be based on typical daily fuel consumption of motorboats. Next survey will be 2003. The survey will be every four years rather than every two years. |
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| 379 | Richard Yates | Reviewed HB 2811-2 amendments (EXHIBIT 7). ñ2 amendments provide for two payments, July 15 and Sept. 15. |
| 397 | Rep. Welsh | MOVED ñ4 AMENDMENTS TO HB 2811 BE ADOPTED. |
| 399 | Chair Strobeck | ASKED FOR OBJECTIONS TO MOVING ñ4 AMENDMENTS INTO HB 2811. HEARING NO OBJECTION, THE CHAIR SO ORDERED. |
| 405 | Rep. Welsh | MOTION: MOVED HB 2811, AS AMENDED, TO THE HOUSE FLOOR WITH A DO PASS AS AMENDED RECOMMENDATION. |
| 410 | VOTE | ROLL CALL VOTE: MOTION PASSES 7-0-2 REPRESENTATIVES VOTING AYE: KAFOURY, ROSENBAUM, SHETTERLY, WELSH, WILLIAMS, WITT, CHAIR STROBECK REPRESENTATIVES EXCUSED: MERKLEY, VICE CHAIR RASMUSSEN REP. WELSH WILL CARRY THE BILL. |
| 455 | Chair Strobeck | Closed work session on HB 2811. Opened public hearing on HB 2079. |

TAPE 134, SIDE A

PUBLIC HEARING ñ HB 2079

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| 015 | Gwen Dayton | <p>Spoke in support of the measure. HB 2079 provides for a property tax exemption for long-term care facilities with a 70% Medicaid population. Medicaid has not kept up with inflation and increase in long-term health care cost. Minimum wage rise has made problem more acute. Those who rely on Medicaid as a source of revenue are increasingly squeezed. The</p> <p>consequence of lack of financial viability for long-term care facilities is greater than just economic viability in a business. If a facility that relies on Medicaid goes under, the people who rely on Medicaid will have no place to go. This is of particular concern in rural areas. People want to stay in their home communities.</p> |
| 052 | Dayton | Referred to ñ1 amendments (See April 5, exhibit 3) that make this a local option. Areas where there is a pressing need can decide to adopt it. |
| 069 | Dayton | During April 5 hearing, there were some questions about the wording of the ñ1 amendments. Legislative counsel and local governments have said the current wording is the proper wording. |

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| 083 | Rep. Witt | Why does this not apply to adult foster homes? |
| 085 | Dayton | Oregon Health Care Association has no objection to including adult foster homes. There is another bill to address this. There are 2,000 adult foster homes, so that would create a greater impact. |
| 096 | Rep. Witt | Do adult foster homes provide care for low income people in the same way as other long-term facilities? |
| 104 | Dayton | Yes, in that they rely on Medicaid as a purchaser of their services. Does not know what percentage of adult foster care patients are on Medicaid. |
| 111 | Rep. Rosenbaum | Questions concerning local option in poor communities. How can the poorer communities take advantage of this? Follow-up questions. |
| 122 | Dayton | No individual county should have a huge financial impact. Impact to smaller, rural counties should be lower. |
| 198 | Gil Riddell | <p>Commented on ñl amendments. Exempted taxes would depend upon the governing body's actions. The party pursuing this exemption would have to go to each taxing district individually. It appears that the core problem is that Medicaid is covering the cost. This bill seeks to ask local governments to make up payments by federal government. Associated Oregon Counties would prefer HB 2039 for any new property tax exemption granted, state would provide funding. Asked committee to consider amending HB 2039 to fund 50% of local government losses. Prefer this approach over a local option approach.</p> <p>Questions and discussion.</p> |
| 262 | Rep. Witt | Asked Mr. Simmons whether adult foster homes should be included in language of this bill. |
| 275 | Grover Simmons | Yes. HB 3125 has identical language, except formula is 60% Medicaid occupancy instead of 70%. If adult foster homes were required to meet 70% Medicaid occupancy requirements in order to qualify, four out of five patients would have to be on Medicaid. 60% eligibility means three out of five. |
| 309 | Simmons | Regarding cost of including adult foster homes in this bill, there are approximately 1,950 adult foster homes. 50-60% have Medicaid contracts. There is no data to reflect how many have Medicaid patients. |

Expressed support for ñ1 amendments (local option) and overall bill.

347 Rep. Merkley Concerning local option, if all taxing districts except two approved it, would it still engage?

357 Martin-Mahar Yes.

361 Chair Strobeck Recessed meeting; reconvened meeting.

365 Chair Strobeck Closed public hearing on HB 2079. Opened work session on HB 2079.

WORK SESSION ñ HB 2079

369 Rep. Kafoury **MOTION: MOVED -1 AMENDMENTS TO HB 2079 BE ADOPTED.**

370 Chair Strobeck **ASKED FOR OBJECTIONS TO MOVING ñ1 AMENDMENTS INTO HB 2079. HEARING NO OBJECTION, THE CHAIR SO ORDERED.**

375 Rep. Kafoury **MOTION: MOVED HB 2079, AS AMENDED, TO THE HOUSE FLOOR WITH A DO PASS AS AMENDED RECOMMENDATION.**

381 **VOTE** **ROLL CALL VOTE: MOTION PASSES 8-0-1**
REPRESENTATIVES VOTING AYE: KAFOURY, ROSENBAUM, SHETTERLY, WELSH, WILLIAMS, WITT, VICE CHAIR RASMUSSEN, CHAIR STROBECK
REPRESENTATIVES EXCUSED: MERKLEY, REP. KAFOURY WILL CARRY.
(See Tape 134-B, Meter # 121 for Rep. Merkley's vote and final vote.)

400 Chair Strobeck Closed work session on HB 2079. Opened public hearing on HB 2080.

PUBLIC HEARING ñ HB 2080

412 Ed Waters Reviewed HB 2080. Creates non-refundable personal and corporate income tax credit based upon premiums paid for long-term care insurance. See Revenue Impact of Proposed Legislation (**EXHIBIT 9**).

421 Gwen Dayton Spoke in support of the measure. See written testimony, Oregon Health Care Association

Proposed a Tax Credit to Encourage the Purchase of Long Term Care Insurance **(EXHIBIT 12)**. Also see Projected Oregon Medicaid Savings in (year) 2030 Through Increased Purchase of Long Term Care Insurance **(EXHIBIT 13)**. Bill provides tax credit towards the cost of long-term care insurance. 15% with cap of \$500. Available to individuals or employers. Requires Senior & Disabled Services to works with Dept. of Consumer and Business Services to educate Oregonians about the need to plan for long-term care. Oregonis baby boomers are aging. Half will need long-term care.

456 Dayton In next 30 years, number of people over 85 will increase four times. They are the largest users of long-term care. Individuals are not prepared for this. Nationwide, only 3% of adults have long-term care insurance.

TAPE 133, SIDE B

037 Dayton Medicare and savings wonit cover long-term care. Failure to prepare for cost of long-term care is primary cost of impoverishment among elderly. State of Oregon is not prepared for this increase. Medicaid is already strained. If Oregonians donit do something, Medicaid claims will triple. At the same time, fewer younger people will be paying into the system. Those who can afford to pay their own long-term needs must be encouraged to do so.

076 Dayton HB 2080 will educate Oregonians and give them an incentive. This will begin to address the problem. Medicaid is supposed to be a safety net for low income people. It has become the long-term care insurance care of choice. There is a deduction, but it applies only to people 62 or older.

114 Ed Waters In reply to Rep. Merkleyis, questions, this bill refers to item 1.092 in the Tax Expenditure Report.

127 Rep. Williams Favors concept. Asked to what extent might this bill serve as an incentive to get people to purchase long-term care insurance? Follow-up questions.

144 Dayton Baby boomers have indicated willingness to spend \$34/month on long-term care.

169 Rep. Shetterly Expressed concern that this will penalize people who have planned ahead.

180 All Questions and discussion continued.

221 Rep. Rosenbaum Questioned whether a 15% tax credit would enable people to purchase this insurance since it costs \$1,800. Toward what income level is this credit targeted?

243 Dayton It is less expensive if purchased at an early age. It is more expensive for elderly to purchase. Purchasers tend to be older. Bill would encourage younger people to purchase it.

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| 263 | Dean Kortge | Spoke in support of the measure. See written testimony (EXHIBIT 14) . Encouraging Senior and Disabled Services to work with Dept. of Business and Consumer Affairs is significant. Does not believe people purchase insurance because of tax credit. |
| 309 | Peggy Anet | Spoke in support of the measure. See Long Term Care Tax Credit (EXHIBIT 15) . Focused discussion on how to design a plan, how to deal with tax consequences. |
| 329 | Anet | Discussed how to get employers to offer long-term care insurance. One reason for putting employer provider provision is to encourage employer offerings. Very few employers offer this now. 52% of employers who offer it had fewer than 100 employees. Employer options reach younger workers. |
| 410 | Anet | Concerning Rep. Merkley's idea of a graduated tax credit, the Health Insurance Association didn't want to provide incentive for younger individuals to purchase at the expense of older people. |
| 440 | Anet | Concerning Rep. Rosenbaum's question, "who buys this product?" It is designed for people with modest or higher income, not to lower income. These kinds of plans are important for young individuals with catastrophic injuries. |

TAPE 134, SIDE B

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| 035 | Rep. Shetterly | Will this tax credit benefit people who probably wouldn't end up in the Medicaid system anyway? |
| 048 | Anet | Taking a look at expense of long-term care, people of modest or even upper-middle income will not have enough to meet long-term care expenses. Current average savings of baby boomers is \$34,000. Nursing care will average \$200-300,000. Those with modest means will benefit most. |
| 065 | Kortge | Result of this credit will be to give incentive to lower-to-middle income. |
| 082 | Rep. Williams | The aging population will continue to grow. If state doesn't deal with this issue, there will be "generational warfare" between funding education and funding programs for the elderly population. State is close to that now, and the situation will only get worse. |
| 097 | Anet | Will work with Legislative Revenue staff to discuss three options that could reduce revenue impact. |
| 103 | Rep. Rosenbaum | Suggested considering means testing as a revenue impact option. |

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| 108 | Chair Strobeck | Closed public hearing on HB 2080. Opened public hearing on HB 2047. |
| 122 | Chair Strobeck | REQUESTED UNANIMOUS CONSENT TO SUSPEND THE RULES TO ALLOW REP. MERKLEY TO VOTE ON HB 2079. HEARING NO OBJECTIONS, THE CHAIR SO ORDERED. |
| 127 | Rep. Merkley | VOTES AYE MOTION PASSES 9-0-0 |

PUBLIC HEARING n HB 2047

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| 129 | Lincoln Cannon | <p>Spoke in opposition to the measure. (Delete 1.145: Reforestation Tax Credit) This credit is used broadly. Law requires reforestation; this credit is really a stand conversion credit, aimed at converting under-productive land into forestland. Conversion is more expensive than reforestation. Mostly corporations use this credit.</p> <p>Expenditure is \$50 per acre; it generates \$400 per acre in increased taxes.</p> |
| 182 | Don Schellenberg | <p>Spoke in opposition to the measure.</p> <p>(Delete 1.129 Farm Worker Housing Lender's Credit). Spread between income and expenses keeps widening for farmers. Helps farmers as well as employees.</p> <p>(Delete 1.132 Crop Gleaning) Helps people in need of food. Gives farmers incentive to donate this food.</p> <p>(Delete 1.133 and 1.135 Field Burning and Pollution Control) Field burning has been greatly diminished but farmers still need to dispose of grass seed straw.</p> |
| 232 | Chair Strobeck | Adjourned meeting at 10:10 a.m. |

Submitted by, Reviewed by,

Barbara J. Guardino Kim T. James

Committee Assistant Revenue Office Manager

Exhibit Summary:

1. HB 2792, Close, Proposed Amendments to House Bill 2792 (HB 2792-2), 13 pp.
2. HB 2792, Martin-Mahar, Revenue Impact of Proposed Legislation for HB 2792-2, 2 pp.
3. HB 2792, Martin-Mahar, Proposed Amendments to House Bill 2792 (HB 2792-4), 7 pp.
4. HB 2792, Martin-Mahar, Revenue Impact of Proposed Legislation for HB 2792-4, 1 p.
5. HB 2792, Martin-Mahar, Proposed Amendments to House Bill 2792 (HB 2792-1), 1 p.
6. HB 2811, Donheffner, Proposed Amendments to House Bill 2811 (HB 2811-4), 2 pp.
7. HB 2811, Yates, Proposed Amendments to House Bill 2811 (HB 2811-2), 3 pp.
8. HB 2079, Martin-Mahar, Revenue Impact of Proposed Legislation for HB 2079-1, 1 p.
9. HB 2080, Waters, Revenue Impact of Proposed Legislation for HB 2080, 1 p.
10. HB 2080, Waters, Staff Measure Summary, 1 p.
11. HB 2080, Legislative Fiscal Office, No Fiscal Impact statement, 1 p.
12. HB 2080, Dayton, Oregon Center for Assisted Living, Oregon Health Care Association Proposes a Tax Credit to Encourage the Purchase of Long Term Care Insurance, 3 pp.
13. HB 2080, Dayton, Oregon Center for Assisted Living, Projected Oregon Medicaid Savings in 2030 Through Increased Purchase of Long Term Care Insurance, 30 pp.
14. HB 2080, Anet, Testimony on HB 2080, Long Term Care Tax Credit, 3 pp.
15. HB 2080, Staff, The Oregon Chapter of the Alzheimer's Association, 1 p.
16. HB 2080, Davis, United Seniors of Oregon: Testimony to the House Revenue Committee Support of HB 2080, 1 p.
17. HB 3022, Martin-Mahar, Revenue Impact of Proposed Legislation for HB 3022 (Corrected), 1 p.
18. HB 3022, Martin-Mahar, Senior Citizens' Property Tax Deferral Program, 1 p.