

## SENATE REVENUE COMMITTEE

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February 3, 1999 - 3:30 P.M. - HEARING ROOM A - STATE CAPITOL BUILDING

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Members Present: Senator Randy Miller, Chair

Senator Thomas Wilde, Vice Chair

Senator Lee Beyer

Senator Tom Hartung

Senator Charles Starr

Staff: Paul Warner, Legislative Revenue Officer

Joan Green, Committee Assistant

Invited Testimony: Gary Carlson, Association of Oregon Industries

Tim Nesbitt, Oregon State Council SEIU

John D. Ledger, Association of Oregon Industries

### TAPE 024, SIDE A

005	Chair Miller	Meeting called to order at 3:32 p.m. Introduced guest speakers Gary Carlson and Tim Nesbitt.
022	Gary Carlson	Discussed concerns: <ol style="list-style-type: none"><li>1. Government should not be immune from basic economic system that supports it</li></ol>

2. Stability fund and likens to the Oregon Unemployment Insurance Trust Fund, which has grown to the billion dollar range. It is a large pool of money that attempts have been made to tap in to. There is concern that this savings account could have the same fights to preserve its integrity.

133	Carlson	<p>Continued with discussion of concerns:</p> <ul style="list-style-type: none"><li>• Volatility because of dependence on personal income taxes needs to be discussed. There are two major systems of taxation in Oregon, property tax, which is ?? and personal income tax, which is directly related to income. Sales tax is not a stable tax either.</li></ul>
192	Carlson	<p>Commented on the refundable tax credit of last session.</p>
214	Sen. Beyer	<p>What is the best, and least expensive way to the public, to keep the lower income people employed? Would dollar-for-dollar matching, up to a certain level, be more efficient than a refundable credit?</p>
236	Carlson	<p>Our philosophical views would align more with your example.</p>
263	Sen. Beyer	<p>Clarified what he is thinking.</p>
269	Carlson	<p>Would prefer to work in an arena similar to the Oregon Health Plan.</p>
276	Vice Chair Wilde	<p>How could the stability fund be structured to address a catastrophic event or natural disaster (i.e. earthquake) that ???</p>
306	Carlson	<p>The stability fund is structured for broad economic downturns throughout the State and would be most appropriately directed there. In the event of a natural disaster the State/communities mobilize to address those situations.</p>
328	Vice Chair Wilde	<p>In the overview natural disaster was addressed as one of the ?? and you feel that would be better addressed by the Federal Emergency Management Agency (FEMA) and other entities?</p>
340	Carlson	<p>Concurs.</p>

345 John Ledger Discussed tax credits, as they relate to the environment. Key points about the tax credit program:

- Keeps companies in the State
- Attracts other companies to the State
- Tax credits can influence company consolidation
- Pollution control

**TAPE 025, SIDE A**

024 Ledger Discussed issues that could impact Oregon and the tax system:

- Most new jobs do not pay a living wage
- The economy is slowing
- ??
- ??

Now is not the logical time to cut a beneficial program like tax credits.

041 Vice Chair Wilde What about language saying you must exceed ???

044 Ledger Outlined difficulties with that approach as it relates to engineering of a facility.

059 Tim Nesbitt Discussed the Governor's Committees reports on Oregon's Tax System. (Exhibit 1)

158 Nesbitt Continued with presentation and discussion of tax expenditures representing the hidden budget of Oregon's public finance system, (Page 2, Exhibit 1).

221 Nesbitt Continued with presentation and the principles and pitfalls of tax reform, (Page 3, Exhibit 1).

282 Nesbitt Would caution that the stabilization fund not become a way for an easy ballot measure for unfunded mandates.

333	Vice Chair Wilde	How does your report deal with sub chapter "S: corporations in your analysis????
343	Nesbitt	
349	Vice Chair Wilde	Requested presenter's impressions on a value added tax?
352	Nesbitt	Would want a tax incidence study done first.
379	Carlson	The two philosophical questions to answer are: <ol style="list-style-type: none"> <li>1. It is a completely hidden tax. Should taxes be perceived or not.</li> <li>2. Competitiveness what is the end result of a VAT in terms of a product made by an Oregon business.</li> </ol>
400		Discussion of the merits and problems inherent with a VAT and hidden taxes.
475	Vice Chair Wilde	Meeting adjourned at 4:27 p.m.

Submitted by, Reviewed by,

Joan Green Kim T. James

Committee Assistant Revenue Office Manager

Exhibit Summary:

1. Invited Testimony, Nesbitt, Written report, 13 pages