

HOUSE COMMITTEE ON TRANSPORTATION

March 31, 1999 Hearing Room D

8:00 a.m. Tapes 59 - 60

MEMBERS PRESENT: Rep. Bob Montgomery, Chair

Rep. Mike Lehman, Vice-Chair

Rep. Richard Devlin

Rep. Jeff Kropf

Rep. Jerry Krummel

Rep. Jane Lokan

Rep. Jackie Taylor

Rep. Vicki Walker

Rep. Larry Wells

MEMBER EXCUSED: Rep. Jim Hill

STAFF PRESENT: Janet Adkins, Administrator

Brad Daniels, Administrative Support

MEASURE/ISSUES HEARD: HB 3344 Public Hearing

These minutes are in compliance with Senate and House Rules. Only text enclosed in quotation marks reports a speaker's exact words. For complete contents, please refer to the tapes.

TAPE/#	Speaker	Comments
TAPE 59, A		

004	Chair Montgomery	Opens the meeting at 8:05 a.m. Opens the public hearing on HB 3344.
<u>HB 3344 PUBLIC HEARING</u>		
018	Marshall Coba	Oregon Trucking Associations (OTA). Introduces the panel members.
035	Terri Thompson	Tony DeSantis Christmas Trees. Describes her business and the shipping expenses involved. Discusses her survey of trucking companies and the number of respondents from other parts of the nation that avoid Oregon due to the weight-mile tax. Relates the problem with competing against companies in Washington and the ease of evading the weight-mile tax.
084	Thompson	Underlines the financial cost of administering the weight-mile tax.
094	Rep. Lehman	Asks if she communicates with other Christmas tree growers in other states.
098	Thompson	Responds yes.
100	Rep. Lehman	Asks about the difference in shipping costs between the states.
103	Thompson	Replies that other growers' shipping costs have been an average of 12% below hers over the last five years.
110	Angelo Spada	A & R Spada Nursery & Farms. Explains that the effects of the weight-mile tax on the shipping aspect of his company are often hidden; they don't see or hear of the trucks that refuse to enter Oregon because of the weight-mile tax.
124	John Bryant	Johanson Transportation Services Inc. Acknowledges that he avoided Oregon as a truck operator due to the weight-mile tax. Notes the current problems with obtaining trucks to ship freight out of Oregon.
139	Rep. Krummel	Asks Thompson about the problem of evasion and the reduction of evasion if a diesel tax is implemented.
150	Thompson	Expresses uncertainty, but indicates that truckers will always have to buy fuel.
160	Rep. Krummel	Cites the current number of trucks travelling through Umatilla. Asks Bryant how many trucks would go through the port of Umatilla if a diesel tax is implemented.
170	Bryant	States that the cited amount of trucks may not all travel through Oregon. Indicates that this number might decrease.

181	Rep. Wells	Asks about trip permits.
188	Bryant	Responds that the state's calculation of mileage is usually higher than actual miles traveled.
197	Rep. Wells	Asks why truckers can not buy a single trip permit and avoid the weight-mile paperwork.
200	Bryant	Replies that they could.
203	Rep. Lehman	Asks if a diesel tax will encourage out-of-state truckers to compete with Oregon companies. Asks about the effect on Oregon trucking companies.
211	Bryant	Replies that he does not think a diesel tax will have a detrimental effect on Oregon trucking companies. Explains that the in-state truckers will not face interstate competition because they stay within the state itself.
241	Daryl Capurro	Nevada Motor Transport Association. Discusses Nevada's former system of truck taxation, which included a weight-distance tax. Describes the effect of past lawsuits, specifically a suit brought by Utah truckers and the American Trucking Association v. Scheiner case, on the Nevada tax structure. Explains the revisions in the tax structure that resulted and the elimination of the weight-mile tax.
295	Capurro	Notes the issues involved in moving from a three to two-structure tax, the losses that resulted, and the adjustments that were designed to make up for these losses.
360	Capurro	States that Nevada lost about \$9 million for the first biennium after the switch as opposed to the \$75 million that they would have lost in the court suit. Cites the reasons for this loss. Discusses the growth in revenues due to the implementation of a diesel tax and the reduction in evasion.
395	Rep. Lehman	Asks how Nevada pays for its roads.
401	Capurro	Describes Nevada's highway fund.
409	Rep. Lehman	Asks if the revenue loss was from past or projected revenues.
415	Capurro	Replies that the DMV estimated the loss based on an average of 3.5% growth per year.
420	Rep. Lehman	Asks if the proportion of revenue paid by cars and trucks has changed since the elimination of the weight-mile tax.

427	Capurro	Replies no. Adds that the latest cost allocation studies indicate that truckers are paying their fair share.
TAPE 60, A		
008	Rep. Lehman	Asks if the new tax structure produced changes in the trucking industry in Nevada.
011	Capurro	Replies that a two-structure tax is easier for the industry to operate and reduces evasion.
027	Rep. Walker	Asks Capurro about the Scheiner case and the outcome of the case involving the Utah truckers.
033	Capurro	States that the Utah truckers' lawsuit was dropped in response to Nevada's plan to implement the two-structure tax.
041	Rep. Wells	Asks about the total loss resulting from the switch in tax structures.
049	Capurro	Replies that the original estimate was \$3 million per year, but the resulting loss was \$4.5 million per year, a total of \$9 million for the biennium.
062	Rep. Wells	Cites a table from OTA that indicates a dramatically higher loss. Asks for clarification.
077	Capurro	States that the loss quoted by Rep. Wells is impossible. Indicates that currently the diesel tax produces \$64 million and the registration fees produce \$20 million.
090	Rep. Wells	Asks if that is the total amount contributed by the trucking industry.
093	Capurro	Replies that there are other taxes that add to the total amount of truckers', \$98 million per year.
099	Rep. Lokan	Asks what increase in revenue was anticipated due to reduced evasion.
107	Capurro	Replies that the DMV indicated a substantial rate of evasion prior to 1983, which was reduced after tax was brought to the pump. States that there was close to 50% evasion of the weight-mile tax.
140	Rep. Taylor	Asks about the condition of Nevada's roads.
149	Capurro	Agrees that Nevada is a large state with only a few population centers. States

		that he thinks the road system is better than it has been because of reasonable increases in taxes and fees and in spite of an erosion of federal funding.
175	Rep. Kropf	Asks about the basis of the lawsuits earlier mentioned.
180	Capurro	Explains the legal problems with the Nevada system and the subsequent violation of the Commerce Clause.
198	Ed King	California Board of Equalization. Reviews the history of California's actions concerning diesel fuel tax collection and evasion. Describes the results of these actions, including the reduction in the number of taxpayers and the increase in revenue. Stresses the benefits of having a diesel tax that is collected at the rack.
248	Rep. Kropf	Asks how collecting at the rack affected the evasion rate.
254	King	Replies that moving the tax to the rack, in addition to other measures, has resulted in a 20% reduction in evasion.
263	Rep. Kropf	Asks if an at-the-rack tax is easier to administer.
266	King	Replies yes.
268	Rep. Taylor	Asks if the increased compliance resulted in a decrease in tax rates.
272	King	Replies that the tax rate has remained the same.
279	Rep. Taylor	Asks if California has a provision to adjust their tax rates after specified periods of time.
283	King	Replies that the industry advisory group evaluates programs and regulations.
290	Rep. Krummel	Asks what the current per gallon tax is
292	King	Replies that both gas and diesel are at 18 cents per gallon in California.
300	Capurro	Replies that the special fuel tax rate in Nevada is 27 cents with an additional .75 cents for petroleum clean-up.
315	Rep. Krummel	Asks if the rate of evasion will decrease with the implementation of a diesel tax.
320	King	Replies that taxes collected at the rack reduce evasion.

328	Capurro	States that there is no possibility of significant evasion of a fuel tax when it is collected at the rack and a dyed fuel program is enforced.
353	Rep. Krummel	Asks if small trucking operations and intrastate truckers will be hurt by a switch from a weight-mile to a diesel tax.
365	Capurro	Lists the amount of registration fees in Nevada. States that exceptions exist to allow quarterly registration and to favor farm vehicles.
409	Rep. Lehman	Asks if California collects its gas tax at the rack.
411	King	Replies that California does not; the tax is collected at the refinery level.
423	Rep. Lehman	Asks if the sales tax on the fuel is also collected at the rack.
428	King	Explains how the sales tax is collected.
436	Rep. Lehman	Asks how roads are funded in California.
441	King	Replies that California has a transportation fund and receives federal monies.
TAPE 59, B		
023	Rep. Lehman	Asks if trucking companies pay a sales tax when they purchase new equipment.
026	King	Replies yes. Notes that a principal use test is applied.
030	Rep. Lehman	Asks if California does a cost responsibility study between trucks and cars.
033	King	Replies that they did one a couple years ago and he does not know the results.
037	Rep. Kropf	Asks Capurro if he perceived any inequities in the old tax structure and if those continued when the new tax structure was implemented.
046	Capurro	Replies that they did not have a cost allocation study done until the mid 1980s and were unable to determine which trucks were paying their fair share. Comments that the last cost allocation study indicated that the vehicle classifications were paying their fair share.
065	Adkins	Asks King about tax credits given to fuel suppliers that do not receive any compensation from purchasers.

076	King	Replies that their statute does have a "bad debt" provision.
085	Greg Kitto	WDI, Inc. Relates his personal history. Supports HB 3344. States that, though they will be paying a higher tax at the beginning, they will save money on fixed administrative costs if the diesel tax is implemented.
148	Kitto	Addresses the benefits of a diesel tax on government's ability to decrease costs. States that a diesel tax will reduce evasion and level the playing field among competitors. Indicates that Oregon Draymen and Warehousemen's Association voted unanimously in support of changing the tax structure.
199	Rep. Kropf	Asks if Kitto operates mostly in Oregon.
200	Kitto	Replies that most of their work is intrastate with some contact between Seattle and Los Angeles.
209	Rep. Kropf	Asks for an explanation of his personal reasons for supporting HB 3344.
218	Kitto	Replies that much of the increase may be offset by managing vehicle registration differently and administrative savings.
231	Rep. Lehman	Asks what he means by managing vehicle registration differently.
236	Kitto	Replies that the proposal is structured to give smaller companies a break. Mentions the exceptions that benefit smaller companies.
246	Rep. Lehman	Expresses concern about relying on numbers that may change if companies do the things that Kitto mentioned to decrease tax costs.
260	Kitto	Responds that he will register his vehicles at lighter weights.
275	Tim Larkin	S.S. Flegel, Inc. Explains the structure of his business. Supports HB 3344. Focuses on three reasons for his support: <ul style="list-style-type: none"> • Complexity ñUnderlines the difficulty in administering the weight-mile tax. Emphasizes that the weight-mile tax defies computerization (EXHIBIT A).
340	Larkin	<ul style="list-style-type: none"> • Accuracy ñIndicates that Oregon has a weight-<u>axle</u> tax rather than a weight-<u>mile</u> tax. Describes how he is forced to pay higher taxes per mile, even if he is hauling empty trucks, due to the number of axles on the trucks. Observes that the complexity of the tax and the amount of necessary paperwork also affects accuracy.
TAPE 60, B		

004	Larkin	<ul style="list-style-type: none"> • Efficiency ñDiscusses the competition within the trucking industry and the slim profit margins. States that he will pay an increased cost per mile on his heavy trucks under HB 3344. Reviews the reasons and support for switching to a diesel fuel tax.
053	Rich Mabin	Mabin Trucking. Supports HB 3344. Reiterates the complexity of the weight-mile tax and the excessive burdens on the trucking industry.
091	Rep. Walker	Asks if Larkin will save money under HB 3344 and how much.
094	Larkin	Replies that he will save about \$30,000.
096	Rep. Walker	Asks if Mabin will save or lose money.
097	Mabin	Replies that he will save about \$40,000.
111	Buck Collectman	Describes his company and their operations. Emphasizes the problems with administering the weight-mile tax. Relates how an individual trucker is required to document numerous changes in configuration. States that most companies probably do not complete the information necessary to collect the weight-mile tax (EXHIBIT B).
170	Collectman	Points to the use of a fuel tax in other states and reduced evasion as reasons for implementing a diesel tax. Reiterates the administrative savings that will result.
199	John Booze	Eastern Oregon Fast Freight. Describes his company. Supports HB 3344. Provides examples of paperwork that each driver must complete for the weight-mile tax (EXHIBIT C).
225	Brett Thomas	Thomas and Sons. Supports HB 3344. Describes his business and the reporting requirements of the weight-mile tax. States that evasion is the largest problem with the weight-mile tax and impedes competition (EXHIBIT D).
280	Thomas	Questions the factual basis for, and the motivations behind, Triple A's position against implementing a diesel tax.
295	Rep. Walker	Asks each panel member if they will pay more or less under HB 3344.
299	Collectman	Answers that his company will lose some.
300	Booze	Replies that his company will lose a little.
302	Thomas	States that his company will save about \$40,000 per year.

310	Bob McKellar	Testifies on behalf of Leon Fischer from Siletz Trucking, reading from EXHIBIT E . Supports HB 3344. Discusses the economic impacts of HB 3344 and HB 2082 on Siletz Trucking (EXHIBIT E).
390	Chair Montgomery	Adjourns the meeting at 9:50 a.m.

Submitted By, Reviewed By,

Brad Daniels, Janet Adkins,

Administrative Support Administrator

EXHIBIT SUMMARY

A ñHB 3344, written testimony, Tim Larkin, 2 pp

B ñHB 3344, written testimony, Buck Collectman, 2 pp.

C ñHB 3344, written testimony, John Booze, 3 pp.

D ñHB 3344, written testimony, Brett Thomas, 18 pp

E ñHB 3344, written testimony, Leon Fischer, 1 p.