

SENATE REVENUE COMMITTEE

February 17, 1999 - 3:00 P.M. - HEARING ROOM A - STATE CAPITOL BUILDING

Members Present: Senator Randy Miller, Chair

Senator Tom Hartung

Senator Charles Starr

Members Excused: Senator Thomas Wilde, Vice Chair

Senator Lee Beyer

Staff: Ed Waters, Economist, Legislative Revenue Office

Joan Green, Committee Assistant

Invited Testimony: Bill Sizemore, Oregon Taxpayers United

Lynn McNamara, League of Oregon Cities

Helen Berg, Mayor of Corvallis/Chairman of League of Oregon Cities
Finance and Taxation Committee

Bob Cantine, Association of Oregon Counties

TAPE 040, SIDE A

006 Chair Miller

Meeting called to order at 3:03 p.m. The Committee will not meet tomorrow. The bills scheduled for tomorrow will be heard next week.

INVITED TESTIMONY

033	Bill Sizemore	Spoke to Oregon's tax system, which was established in 1929. Identified what he sees as the problems with the current tax system and described areas where it could be improved.
061	Sizemore	Continued with presentation.
095	Sizemore	Spoke to his latest initiative effort, the prohibition on double taxation. All of a person's federal income tax would be deductible on state income tax.
125	Sizemore	Continued with discussion of the initiative, and the impact, if it should pass, that it would have on the State General Fund. The current legislature should consider the potential impact should this measure pass and plan accordingly.
184	Sen. Hartung	The measure will be on the November 2000 ballot, but would be effective January 2000?
186	Sizemore	Correct.
194	Chair Miller	How do other states treat the federal tax deduction?
196	Sizemore	It varies from state to state; seven allow for 100% deductible for federal income tax.
206	Chair Miller	Was the initiative was designed to grant relief to both corporations and citizens out of a sense of fairness?
213	Sizemore	If corporations are excluded the Attorney General gives an entirely different ballot title. I could have easily excluded corporations, but it would have jeopardized passage of the initiative at the ballot box, therefore corporations are included.
254	Chair Miller	How do you counter the argument that if taxpayers were afforded some \$800,000,000 relief that money would not be available for State programs?

271	Sizemore	It is, and always has been my argument, that the problems with government are not a lack of money. It is argued that if taxpayers are given a break, government revenue is reduced. The counter argument is if people are given a tax break that money is in the hands of people who earned it and they can provide for themselves, as they see best.
312	Sen. Hartung	Would you be agreeable to a sales tax dedicated solely to schools being put on the ballot along with the initiative?
326	Sizemore	No.
356	Chair Miller	Is there a reasonable level of support from voters in support of a sales tax for an exchange?
364	Sizemore	Cited last poll done on sales tax and the results.
382	Lynn McNamara	Delivered presentation to committee. (Exhibit 1)

TAPE 041, SIDE A

027	Helen Berg	Addressed concerns of cities and growth in Oregon.
070	McNamara	Continued with presentation and findings of the Tax Review Committee, (Page 2, Exhibit 1).
148	McNamara	Continued with presentation and long-range issues, (Page 3, Exhibit 1).
191	Chair Miller	Referenced testimony regarding the (in)stability issues in the tax system. What is the cause for the lack of stability?
198	Berg	Nothing is static in municipal government, including the tax system. Discussed pre-Measure 5 vs. post-Measure 5 system. Cited how Hewlett Packard decisions impact the City of Corvallis.
		Discussed the importance of franchise fees to cities. Retention of local control in revenue raising is important to cities and would discourage any preemption on the part of the State.

266	Chair Miller	Referenced Ms. Berg's comment that the amount of property that is exempted is three times the amount collected by local government. Are there some exemptions that cities would like to disappear?
274	Berg	Exemptions have been used throughout history and cities have supported exemptions for policies that are good for the State. They are all good, but it is important to reexamine them occasionally.
295	Chair Miller	Has the League of Oregon Cities identified any that should be eliminated?
298	McNamara	No.
304	Chair Miller	Should the State be in the business of forgiving tax so a business sets up there?
314	Berg	Benton County and Corvallis do not give incentives.
316	Chair Miller	Why?
317	Berg	We have been fortunate in economic development and the citizens of Benton County are not supportive of tax incentives for new business.
336	Bob Cantine	Spoke State-County Revenue Issues. (Exhibit 2)

TAPE 040, SIDE B

038	Cantine	Continued with testimony, (Page 8, Exhibit 2). The 1988-89 program that funds a significant part of the property tax system has a sunset in 2000. Two policy questions need to be considered.
093	Chair Miller	Do you have a recommendation regarding the policy questions?
094	Cantine	The counties would have two recommendations:

1. HB 2049 was a compromise. All of the beneficiaries, including schools, need to contribute 8% of delinquent taxes into the tax fund, not just cities and special districts.
2. The portion financed by fees and charges by general use of courthouse services should be imposed on all filed documents, with a few exceptions.

141	Cantine	Continued with presentation, (Page 10, Exhibit 2).
200	Cantine	Continued with presentation, (Page 15, Exhibit 2).
264	Chair Miller	Is it wise for the legislature to pursue a policy that allows cities and counties the right to develop property without State intervention?
283	Cantine	The counties, in general, would like more flexibility. However some issues need to be examined to determine if local jurisdictions should make the decisions or if it is an issue the State should deal with.
299	Chair Miller	Spoke to the balancing act of a uniform system vs. local control.
328	Cantine	Concluded with comments on the preemption issue and the two distinct policy issues that arise from preemption.
338	Chair Miller	Meeting adjourned at 4:19 p.m.

Submitted by, Reviewed by,

Joan Green Kim T. James

Committee Assistant Revenue Office Manager

Exhibit Summary:

1. Invited Testimony, McNamara, Written testimony, 14 pages
2. Invited Testimony, Cantine, Written testimony, 16 pages