

PUBLIC HEARING:

HB 3595, HB 2082, HB 3157

TAPES 144, 145 A/B

HOUSE REVENUE COMMITTEE

APRIL 22, 1999 ñ 8:15 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

Ed Waters, Economist, Legislative Revenue Office

Richard Yates, Economist, Legislative Revenue Office

Barbara Guardino, Committee Assistant

Witnesses: Rep. Karen Minnis, District 20

Richard Weill, Multnomah County

Rep. Vic Backlund, District 33

Marty Heyen, Salem

George Reemer, General Counsel, Oregon State Bar Assn.

Susan Browning, Oregon Dept. of Revenue

Jim Wadsworth, City of Portland

Terri Williams, City of Portland

Linda Meng, City of Portland

Doug Riggs, City of Redmond

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008 Chair Strobeck Called meeting to order at 8:15 a.m. Opened public hearing on HB 3595.

PUBLIC HEARING n HB 3595

012 Rep. Minnis Spoke in support of the measure. Bill was drafted on behalf of Troutdale attorney, Richard A. Weill. City of Portland is taxing him to use the courthouse, and he does not believe he should be taxed.

031 Richard Weill Spoke in support of the measure. In April 1998, Weill received letter from City of Portland Bureau of Licenses saying he needed to purchase a \$500 business license to use the Multnomah County courthouse. See letter from Mr. Weill (**EXHIBIT 1**). His law practice is licensed in Troutdale, but he finds it necessary to do business occasionally in Portland because that is the location of the courthouse.

084 Chair Strobeck, Rep. Merkley Questions concerning Weill's practice, locations of his clients, percentage of his work in Multnomah County.

122 Weill Believes the license is unconstitutional because it inhibits the rights of citizens to access to state and federal courts. As an officer of the court, Weill is fulfilling a constitutional office.

139 Rep. Rosenbaum City code implies that this license would cover other types of businesses. An exception that would apply only to lawyers could create an iniquity.

144 Weill That is why Weill suggested a revision in section 2 of the bill, focusing on simply being at the courthouse. Lawyers don't necessarily choose which courthouse to try a case.

167 Rep. Williams How did it come about that city got his name in order to send these letters?

171 Weill Does not know.

177 Rep. Williams Rep. Williams has never been required to pay a local license, nor has Rep. Shetterly ñ both are lawyers.

2011 Chair Strobeck Suspended public hearing on HB 3595. Opened public hearing on HB 3157.

PUBLIC HEARING ñ HB 3157

204 Ed Waters HB 3157 would allow an income tax subtraction for costs incurred in adopting a child. Defines qualifying costs. Costs do not include travel or lodging costs, medical expenses, or fees paid to surrogate parents. **(EXHIBIT 2).**

213 Rep. Backlund Received letters from Darrell and Zelma Gulstrom **(EXHIBIT 3)** and other adoptive parents asking him to help adoptive parents. Average expense to go through a private adoption agency is \$15,000. Federal tax deduction if \$5,000. Oregon has no deduction. This credit would encourage parents to adopt through private agencies.

268 Marty Heyen Spoke in support of the measure. It cost \$20,000 to adopt her son David. Many people who can't afford to adopt would do so if they could get this tax credit.

317 Susan Browning Pointed out problems with the wording of HB 3157. Lines 6-7: Delete phrase "included in federal taxable income." Add wording to assure no "double dipping" takes place.

337 Chair Strobeck Questions concerning revenue impact statement.

365 Chair Strobeck Closed public hearing on HB 3157. Resumed public hearing on HB 3595.

CONTINUED PUBLIC HEARING ñ HB 3595

372 George Reemer Oregon State Bar Association appeared on behalf of an attorney from Gresham on this matter. At what point should business activity in the city be taxed? Any professional or business could be taxed under this law. Dozens of lawyers from outside Portland come to Portland to do some of their business. Are they all required to have a city business license? On behalf of the Bar, requested further study of this issue. Question is, at what point should there be a license requirement?

Questions and discussion interspersed.

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049 Rep. Shetterly This discussion raises question of location of clients. Rep. Shetterly lives in Dallas and serves clients in Portland.

064	Reemer	There needs to be some examination of the threshold upon which a business license tax is triggered. This is a complex question. It does not apply only to lawyers.
089	Jim Wadsworth	<p>Spoke in opposition to the measure. See written testimony (EXHIBIT 6) verbatim. Gave brief background on City of Portland business license law.</p> <p>Objected to a law that singles out one profession as exempt from this tax.</p>
148	Rep. Shetterly	Questions concerning language in testimony, "regular and routine." That seems to be a heart of the problem.
155	Terri Williams	This language is not in the city code. Since code was written, U.S. Supreme Court established a de minimus standard, although didn't draw a clear line. City tries to use this standard.
179	Rep. Williams	Asked for how Mr. Weillsi alleged violation came to the attention of City of Portland.
184	T. Williams	Explained process of searching records to discover who is paying and why. In case of attorneys, city looks for repeated filers in the county courthouse. Those with higher level of activity are pursued further.
215	Rep. Williams	<p>Lawyers have no choice but to appear in Multnomah County court. How is that fair?</p> <p>Follow-up questions.</p>
223	T. Williams	Gave examples of other businesses having no option ñ airlines, doctors.
248	Linda Meng	<p>Spoke in support of the measure. See written testimony (EXHIBIT 7) paraphrased. Bill is "over-broad and oddly-narrow". If someone earns half of income in Portland, they should be required to pay the tax. Business license tax has been an important part of Portland's tax base since 1903. Urged committee to reject this bill.</p> <p>Would prefer language, "regular routine" rather than "principle practice".</p>
323	Rep. Shetterly	Questions concerning how to determine whether a lawyer's business is "regular routine" or "principle practice"? How does city determine whether lawyer is subject to the business tax?
349	Meng	It is based on where the individual is performing the service for which he is producing income. If a client comes to the attorney outside Portland, the attorney would not be taxed

in Portland. People come into city use city's services (fire, police, streets, etc.). There is a connection between coming into the city to do business and paying the tax.

- 376 Rep. Shetterly This bill will discourage people from traveling into Portland to see clients.
- 425 Chair Strobeck In the era of getting rid of tariffs and establishing free trade zones, this seems like an enormous barrier. Businesses can ship goods overseas without tariffs, but can't do business in Portland. Agreed with Rep. Shetterly that people will reconsider coming to Portland to do business.
- 453 Rep. Kafoury Disagreed. If there were going to be a negative effect, it would have occurred by now.

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- 039 All Continued comments and discussion on business license tax.
- 056 Chair Strobeck Closed public hearing on HB 3595. Opened public hearing on HB 2082.

PUBLIC HEARING n HB 2082

- 069146 Richard Yates Reviewed HB 2082-A11 amendments (**EXHIBIT 10**). Change percentages of current revenues. HB 2082 has two revenue components, old and new. New revenue is amount raised by tax increase. Amendments change the distribution of the old revenue. Currently, 24% goes to counties, 16% to cities, 60% to state. Bill changes it to 30% to counties, cities get 20% and state gets 50%.
- 184 Yates Began discussion of information packet, (**EXHIBIT 11**), information from the Highway Cost Allocation Study (HCAS) commissioned by Dept. of Administrative Services. Information looks at relationship between costs and revenues paid by different vehicle classes/weights.
- Page 161999 HCAS: Registration Fees
- Flat Fee Tax Options to Weight-Mile Tax
- Questions and discussion.
- 251 Chair Strobeck Asked Yates to discuss this study as opposed to earlier studies. What is different about this study?

254	Yates	Would prefer to wait for report on the final model, in about a week. Continued discussion on bottom of page 1: Road Use Assessment Fee
304	Yates	Suggested amendment to put Road Use Assessment Fee table in statute.
312	Yates	Page 2: Weight-Mile Tax Rates: Current Law 78,000-80-000 declared weight range is dominant class. Rate is \$136 per thousand miles traveled. Page 3: 1999 HCAS Weight-Mile Tax Rates for Current Law. Notice fairly large increase at lower weights. Drops below current as weight increases.
356	Yates	Page 4: 1999 HCS Weight-Mile Tax Rates for Current Law ñ Axle Differentials Extended to Vehicles in the 26,000 to 80,000 Pound Range
369	Chair Strobeck	Questions concerning charts on pages 3 and 4, cost responsibility.
407	Yates	Page 5: Weight-Mile Tax Rates from 1111 HCAS: Change From Current Law. Shows differentials. Vehicles with smaller numbers of axles were not paying their cost responsibility; heaviest vehicles were paying more than their share. Questions and discussion relating to truck tax issue.
451	Yates	Page 6: Exhibit 1, Cost Responsibility for Construction and Other Expenditures by Expenditure Category. Cost responsibility shares to reflect distribution of subsidies will need to be adjusted.

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038	Yates	Page 7: Exhibit 2, Cost Responsibility for Construction and Other Expenditures by Expenditure Category Page 8: Table 7, Vehicle Miles, Revenue, and Cost Responsibility
044	Yates	Page 9: Table 7A, Vehicle Miles, Revenue, and Cost Responsibility. Removes tax subsidy and reallocates it among full fee paying vehicles. The question is how to decide how to reallocate subsidy. Questions and discussion on cost responsibility, registration fee changes.

138	Yates	Page 10: Change in Heavy Vehicle Share Based on Distribution
165	Yates	Pages 11-12: Annual Revenue From Highway User Fees; Biennial Revenue From Highway User Fees
236	Yates	Page 13: 1999 HCAS Weight-Mile Tax Rates for HB 2082-A. Page 14: Weight-Mile Tax Rates for HB 2082-A: Change from 1999 HCAS
272	Yates	Page 15: Distribution of Highway User Fees Under HB 2082-A Page 16: Distribution of Highway User Fees Under HB 2082A-11
339	Chair Strobeck	Summarized, all these calculations and charts relate to HB 2082 even though primary subject is gas tax. It is relative impact, based on action that legislature takes on gas tax, that is causing this to occur.
376	Chair Strobeck	Closed public hearing on HB 2082. Adjourned meeting at 10:03 a.m.

Submitted by, Reviewed by,

Barbara J. Guardino Kim T. James

Committee Assistant Revenue Office Manager

Exhibit Summary:

1. HB 3595, Weill, Troutdale Law Firm, Richard A. Weill, P.C. testimony, 6 pp.
2. HB 3157, Waters, Revenue Impact of Proposed Legislation, 1 p.
3. HB 3157, Backlund, letter from Darrell and Zelma Gulstrom, 2 pp.
4. HB 3157, Backlund, Coalition of Oregon Adoption Agencies, 1 p.
5. HB 3157, Backlund, Oregon Adoption Petition Statistics, 1 p.
6. HB 3595, Wadsworth, City of Portland, Oregon, Testimony on House Bill 3595, Jim Wadsworth, Bureau Director, 2 pp.
7. HB 3595, City of Portland, Oregon, Testimony of Linda Meng, City of Portland Attorney's Office, 2 pp.
8. HB 2082, Riggs, Testimony of Doug Riggs on Behalf of the City of Redmond, 2 pp.
9. HB 2082, Riggs, photograph of City of Redmond downtown traffic, 1 p.
10. HB 2082, Yates, Proposed Amendments to A-Engrossed House Bill 2082 (HB 2082-A11), 9 pp.

11. HB 2082, Yates, 1999 HCAS: Registration Fees, 16 pp.