

## HOUSE REVENUE COMMITTEE

APRIL 28, 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. Jim Welsh

Rep. Max Williams

Rep. Bill Witt

Members Excused: Rep. Lane Shetterly

Staff: Paul Warner, Legislative Revenue Officer

Lizbeth Martin-Mahar, Economist, Legislative Revenue Office

Richard Yates, Economist, Legislative Revenue Office

Barbara Guardino, Committee Assistant

Witnesses: Fred Green, FFR Enterprises, Inc., Coos Bay

Donna Scott, Oregon Trucking Associations

Rob Freres, Freres Lumber Company, Mill City

Cliff Bates, Redmond Heavy Hauling

Tim Larkin, S.S. Flegel Trucking Company, Prineville

Darlene Walters, Chuck Walters Trucking, Lebanon

Gary Pierce, Chuck Walters Trucking

Bob Russell, Oregon Trucking Associations

Terry Smalley, Arizona Motor Transport Association

Tom Gallagher, Arco

Brian Bowen, Oregon Petroleum Marketers Association

Mike Saba, City of Portland

**TAPE 154, SIDE A**

005 Chair Strobeck Called meeting to order at 8:20 a.m. Opened public hearing on HB 3344.

**PUBLIC HEARING n HB 3344**

014 Fred Green Spoke in support of the measure. F & R Enterprises operates 17 log trucks in Oregon and four interstate highway trucks. In 1998 business paid 6.3% of its gross income for licenses for trucks. Has studied HB 3344 and favors repealing weight mile system. Believes the diesel fuel tax would treat his business fairly. Changing the tax will cut down considerably on paper work. Diesel fuel tax will eliminate evasion and will generate more money for Oregon Dept. of Transportation (ODOT). Would rather have increased registration fee than weight mile tax.

055 Donna Scott On behalf of the Oregon Trucking Associations, introduced panel of trucking industry representatives who favor the diesel fuel tax.

062 Rob Freres Spoke in support of the measure. Freres Lumber Company operates 37 trucks with 43 drivers. Diesel fuel tax would cut down on administrative costs, and would simplify his operation. Believes diesel fuel tax would allow ODOT to downsize by 100 jobs; this is a good thing for taxpayers.

082 Cliff Bates Spoke in support of the measure. Redmond Heavy Hauling operates 30 trucks in 11 western states, 200 employees. Gave example of an audit that was done on his company. Worked with Public Utilities Commission (PUC) in 1990 to set up a system to keep track of weight mile taxes. In 1995 PUC did an audit. Auditor found that in some states he owed \$50; in Oregon he owed \$15,000. Attributed the problem to confusion over the weight mile tax. The state reduced the price to \$2000, but it cost the company an additional \$2000 to figure out the problem, and it cost the state \$2000 to work with the company. It costs almost as much to figure the weight mile tax as it costs in taxes. Trucking industry is being poorly served by Oregon Dept. of Transportation. There is a quicker, faster, cheaper way to collect taxes.

- 159 Tim Larkin Spoke in support of the measure. S.S. Flegel Trucking Company has 65 employees. Has three fleets of trucks. Focused comments on complexity, accuracy and efficiency of weight mile tax system. For 23 states, it took one page to file tax report. In Oregon, it took 21 pages. The information has to be recorded by hand because it is impossible to computerize it. Does not believe weight mile tax is an accurate way to collect tax. Weight mile tax has little to do with weight; it has to do with number of axles. A vehicle pays the same whether it is empty or full, even though the weight differs greatly. The paper work is done by drivers who do not necessarily understand the complexity of the system. Heavier trucks get less mileage, so would pay more diesel fuel tax. The diesel tax will allow Oregon to collect the same tax with less over-head and thus a savings.
- 307 Larkin The calculations for savings under diesel fuel tax are staggering. An initial reduction to ODOT would be 106 employees, resulting in a saving of \$\$6-10 million. Associated Oregon Industries survey concludes that 73% of truckers favor this new tax structure. Diesel fuel tax is fairer than weight mile tax. It is revenue neutral ñ does not transfer the burden to others.
- 355 Chair Strobeck Asked panel whether they agree on the principle of shared cost responsibility. They all agreed. How would the amount of tax that they pay change under the new system?
- 369 Panel Two of three would save in taxes. Larkinís company would save \$30,000 per year.
- 384 Chair Strobeck How can these men say they are for shared cost responsibility when the diesel tax will result in tax breaks for them?
- 402 Larkin Currently there is an incentive to avoid paying taxes in Oregon. Trucks avoid the weigh scales. If Oregon becomes uniform with other states, that incentive goes away.

**TAPE 155, SIDE A**

- 040 Darlene Walters Spoke in support of the measure. Chuck Walters Trucking Company has grown from a one-truck company to several trucks. She had to give up her corporate career to do the paperwork. Paperwork takes 20 hours per week. Would not object to increase in vehicle registration as long as paper burden was eased.
- 079 Gary Pierce Spoke in support of the measure. Small business in Oregon is the largest employer. His company would love to grow. Company can live with the diesel tax, but cannot afford a substantial tax rate increase. Present system is incredibly complicated. Fuel tax would be simpler, fair to small operations.
- 098 Rep. Merkley Big piece of funding would be increased registration fees. There is no guarantee this tax will be revenue neutral. If this increase isnít enough to make up for the loss in weight mile tax, how can the state assure revenue neutrality?

- 103 Pierce Does not know. He is concerned that, if increased registration fees don't cover the deficit, state will come back for more. Doesn't know how his company would survive.
- 143 Rep. Witt Summarized, Pierce's support for bill is to reduce paperwork, not to lower taxes. If this bill passes and is not revenue neutral, wouldn't it be appropriate for the legislature make further changes in registration fees?
- 163 Scott There is a provision in the bill that if trucking industry does not pay its fair share, there will be increases in diesel tax until the legislature meets to review it. Also, an amendment to HB 3344 puts an additional 4 cents onto the diesel tax in 2001. It does not matter where a trucker buys diesel fuel if the truck travels in Oregon, it pays Oregon taxes anyway.
- 199 Bob Russell Spoke in support of the measure. Introduced Terry Smalley from Arizona Motor Transport Association. Arizona is the latest state to eliminate its weight mile tax.
- 210 Terry Smalley Discussed Arizona's change to diesel fuel tax, beginning in 1992. State has worked hard to assure revenue neutrality. Motor Vehicle Division estimated that the evasion factor was up to 35%. Evasion savings has helped offset revenue neutrality. In addition, economy is improving and taxes are decreasing. Reviewed Highway User Revenue Fund Actual VS. Estimated Collections (**EXHIBIT 1**). In nine months, Arizona had a \$9 million increase. Arizona made one adjustment to the bill to address low mileage carriers. Saved Motor Vehicles Division \$2 million per year; has saved trucking industry \$20 million in paperwork. It was a paperwork nightmare before.
- 309 Tom Gallagher Neutral on behalf of Arco. Spoke to Section 81 of bill, 2½-cent increase in diesel tax if revenues fall below estimate. Price makes a great difference in terms of volume sold. When diesel tax is raised 25 cents, it will be even with other states. A further increase will impact where people purchase their fuel. Truckers will buy their fuel out of state, which will affect Oregon businesses. Asked committee and truckers to address this problem. Made no recommendations, but oil industry is not comfortable with the prospect of higher taxes on diesel fuel.
- 418 Brian Bowen Spoke in opposition to the measure on behalf of the Oregon Petroleum Marketers Association. Many of members have highly diverse fleets in terms of their weights. The changed tax structure would harm them. Concerned with potential problems with competitiveness, particularly in border areas. Cost shifts have taken place in area of local gas tax, and this will happen with this bill.

**TAPE 154, SIDE B**

- 022 Rep. Welsh Couldn't this be resolved by dissolving some of the cost responsibility?
- 034 Gallagher Arco has no position on cost responsibility. Arco's distribution fleet would save considerable money under this shift.

052	Rep. Witt	Do Bowen's and Gallagher's clients see benefit in getting away from the burdensome paperwork?
057	Bowen	Clients say this tax would trade one burden for another.
068	Gallagher	Arco doesn't oppose the shift, but is concerned about significant rise of diesel tax. A rise in gas costs of even 3 cents would change where consumers purchase gas. There are significant changes in volume on the borders of states where taxes have changed. Does not believe taxes would even out under IFTA (International Fuel Tax Agreement).
101	Bowen	Concurred with Gallagher's testimony on economic shifts. Majority of companies would pay \$10-20,000 more per year in registration fees.
138	Chair Strobeck	Asked Yates to respond to testimony whether state would get back comparable tax rate under IFTA.
142	Richard Yates	Explained how the tax rate balances out under IFTA.
188	Chair Strobeck	Closed public hearing on HB 3344. Opened public hearing on HB 3002.

**PUBLIC HEARING n HB 3002**

190	Rep. Merkley	HB 3002 eliminates an inequity in Oregon state code related to deduction for married couples filing separately as compared to married couples filing jointly. Addresses standard deduction. Equalizes deduction regardless of whether a person is single or married.
217	Rep. Witt	Will support the bill.
243	Chair Strobeck	Close public hearing on HB 3002. Opened work session on HB 3211.

**WORK SESSION n HB 3211**

246	Rep. Kafoury	Referred to earlier testimony concerning HB 3211-1 amendments.
256	Mike Saba	Spoke in support of the measure. Discussed n1 amendments, housing assistance for low-

income housing. Not all housing assistance is for rental housing. This amendment broadens the law to include any kind of low-income housing affordability contract.

- 290 Rep. Kafoury -1 amendments replace phrase "low income rental assistance contract" with "low income housing assistance contract". Also, this is a local option.  
Legislative counsel said local option requires 51% approval.
- 332 Vice Chair Rasmussen **MOVED n1 AMENDMENTS TO HB 3211 BE ADOPTED.**
- 334 Chair Strobeck **ASKED FOR ANY OBJECTIONS TO MOVING n1 AMENDMENTS INTO HB 3211. HEARING NO OBJECTIONS, THE CHAIR SO ORDERED.**
- 337 Vice Chair Rasmussen **MOTION: MOVED HB 3211, AS AMENDED, TO THE HOUSE FLOOR WITH A DO PASS AS AMENDED RECOMMENDATION.**
- 341 **VOTE** **ROLL CALL VOTE: MOTION PASSES 8-0-1**  
**REPRESENTATIVES VOTING AYE: KAFOURY, MERKLEY, ROSENBAUM, WELSH, WILLIAMS, WITT, VICE CHAIR RASMUSSEN, CHAIR STROBECK**  
**REPRESENTATIVES EXCUSED: SHETTERLY**  
**REP. KAFOURY WILL CARRY THE BILL.**
- 360 Chair Strobeck Closed work session on HB 3211. Adjourned meeting at 9:40 a.m.

Submitted by, Reviewed by,

Barbara J. Guardino Kim T. James

Committee Assistant Revenue Office Manager

Exhibit Summary:

1. HB 3344, Smalley, Highway User Revenue Fund, Actual VS. Estimated Collections FY 1998-99, 1 p.
2. HB 3002, Waters, Revenue Impact of Proposed Legislation, 1 p.
3. HB 3211, Kafoury, City of Portland, Oregon Government Relations letter from Mark Landauer, 1 p.
4. HB 3211, Martin-Mahar, Revenue Impact of Proposed Legislation, 1 p.