

WORK SESSION: SB 874

PUBLIC HEARING: SB 559

TAPES 079 - 080 A

SENATE REVENUE COMMITTEE

APRIL 1, 1999 - 3:00 P.M. - HEARING ROOM A - STATE CAPITOL BUILDING

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

Ed Waters, Economist, Legislative Revenue Office

Joan Green, Committee Assistant

Witnesses: David Kessler, Kessler and Company

Paula Plambeck, NIKE, Inc.

Jon Chandler, Oregon Building Industry Association

Don Miner, Oregon Manufactured Homes Association

Laurie Wimmer, Oregon Education Association

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005 Chair Miller Meeting called to order at 3:02 p.m.

WORK SESSION ON SB 874

- 013 Chair Miller MOTION: MOVED TO RECONSIDER THE VOTE BY WHICH THE COMMITTEE ADOPTED THE (-1) AMENDMENT TO SB 874 ON MARCH 23. HEARING NO OBJECTION, THE CHAIR SO ORDERED.
- 022 David Kessler Spoke in support of the (-2) amendment, which would apply to tax years beginning in 1995 to all taxpayers whether or not the statute of limitations has expired. The bill, as it stands, has an equity issue, which the amendment would resolve. (Exhibit 1)
- 061 Sen. Starr Does the (-1) amendment need to be rescinded prior to adoption of the (-2) amendment?
- 066 Chair Miller Concurred.
- 069 Paula Plambeck Concurred with Mr. Kessler's testimony.
- 070 Distributed Revenue impact statement to the (-2) amendment (Exhibit 2) and fiscal impact statement (Exhibit 3).
- 071 Sen. Starr MOTION: MOVED TO RESCIND THE (-1) AMENDMENT TO SB 874, WHICH WAS ADOPTED ON MARCH 23. HEARING NO OBJECTION, THE CHAIR SO ORDERED.
- 076 Chair Miller MOTION: MOVED (-2) AMENDMENT TO SB 874 BE ADOPTED. HEARING NO OBJECTION, THE CHAIR SO ORDERED.
- 081 Vice Chair Wilde MOTION: MOVED SB 874, AS AMENDED, TO THE SENATE FLOOR WITH A DO PASS AS AMENDED RECOMMENDATION.
- 084 VOTE ROLL CALL VOTE: MOTION PASSES 5-0-0
- SENATORS VOTING AYE: Beyer, Hartung, Starr, Wilde, Chair Miller
- Chair Miller will carry the bill.

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094	Ed Waters	Described SB 559, which would allow a personal income tax payer to subtract from their taxable income amounts paid or incurred as systems development charges (SDC) on newly constructed personal residences. (Exhibit 4)
107	Jon Chandler	Presented testimony in support of measure. (Exhibit 5)
161	Don Miner	Spoke in support of the measure.
174	Vice Chair Wilde	Spoke to lower-income bracket vs. higher income bracket and ability of lower income brackets to use the subtraction in its full entirety; supports the concept.
200	Sen. Beyer	Would this be a deduction?
201	Chandler	It is a subtraction.
206	Sen. Beyer	If a standard deduction were not being taken would this qualify?
210	Waters	As a subtraction it comes off before.
219	Vice Chair Wilde	Presented scenario, as a buyer how do I know what is paid in SDCs so that the amount can be taken as a subtraction?
237	Chandler	In the hypothetical presented the subtraction would be available to the home purchaser; documentary proof would need to be provided but SDCs are public record. The amendment might need to clarify the process. The intent of the measure is that the homeowner will get the subtraction, not the builder.
249	Vice Chair Wilde	The amendment should be specific as to what is transferred between the builder and the buyer so the buyer can take the subtraction.
257	Sen. Beyer	Is the intent of the measure to transfer the cost of the SDC from the person who is putting the demand on the system to Oregonians in general?

268	Chandler	In effect it is a spreading of the burden. Compared this subtraction to property tax and the subtraction/deduction allowed as an exemption of the tax code.
295	Sen. Beyer	Is it accurate that Local Improvement Districts (LID) payments are deductible?
298	Chandler	As far as I know.
299	Sen. Beyer	It is usually an assessment that you pay not a property tax. It is philosophical, but to some extent, if a tax deduction is given it is money going out of the school fund, even though it is a small amount.
317	Chandler	Acknowledged Sen. Beyer's point, however spoke to the affordable housing crisis and how Oregon ranks nationally in home ownership and how this measure will marginally help home ownership and affordability.
343	Sen. Beyer	SDC's are regressive and acknowledged that they hit low-income housing disproportionately.
347	Chandler	Spoke to statistics and how they impact the homebuyer and the cities.
366	Vice Chair Wilde	Spoke to how SDC's impact a builder's decision to build for low to middle income homeowners. This measure would allow a buyer some benefit, which in return would help builders, with their bottom line, in building for low to middle income homeowners.
399		Discussion and questions as to how the measure makes it more attractive to a builder, since the builder is going to sell at the same price.
462	Laurie Wimmer	Spoke in opposition to the measure.

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025	Wimmer	Continued with testimony in opposition to the measure.
044	Vice Chair Wilde	The mortgage deduction is based on interest charged; a SDC must be paid outright as a cost of the home; it is not interest on the home so there is a substantial difference between the two.

053 Discussion and questions on, under given sets of circumstances, interest is an avoidable payment, SDCs are not.

080 Chair Miller Meeting adjourned at 3:35 p.m.

Submitted by, Reviewed by,

Joan Green Kim T. James

Committee Assistant Revenue Office Manager

Exhibit Summary:

1. SB 874, Phillips, (-2) amendment, (DJ/ps) 03/29/99, 1 page
2. SB 874, Waters, SB 874-2 Revenue impact statement, 1 page
3. SB 874, Waters, Fiscal impact statement, 1 page
4. SB 559, Waters, Revenue and fiscal impact statements, 2 pages
5. SB 559, Chandler, Written testimony, 1 page