

**PUBLIC HEARING & WORK SESSION: HB 2473**

**WORK SESSION: HB 2982, HB 3405, HB 3600,**

**HB 3211, HB 2087, HB 2090**

**TAPES 147, 148 A/B, 149 A**

## **HOUSE REVENUE COMMITTEE**

**APRIL 26, 1999 ñ 8:15 A.M. - HEARING ROOM A - STATE CAPITOL BUILDING**

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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

Steve Meyer, Economist, Legislative Revenue Office

Barbara Guardino, Committee Assistant

Witnesses: Sarah Doll, Oregon Environmental Council

Hilary Abraham, Oregon Environmental Council

John Tapogna, ECONorthwest

Mark Landauer, City of Portland

**TAPE 147, SIDE A**

348 Chair Strobeck Called meeting to order at 8:25 a.m. Opened work session on HB 3600, Individual Development Accounts (IDA).

*Meeting begins at meter # 348.*

**WORK SESSION ñ HB 3600**

368 Rep. Merkley Explained ñ3 amendments (**EXHIBIT 1**). Addresses a number of issues raised last week. Clarifies that one cannot qualify for both a state deduction and also receive tax credit (lines 11-16 of amendment). Also clarifies ceilings.

422 Ed Waters Amendment will not affect caps placed on revenue impact.

437 Rep. Witt Will support this bill, although bill should be targeted to lowest-income people. Application is too broad. Follow-up questions.

464 Rep. Merkley Took language of bill concerning ceiling from the national model. It is a local control issue.

**TAPE 148, SIDE A**

063 Chair Strobeck Will support bill, but voiced same reservations as Rep. Witt. Has a problem with defining half of the population as "lower income households". ñ3 amendments allow a lower threshold.

070 Rep. Witt Reducing credit from 50% to 25% of amount contributed (page 5, section 12) has the effect of making it harder to get contributions into this program. Would prefer it to remain at 50%.

078 Rep. Merkley Intent was to leverage state dollars with private dollars. The drafters didn't take into account that people would be eligible for both state and federal deductions. ñ3 amendments reformulate this so a participant is eligible for the federal deduction but not state.

089 Vice Chair Rasmussen MOVED ñ3 AMENDMENTS TO HB 3600 BE ADOPTED. HEARING NO OBJECTIONS, THE CHAIR SO ORDERED.

092 Vice Chair Rasmussen **MOTION: MOVED HB 3600, AS AMENDED, TO THE HOUSE FLOOR WITH A DO PASS AS AMENDED RECOMMENDATION.**

095 VOTE **ROLL CALL VOTE: MOTION PASSES 8-0-1**

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

**REPRESENTATIVES EXCUSED: WELSH**

**REP. MERKLEY WILL CARRY THE BILL.**

104 Chair Strobeck Closed work session on HB 3600. Opened public hearing on HB 2473.

**PUBLIC HEARING n HB 2473**

113 Hilary Abraham Introduced herself and colleague, Sarah Doll.

117 Sarah Doll Spoke in support of the measure. See written testimony **(EXHIBIT 2)**. Green Tax Study bill addresses pollution control problems. Discussed green taxes, their benefits. Green taxes give businesses and individuals more control over their tax burden. Rep. Witt will propose amendments that address concerns raised during first hearing. Legislative Revenue Office is willing to administer a study. Nothing in HB 2473 makes statement whether or not green taxes are a good thing. That is a decision for 2001 legislature. The study will give the 2001 legislature information it needs to decide whether to implement green taxes in Oregon.

Questions and discussion concerning n1 amendments and how they differ from the original bill.

188 Paul Warner Gave brief overview of HB 2473-1 amendments **(EXHIBIT 4)**. Specifies that the Legislative Revenue Office will staff the task force. Comments from initial meeting were to make the task force less directive and more study-oriented than the initial bill.

203 Rep. Witt Page 1, line 18 of bill should be amended to read "Legislative Revenue shall appoint" rather than "Director of Dept. of Revenue". This can be done with a conceptual amendment.

219 All Discussed language to create consistency between who staffs the task force and who takes the lead in determining the members.

294 Rep. Witt Requested conceptual amendment to change line 18 to read "Legislative Revenue Office".

298 Chair Strobeck Committee will consider a conceptual amendment during work session.

301 John Tapogna Neutral on measure. See written testimony **(EXHIBIT 6)** verbatim. Commented on feasibility of conducting a study of environmental taxes as proposed in the bill.

361 Chair Strobeck Closed public hearing on HB 2473. Opened work session on HB 2473.

#### **WORK SESSION n HB 2473**

365 Rep. Kafoury **MOVED n1 AMENDMENTS TO HB 2473 BE ADOPTED. HEARING NO OBJECTIONS, THE CHAIR SO ORDERED.**

371 Chair Strobeck **MOVED A CONCEPTUAL AMENDMENT: PAGE 1, LINE 18 OF THE BILL, INSERT "AND THE LEGISLATIVE REVENUE OFFICER" AFTER "DIRECTOR OF THE DEPARTMENT OF REVENUE". HEARING NO OBJECTION, THE CHAIR SO ORDERED.**

418 Rep. Kafoury **MOTION: MOVED HB 2473, AS AMENDED, TO THE COMMITTEE ON WAYS AND MEANS, WITH A DO PASS AS AMENDED RECOMMENDATION.**

422 **VOTE** **ROLL CALL VOTE: MOTION PASSES 7-0-2**  
**REPRESENTATIVES VOTING AYE: KAFOURY, MERKLEY, ROSENBAUM, SHETTERLY, WILLIAMS, WITT, CHAIR STROBECK**  
**REPRESENTATIVES EXCUSED: WELSH, VICE CHAIR RASMUSSEN**  
*(For vote of Vice Chair Rasmussen and for final vote, see tape 149, meter # 212.)*

435 Chair Strobeck Closed work session on HB 2473. Opened work session on HB 2982.

#### **TAPE 147, SIDE B**

#### **WORK SESSION n HB 2982**

020 Chair Strobeck HB 2982 deals with financing capital construction in school districts by capturing increased value due to growth.

026 Meyer Reviewed HB 2982 n5 amendments **(EXHIBIT 8)**. Clarification language for definition of exception value (page 1, line 5 of amendments). Also, limits number of years that this money would not be included as school local revenue to eight rather than 10 years.

056	Meyer	Reviewed HB 2982 ñ6 amendments ( <b>EXHIBIT 10</b> ). Same as ñ5 amendments except on page 2, amount reported is limited to 50% of the school tax on the exception value instead of the full amount. That would not be included as local revenue in the school distribution formula. This cuts the revenue impact in half.
068	Meyer	Reviewed HB 2982 ñ7 amendments ( <b>EXHIBIT 11</b> ). Deals with exception value in urban renewal areas. 50% of school tax would go to school district and not to urban renewal agency. Possible problems, counsel will address.  Reviewed HB 2982 ñ8 amendments ( <b>EXHIBIT 12</b> ). Page 4, In the case of school districts that exceed 50,000 in average daily membership, half of tax on incremental value would be available to school district, but not to urban renewal agencies. This basically affects Portland.
095	Meyer	Discussed table, School Exception Value and Tax ( <b>EXHIBIT 13</b> ). Subtract from 1998-99 assessed value, the 1997-98 assessed value increase by 3%. Exception value doesn't always exceed 3%, so the figure is zero.
145	Chair Strobeck	Noted a potential conflict in amendments between existing contracts in regard to urban renewal agencies, and how school portion of these funds would be diverted.
148	Dexter Johnson	Has not researched this, although there is potentially a conflict. Federal constitution guarantees that contracts not be impaired by laws passed after the contract is entered into. Existing urban renewal agencies have borrowed on the basis of pledging their increment. Have promised lenders that taxes raised on full increment will be used to pay the debts. The ñ7 and ñ8 amendments divert a portion of that increment value to schools. This could create an impairment of contract.  Questions and discussion.
223	Chair Strobeck	Proposed that the committee narrow its discussion to ñ6 amendments. Shortens time period from 10 years to eight years, cuts in half the amount that would go to local schools.
238	Meyer	Discussed definition of capital items in ñ6 amendments, page 5, lines 25-26. This is language for a local option tax outside the constitutional limitations.
265	Rep. Shetterly	Expressed reluctance to vote for this bill. Printout is incomplete, so not all of the needed information is available. Also, there is a bill for a small schools correction. Wants to wait and see how that bill would relate to this bill. Also, the printout reflects ñ5 amendments. Would like to see a run to reflect ñ6 amendments.
310	Meyer	Assessors won't have the time or ability to improve upon these numbers before this bill is voted upon.

327	Chair Strobeck	This is desperately needed in high growth areas.
357	Rep. Witt	There are districts with high growth and their school districts are struggling to provide capital, equipment, land, and facilities to accommodate that growth. This bill is an appropriate and responsible way to accomplish this.
369	Rep. Shetterly	Many of his districts would not understand why they should shift dollars out of their districts toward high growth areas. This does not fix the problem, but it shifts dollars around.
398	Vice Chair Rasmussen	This proposal represents a strong effort at creative thinking, but it will require time for lawmakers to decide where to go with this proposal. Committee should continue to discuss it.
415	Chair Strobeck	Committee will revisit this bill.  Discussion and questions.

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**TAPE 148, SIDE B**

032	Rep. Kafoury	Questioned whether it is good policy to adjust aspect out of the formula and adjust it at the expense of smaller schools.
043	Rep. Witt	Adjustments should be examined on a case-by-case basis. This adjustment is appropriate and fair.  Questions and discussion.
072	Chair Strobeck	Closed work session on HB 2982. Opened work session on HB 3405.
076	Ed Waters	HB 3405 would allow a subtraction from corporate and personal taxable income for the difference between the fair market value and the sale price of land donated or sold to school districts. Currently, donations are taken as itemized deductions.
089	Waters	Discussed ñ2 amendments ( <b>EXHIBIT 14</b> ). Clarifies how the subtraction is computed and standardizes language that governs charitable contributions. Revenue impact is minimal.
112	Rep. Merkley	Clarified, this unused portion can be carried forward. Asked for clarification between carry-forward and itemized deduction.

123	Waters	Explained distinction.  Questions and discussion.
165	Vice Chair Rasmussen	Suggested applying a 10-15 year sunset.
173	Rep. Witt	Does not see any reason for a sunset. Benefit to the public is more than 10 times the benefit to the donor. It could be several years before this credit is used.
209	Rep. Witt	Discussed ñ1 amendments ( <b>EXHIBIT 15</b> ). Provides same opportunities to private schools, accredited public and private community colleges and universities to receive donated land.
227	Chair Strobeck	<b>MOVED ñ2 AMENDMENTS TO HB 3405 BE ADOPTED. HEARING NO OBJECTIONS, THE CHAIR SO ORDERED.</b>
231	Vice Chair Rasmussen	<b>MOVED CONCEPTUAL AMENDMENT TO ADD AN EIGHT-YEAR SUNSET TO THE AMENDED HB 3405, BEGINNING FROM THE TIME OF IMPLEMENTATION.</b>
250	Rep. Witt	Opposed sunset conceptual amendment. This bill saves taxpayer dollars.
264	Rep. Merkley	Supported sunset conceptual amendment.
270	Rep. Welsh	Opposed sunset conceptual amendment.
289	Chair Strobeck	<b>NOTING THE OBJECTIONS FROM REPS. WITT AND WELSH, THE CHAIR ORDERED ADOPTION OF CONCEPTUAL AMENDMENT TO ADD AN EIGHT-YEAR SUNSET TO THE BILL.</b>
290	Rep. Witt	<b>MOVED ñ1 AMENDMENTS TO HB 3405 BE ADOPTED.</b>
295	Vice Chair Rasmussen	Objected to HB 3405. Would prefer to see how the original bill works before expanding it to higher education. There is no revenue impact that includes this amendment.
318	Rep. Witt	Referred to opinion from legislative counsel that confirms that donations of land or

property to educational or charitable organizations do provide tax benefits to the donor. HB 3405 expands when these deductions are available for a longer period of time. Same expansion to private schools makes sense from public policy standpoint.

- 338 Vice Chair Rasmussen Withdrew objection.
- 344 Chair Strobeck **ASKED FOR ANY OBJECTIONS TO ADOPTING THE n1 AMENDMENTS TO HB 3405. HEARING NO OBJECTIONS, THE CHAIR SO ORDERED.**
- 345 Vice Chair Rasmussen **MOTION: MOVED HB 3405, AS AMENDED, TO THE HOUSE FLOOR WITH A DO PASS AS AMENDED RECOMMENDATION.**
- 349 **VOTE** **ROLL CALL VOTE: MOTION PASSES 9-0-0**  
**REPRESENTATIVES VOTING AYE: KAFOURY, MERKLEY, ROSENBAUM, SHETTERLY, WELSH, WILLIAMS, WITT, VICE CHAIR RASMUSSEN, CHAIR STROBECK**  
**REP. WITT WILL CARRY THE BILL.**
- 363 Chair Strobeck Closed work session on HB 3405. Opened work session on HB 3211.
- 371 Rep. Kafoury **MOTION: MOVED HB 3211 TO THE HOUSE FLOOR WITH A DO PASS RECOMMENDATION.**
- 382 Rep. Kafoury **WITHDREW MOTION.**
- 400 Rep. Kafoury Explained HB 3211-1 amendments (see April 21, exhibit 11). Corrects mistakes in the bill.
- 422 Mark Landauer Explained n1 amendments. Technical corrections further define the preservation of rental properties.
- 447 Rep. Merkley In deleting phrases that indicate rental, is this bill being broadened to include non-rental properties?
- 454 Landauer It might be defined that way, but City of Portland is looking at rental housing that is subject to contracts with state or federal government for low-income housing.



**TAPE 149, SIDE A**

030      Chair Strobeck      Committee will reschedule this bill. Closed work session on HB 3211. Opened work session HB 2087.

**WORK SESSION n HB 2087**

044      Waters      This bill has no amendments.

048      Rep. Shetterly      **MOTION: MOVED HB 2087 TO THE HOUSE FLOOR WITH A DO PASS RECOMMENDATION.**

050      **VOTE**      **ROLL CALL VOTE: MOTION PASSES 9-0-0**  
  
**REPRESENTATIVES VOTING AYE: KAFOURY, MERKLEY, ROSENBAUM, SHETTERLY, WELSH, WILLIAMS, WITT, VICE CHAIR RASMUSSEN, CHAIR STROBECK**  
  
**REP. SHETTERLY WILL CARRY THE BILL.**

057      Chair Strobeck      Closed work session on HB 2087. Opened work session on HB 2090. Suspended work session on HB 2090 in order to hear testimony on HB 3271. Invited Donald Lamb, St. Vincent de Paul, to speak to the issue.

079      Donald Lamb      Spoke in support of HB 3271. See written testimony, paraphrased State Tax Credit for Low-Income Housing (**EXHIBIT 17**). This bill is the vehicle from which low-income families are able to move into single family residency.

174      Chair Strobeck      Closed public hearing on HB 3271. Reopened work session on HB 2090.

176      Lizbeth Martin-Mahar      Extends sunset deadline for the property tax exemption for property owners who construct low-income housing units from January 1, 2000 to 2010. See Revenue Impact of Proposed legislation (**EXHIBIT 19**).

196      Vice Chair Rasmussen      **MOTION: MOVED HB 2090 TO THE HOUSE FLOOR WITH A DO PASS RECOMMENDATION.**

200      **VOTE**      **ROLL CALL VOTE: MOTION PASSES 7-0-2**  
  
**REPRESENTATIVES VOTING AYE: KAFOURY, MERKLEY, ROSENBAUM, WELSH, WITT, VICE CHAIR RASMUSSEN, CHAIR STROBECK**

**REPRESENTATIVES EXCUSED: SHETTERLY, WILLIAMS**

**REP. WELSH WILL CARRY THE BILL.**

*(For votes of Reps. Shetterly and Williams and for final vote, see tape 149, meter # 224.)*

212 Chair Strobeck

**REQUESTED UNANIMOUS CONSENT TO SUSPEND THE RULES TO ALLOW VICE CHAIR RASMUSSEN TO VOTE ON HB 2473. HEARING NO OBJECTIONS, THE CHAIR SO ORDERED.**

**VOTE: AYE**

**FINAL VOTE ON HB 2473: PASSES 8-0-1**

224 Chair Strobeck

**REQUESTED UNANIMOUS CONSENT TO SUSPEND THE RULES TO ALLOW REPS. SHETTERLY AND WILLIAMS TO VOTE ON HB 2090. HEARING NO OBJECTIONS, THE CHAIR SO ORDERED.**

**VOTE: SHETTERLY, AYE; WILLIAMS, AYE**

**FINAL VOTE ON HB 2473: PASSES 9-0-0**

235 Chair Strobeck

Closed work session on HB 2090. Adjourned meeting at 10:05 a.m.

Submitted by, Reviewed by,

Barbara J. Guardino Kim T. James

Committee Assistant Revenue Office Manager

Exhibit Summary:

1. HB 3600, Merkley, Proposed Amendments to House Bill 3600 (HB 3600-3), 1 p.
2. HB 2473, Doll, Testimony of Sarah Doll, Environmental Equity Program Director, Oregon Environmental Council on HB 2473, 3 pp.
3. HB 2473, Doll, ShoreBank Pacific, written testimony in support of Green Tax Study Bill, 1 p.
4. HB 2473, Witt, Proposed Amendments to House Bill 2473 (HB 2473-1), 2 pp.
5. HB 2473, Warner, Staff Measure Summary, 1 p.
6. HB 2473, Tapogna, testimony of John Tapogna, 5 pp.
7. HB 2982, Meyer, Revenue Impact of Proposed Legislation for HB 2982-5, 1 p.
8. HB 2982, Meyer, Proposed Amendments to House Bill 2982 (HB 2982-5), 6 pp.

9. HB 2982, Meyer, Revenue Impact of Proposed Legislation for HB 2982-6, 1 p.
10. HB 2982, Meyer, Proposed Amendments to House Bill 2982 (HB 2982-6), 6 pp.
11. HB 2982, Meyer, Proposed Amendments to House bill 2982 (HB 2982-7), 13 pp.
12. HB 2982, Meyer, Proposed Amendments to House Bill 2982 (HB 2982-8), 13 pp.
13. HB 2982, Meyer, School Exception Value and Tax (HB 2982-5), 5 pp.
14. HB 3502, Waters, Proposed Amendments to House Bill 3405 (HB 3405-2), 2 pp.
15. HB 3405, Witt, Proposed Amendments to House Bill 3405 (HB 3405-1), 2 pp.
16. HB 3211, Martin-Mahar, Revenue Impact of Proposed Legislation for HB 3211, 1 p.
17. HB 3271, Lamb, St. Vincent de Paul Society of Lane County, Inc., 2 pp.
18. HB 3271, Lamb, Low Income Housing Tax Credit Fiscal Impact Statement, 1 p.
19. HB 2090, Martin-Mahar, Revenue Impact of Proposed Legislation for HB 2090, 1 p.