

WORK SESSION: HB 2792

PUBLIC HEARING: HB 3344-A, SB 245, SB 497

TAPES 168, 169 A/B, 170 A

HOUSE REVENUE COMMITTEE

MAY 4, 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

Rep. Bill Witt

Staff: Paul Warner, Legislative Revenue Officer

Lizbeth Martin-Mahar, Economist, Legislative Revenue Office

Richard Yates, Economist, Legislative Revenue Office

Barbara Guardino, Committee Assistant

Witnesses: Sen. Bill Fisher, District 23

Jim Manary, Oregon Dept. of Revenue

Gil Riddell, Association of Oregon Counties

Kathy Thole, Grand Ronde

Bill Penhollow, Association of Oregon Counties

Dr. Randall Pozdena, ECONorthwest

Oliver Snowden, Lane County

David Barenberg, League of Oregon Cities

Carl Hosticka, Eugene

Rep. Betsy Close, District 36

TAPE 168, SIDE A

007 Chair Strobeck Called meeting to order at 8:20 a.m. Opened public hearing on SB 497.

PUBLIC HEARING ñ SB 497

015 Sen. Fisher Spoke in support of the measure. Gave history of bill beginning in early 1990s. South Umpqua State Bank purchased a truck that flushes sewer lines and leased it to Roseburg Urban Sanitary District. The lessee forgot to fill out proper papers to receive property tax exemption. Assessor said she could not forgive tax, and sanitary district refused to pay it. A bill to rectify it passed, but wording was wrong. Bank finally paid the tax and interest. Bill returns the fee to the bank.

048 Jim Manary Pointed out unusual feature of the bill. Line 10, even though there was no expressed agreement in the lease purchase agreement, the organization would still get the exemption. Law provides if a taxable entity leases to an exempt organization, the savings from the exemption must be passed through to the exempt organization. This bill grants an exemption anyway.

074 Rep. Merkley Asked sponsor why that provision is in the bill.

077 Sen. Fisher Bill was drafted to meet specifications of the Douglas County Assessor. Does not know why she required this wording.

088 Gil Riddell Bank owns the truck, leases it to authority, which did not apply for exemption as required by statute. Would not have qualified anyway because lease agreement didn't reflect tax savings. Agreement was modified and corrected. Authority appealed to Dept. of Revenue and lost. Bank owner paid taxes with interest. Bill asks committee to ignore certain facts and refund interest for two years. Pointed out ambiguity in bill. Suggested having lessee pay late filing fee.

127 Sen. Fisher Was unaware that the bank picked up the tax. Willing to file amendments to correct ambiguity.

165 Rep. Witt Asked basis for Dept. of Revenue denying appeal. Follow-up questions.

161	Manary	Late filing and no rent savings provision. Lease was later changed.
181	Chair Strobeck	Asked Sen. Fisher if he would object to amendment to require payment of late filing fee.
189	Sen. Fisher	Would not have a problem with this, though this was a good-faith mistake.
195	All	Questions and discussion.
264	Manary	Suggested another solution: Allow lessee to file application again with late filing fee and let the new assessor determine whether the rent was passed through. If so, they qualify for the exemption.
274	Chair Strobeck	Will hear this bill again. Closed public hearing on SB 497. Opened public hearing on SB 245.

PUBLIC HEARING n SB 245

288	Lizbeth Martin-Mahar	Reviewed SB 245 (EXHIBIT 6). Exempts personal property from taxation for Indians residing upon federally recognized Indian country. No revenue impact.
306	Kathy Thole	See Testimony in Opposition to SB 245 (EXHIBIT 8) verbatim. Bill violates civil rights of non-Indians living within federally recognized Indian country. Objected to separate laws for separate peoples.
420	All	Questions and discussion.

TAPE 169, SIDE A

049	Jim Manary	Oregon Dept. of Revenue had this bill drafted because county assessors were unclear with current status of federal law. Attorney general drafted it to clarify language. Extended an exemption beyond tribal boundaries. Bill attempts to reflect current status of federal law.
079	Chair Strobeck	Closed public hearing on SB 245. Opened public hearing on HB 3344.

PUBLIC HEARING n HB 3344-A

- 090 Bill Penhollow Spoke in opposition to the measure. See written presentation (**EXHIBIT 9**). Introduced colleagues, Randall Pozdena and Oliver Snowden, who analyzed bill from standpoint of Association of Oregon Counties policy.
- 136 Penhollow Discussed Association of Oregon Counties Policy Statement on Oregon's Highway Users Tax and Cost Responsibility (see page 2 of exhibit 9, paraphrased). Asked legislature to consider several principles in evaluating any new truck tax system: Cost Responsibility, Revenue Neutral, Sustainable in the Future, Tax Equity for Oregon Companies
- 169 Randall Pozdena Spoke in opposition to the measure. See ECONorthwest (page 4 of exhibit 9).
1. Revenue neutrality risk: It will be necessary for the industry to react to minimize impact of this change. Compliance problems with registration fees and diesel taxes. No mechanism to automatically adjust registration fee or diesel tax to ensure revenue neutrality.
 2. Behavioral impact of trucking firms: Cost of maintaining roads will increase. In seeking conformity, Oregon is European Union is moving away from registration fees toward weight mile system.
 3. Resolving administrative costs of the current system: New technology makes this possible.
- 291 Oliver Snowden Spoke in opposition to the measure. See page 6 of exhibit 9, verbatim. Commented on three points: Implications for county roads; perception that Oregon is out of step with its weight-mile tax; and administrative reporting burden placed on truckers by the weight-mile tax.
- 443 Snowden Conclusion: Urged committee to retain weight mile system, support reporting efficiency measures in HB 2082, authorize interim study to detail the institutional changes and costs necessary to implement a voluntary, automated data collection and reporting system for trucks.

TAPE 168, SIDE B

- 035 Rep. Welsh Why would Association of Oregon Counties (AOC) be concerned about mechanism for taxation for highway fund?
- 040 Penhollow Concerned that the proposal reaches revenue neutrality. Believes all considerations favor the trucking industry. Also concerned with drifting away from concept of cost responsibility.
- 074 Snowden Counties are also concerned with potential that new system would encourage "poorly configured trucks" with too few axles.
- 080 Rep. Welsh Why would AOC support a cost responsibility effort that could run the industry out of

Oregon into other states? Oregon has a problem and industry is asking for help. Legislators need to find a way to maintain revenue. Does not see where counties would have an interest in this bill.

- 101 Penhollow Issue is very complex. Purpose of testimony is to provide committee with information to make informed decision.
- 109 Rep. Shetterly Can see where counties would be interested because county roads are more vulnerable to damage than state highways. Only a segment of the industry is asking for this. Another segment is against it.
- 124 Pozdena This proposal will increase cost of doing business and could run small businesses out of Oregon. If truck operators don't have an incentive, over-use will occur. Over-use increases wear and tear so next legislative cycle, cost to repair roads is higher.
- 140 Rep. Merkley Referred to page 9 of exhibit 9, institutional barriers stand in the way of automated data collection. Asked panel to explain. Follow-up questions.
- 145 Snowden Trucking industry does not like the idea of the government having access to every movement of every truck on every highway. Suggests that government doesn't have to be the operator of this system.
- 230 David Barenberg Spoke in opposition to the measure on behalf of League of Oregon Cities. Cities are not concerned with mechanism used to collect taxes; they are concerned that the mechanism ensures cost responsibility, provides that cost responsibility will be maintained into the future. Commended trucking industry for its work on this issue.
- Concerned with certain issues:
1. While this proposal attempts revenue neutrality, it is not guaranteed.
 2. Does not include an increase to balance off the increase in HB 2082 (increases gas tax and fuel tax).
 3. Trucking industry has been unwilling to consider other ways to deal with high administrative costs because it wants to repeal the weight mile system. Equity works to trucking industry's disadvantage.
- 370 Carl Hosticka See written testimony (**EXHIBIT 10**), An Analysis of OTA's Proposal to Restructure Oregon's Heavy Truck Taxes, paraphrased. Concluded that OTA's study fails to support its conclusions because it is based on hypothetical reasoning and does not take into account the real world context in which policy is implemented.
- Major issues: Revenue Neutrality, Shifts among categories of trucks; Consistent with cost-responsibility.

- 042 Hosticka Any assertion that hypothetical shifts in an uneven system will destroy cost-responsibility goes beyond the capabilities of even the best-trained economists. Conclusion: Making public policy involves making judgements about uncertain futures. Economic studies create the impression that "we know more about the future than we actually do." Asked committee to look at what is before them and make judgement, which is primarily political.
- 062 Rep. Williams Questions relating to testimony of inability to predict. Other states have already adopted essential features of OTA proposal, so lawmakers can assume it would work in Oregon. Did Hosticka examine effects in other states?
- 071 Hosticka That is not the purpose of testimony.
- 076 Rep. Welsh How would this proposal affect transportation now and in the future?
- 080 Hosticka Primary concern is to assure adequate financing for roads, in a fair way. The only times Oregon was successful was when trucking industry was part of a coalition that made the effort work. If concern of committee is to assure well-financed, good roads, it is important to have the trucking industry involved.
- 099 Chair Strobeck Closed public hearing on HB 3344. Opened work session on HB 2792.

WORK SESSION ñ HB 2792

- 112 Lizbeth Martin-Mahar Reviewed HB2792ñ8 amendments (**EXHIBIT 13**). The ñ8 amendments correct the ñ6 amendments. Outlines partial property tax rebate for low-income senior citizens on their property taxes.
- 138 Rep. Kafoury When committee discussed Rep. Wittís Disabled Deferral bill, they raised the income limit for qualification. Has this been done for seniors?
- 142 Martin-Mahar Yes, statutes in that bill have all been corrected.
- 147 Rep. Shetterly Expressed doubt that a \$40 tax credit would encourage elderly to stay in their homes. This bill creates a \$9 million deduction in the general fund and it doesnít really benefit anyone.
- 167 Rep. Williams Would it be more worthwhile to adjust bill to reach lowest of the low income seniors?
- 172 Chair Strobeck Does not want to take time; Senate might want to consider this change.

- 184 Rep. Merkley Many retired people have significant funds in IRAs or home equity. This bill doesn't necessarily target those in need.
- 200 Rep. Kafoury Agreed with Rep. Merkley. 70% of seniors would qualify for this whose adjusted gross income does not exceed \$30,000. Does not believe they are all low-income seniors.
- 217 Vice Chair Rasmussen Expressed concern that state doesn't have a balanced budget yet, and legislators continue to pass tax credits. Senior Deferral program seems to solve this issue. Will oppose this bill.
- 228 Rep. Merkley Original goal was to assist people to stay in their homes. \$40 will not do that. Administrative overhead to process this rebate would be inefficient. Committee has looked at other avenues to help seniors. Larger percentage of Oregonians will be retiring, and lawmakers need to be careful to target their policies to benefit those most in need.
- 252 Rep. Kafoury This bill leaves out people in nursing homes and retirement homes who could really use this rebate.
- 261 Rep. Witt Bill addresses area where there is need. It is designed to alleviate financial burden on seniors and make it possible to stay in their homes. Is troubled that it is only \$41 per person. Questions whether this amount will accomplish its objectives, particularly in terms of administrative costs. Senior deferral program accomplishes what this bill would accomplish. Will oppose this bill.
- 302 Rep. Close Intent of bill was not just to help low income, it was to honor seniors. Because the bill has been changed so much the impact has decreased. Wants to help families with children as well, but respect committee's judgement on what they do with the bill.
- 336 Chair Strobeck This bill makes a statement that lawmakers want to help even though it is a small amount. Suggested a conceptual amendment from 3% to 6% from \$40 to \$80. Amount has been reduced so much that now people don't want to pass it because amount is too small.
- 388 Rep. Witt Concerned that spending \$36 million (biennium) on this bill could compromise ability to help low-income families in other bills. Studies show that the greatest need is low-income families with children. Would support bill.
- Questions and discussion.
- 459 Rep. Witt Offered conceptual amendment to HB 2792-8 amendments to increase tax break from 3% to 5%.

024	Rep. Kafoury	Expressed concern that legislature hasn't been able to come up with substantial funds for affordable housing. Would prefer putting this money into helping seniors with no place to live, and to seniors who are being forced out of their homes because of high costs.
031	Rep. Shetterly	Would support 8 amendments. Would not support Rep. Witt's conceptual amendments.
043	Rep. Merkley	General fund allocates \$20 million for all of affordable housing programs. This bill would make it harder to allocate that money.
056	Chair Strobeck	MOVED -8 AMENDMENTS TO HB 2792 BE ADOPTED. ASKED FOR OBJECTIONS. NOTING OBJECTION FROM VICE CHAIR RASMUSSEN, THE CHAIR SO ORDERED.
060	Chair Strobeck	MOTION: MOVED HB 2792, AS AMENDED, TO THE HOUSE FLOOR WITH A DO PASS AS AMENDED RECOMMENDATION.
064	Rep. Rosenbaum	Will oppose bill. Legislature is not in a climate to impose new tax exemptions.
077	Vice Chair Rasmussen	This bill bypasses Ways and Means process. Will not support 8 amendments. Will not support bill. The leadership has made it clear that lawmakers are going to live within their means.
105	Rep. Witt	Committee is not making this decision alone. Also, bill is targeted to help low income seniors. Will support bill.
117	Vice Chair Rasmussen	MOVED TO AMEND MOTION TO PASS HB 2792 TO WAYS AND MEANS COMMITTEE. Believes it has a fiscal impact of \$9 million from state general fund.
135	Chair Strobeck	ASKED FOR ANY OBJECTIONS TO AMENDING MOTION TO SEND HB 2792 TO WAYS AND MEANS.
137	Rep. Witt	OBJECTED.
138	Rep. Shetterly	Asked for ruling whether motion is in order because there is no fiscal impact. Supports intent of motion, but Revenue doesn't send Revenue bills to Ways and Means. Will support the bill as a courtesy vote, while reserving right to oppose it on the floor.

- 148 Chair Strobeck **RULED MOTION TO AMEND MOTION TO SEND HB 2792 TO WAYS AND MEANS IS INVALID.**
- ROLL CALL VOTE ON MOTION TO MOVE HB 2792 AS AMENDED TO THE FLOOR WITH A DO PASS AS AMENDED RECOMMENDATION.**
- 155 **VOTE** **ROLL CALL VOTE: MOTION PASSES 5-4-0**
- REPRESENTATIVES VOTING AYE: SHETTERLY, WELSH, WILLIAMS, WITT, CHAIR STROBECK**
- REPRESENTATIVES VOTING NAY: KAFOURY, MERKLEY, ROSENBAUM, VICE CHAIR RASMUSSEN**
- REPS. ADKINSON AND CLOSE WILL CARRY THE BILL.**
- 169 Chair Strobeck Closed work session on HB 2792. Recessed at 10:25 a.m. Reconvened meeting at 10:28 a.m. Adjourned meeting.

Submitted by, Reviewed by,

Barbara J. Guardino Kim T. James

Committee Assistant Revenue Office Manager

Exhibit Summary:

1. SB 497, Martin-Mahar, Revenue Impact of Proposed Legislation for SB 497-1, 1 p.
2. SB 497, Staff, Proposed Amendments to Senate Bill 497 (SB 497-1), 1 p.
3. SB 497, Martin-Mahar, Legislative Fiscal Office, No Expenditure Impact, 1 p.
4. SB 497, Martin-Mahar, Staff measure Summary, 1 p.
5. SB 497, Vincent-Lough, Office of the Assessor and Tax Collector, Douglas County Courthouse, 14 pp.
6. SB 245, Martin-Mahar, Staff Measure Summary, 1 p.
7. SB 245, Martin-Mahar, Legislative Fiscal Office No Expenditure Impact, Legislative Revenue Office No Impact statements, 1 p.
8. SB 245, Thole, Testimony in Opposition to SB 245, 4 pp.
9. HB 3344, Penhollow, Association of Oregon Counties Presentation to the House Revenue Committee on A-Engrossed HB 3344, 9 pp.
10. HB 3344, Hosticka, Testimony of Carl Hosticka Regarding An Analysis of OTA's Proposal to Restructure Oregon's Heavy Truck Taxes, 2 pp.
11. HB 3344, Green, Lane County Board of Commissioners, 1 p.
12. HB 2792, Martin-Mahar, Revenue Impact of Proposed Legislation for HB 2792-8, 1 p.
13. HB 2792, Martin-Mahar, Proposed Amendments to House Bill 2792 (HB 2792-8), 6 pp.

14. HB 2792, Martin-Mahar, Revenue Impact of Proposed Legislation for HB 2792-6, 1 p.
15. HB 2792, Martin-Mahar, Proposed Amendments to House Bill 2792 (HB 2792-6), 6 pp.
16. HB 2792, Martin-Mahar, Revenue Impact of Proposed Legislation for HB 2792-7, 1 p.
17. HB 2792, Martin-Mahar, Proposed Amendments to House Bill 2792 (HB 2792-7), 6 pp.