

## **SENATE REVENUE COMMITTEE**

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**APRIL 26, 1999 - 3:00 P.M. - HEARING ROOM A - STATE CAPITOL BUILDING**

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Members Present: Senator Randy Miller, Chair

Senator Thomas Wilde, Vice Chair

Senator Tom Hartung

Senator Charles Starr

Members Excused: Senator Lee Beyer

Staff: Paul Warner, Legislative Revenue Officer

Ed Waters, Economist, Legislative Revenue Office

Richard Yates, Economist, Legislative Revenue Office

Joan Green, Committee Assistant

Witnesses: Susan Browning, Department of Revenue

Dexter Johnson, Legislative Counsel

David Hooper, Oregon State Lottery

### **TAPE 099, SIDE A**

005      Chair Miller      Meeting called to order at 3:04 p.m.

## WORK SESSION ON SB 2

- 010      Ed Waters                      SB 2 increases the maximum working family child care credit for filers in certain income ranges and increases the maximum income level for the phase out, effective beginning tax year January 1, 2000. Distributed spreadsheet for spendable income. (Exhibit 1)
- 019      Chair Miller                        What is the amount for the maximum income that is allowable?
- 020      Waters                                The measure would raise the income limit to 200-250% of federal poverty level, which translates to approximately \$26,000 to \$33,000.
- 034      Sen. Hartung                        Discussed notes taken in the last hearing, has penciled in January of 1999 for an effective date, why?
- 044      Waters                                The Senate President indicated that his original intention was to have the measure effective for the whole biennium.
- 051      Chair Miller                        The Chair would prefer to move the bill, as printed. If the Senate President feels strongly about the effective date has one of two choices:
1. Re-refer the measure to Committee.
  2. Amend the measure on the House side.
- 059                                        Distributed letter in support/opposition of SB 2. (Exhibit 2)
- 060      Sen. Hartung                        MOTION: MOVED SB 2 TO THE SENATE FLOOR WITH A DO PASS RECOMMENDATION.
- 067      VOTE                                    ROLL CALL VOTE: MOTION PASSES 4-0-1
- SENATORS VOTING AYE: Hartung, Starr, Wilde, Chair Miller
- SENATORS EXCUSED: Beyer
- Senate President Adams will carry the bill.

## PUBLIC HEARING ON SB 7

075 No testimony presented.

#### WORK SESSION ON SB 7

079 Richard Yates Described SB 7, which deals with taxation of pension income and as of January 1, 1999 would exclude state, federal and private pensions attributable to work performed before October 1991 from taxation. After that date all pensions would be taxable.

127 Yates The Senate President provided four amendments to the measure, (reference April 15, 1999 meeting, exhibits 2, 3, 4 and 9).

The (-1) amendment would stop paying the benefits awarded under HB 3349, enacted in the 1995 legislative session and a portion of the benefits awarded under SB 656 enacted in the 1991 legislative session. Legislative Counsel needs to address the legal questions regarding this amendment.

171 Yates The (-2) amendment would limit the amount of private pensions that could be excluded to \$50,000 per person on a joint return.

181 Yates The (-3) amendment would not only limit the exclusion for private pensions to \$50,000 per person, but would also change the effective date from January 1, 1999 to January 1, 2002 for the exclusion of private retirees.

201 Yates The (-4) amendment would repeal the provision allowing local pension plans that are not a part of PERS to match the benefit increases given in HB 3349 and SB 656.

211 Yates Summarizes the issues that have not been addressed:

1. The January 1, 1999 operative date for the exemption of PERS retirees could conflict with the increased benefits that retirees will receive up to the effective date of this act; resulting in a double benefit.
2. Potential problem with private retirees that have a section 401(K), which is covered by this bill and what would happen if there was a rollover into a regular 401(K).

267 Dexter Johnson Reviewed current law and how it effects 401(K) plans. The definition of pensions in SB 7 would make any income from an IRA ineligible for the exclusion. Noted that if a lump sum rollover of private pensions, PERS or federal pensions (if allowed) were

exercised SB 7 would not apply to that IRA income. An amendment would be required, if it were the wish of the Committee to change that provision.

- 301 Chair Miller Requested that Legislative Counsel prepare an amendment addressing that issue and if possible have it ready for Wednesday.
- 312 Johnson Would the Committee want the amendment limited to the private side or any of the pension plans described, if rolled into an IRA?
- 321 Yates The fairness issue is the importance of IRAs, in terms of the retirement planning for private retirees than for public retirees.
- 333 Chair Miller The principal sponsor will be consulted regarding this issue and then respond to Legislative Counsel with more direction.
- 343 Yates Does the Committee want the portion of the SB 656 benefits repealed by the (-1) amendment rolled into the same amendment?
- 352 Chair Miller If the principal sponsor provided the (-1) amendment then it should be incorporated into the (-5) amendment?
- 357 Vice Chair Wilde Should the (-4) amendment be rolled in as well?
- 358 Yates The (-4) speaks only to the Portland Police and Fire pension plans that are not in PERS.
- 362 Vice Chair Wilde The (-1), (-3) and (-4) amendment should be rolled into the (-5) amendment and the date should be changed to January 1, 2000?
- 364 Consensus by Committee.
- 373 Yates Referenced the handout based on the (-3) amendment. The handout has been modified from the April 15 handout to pick up the year 2000 on the third page. This will allow for a comparison of the revenue impacts. (Exhibit 3)

**TAPE 100, SIDE A**

## PUBLIC HEARING ON SB 249

009	Susan Browning	Described SB 249, which deals with administrative clean up of the amusement device program.
		Reviewed the (-2) amendment section by section. (Exhibit 5)
052	Browning	Continued with section by section review of the (-2) amendment, (Page 5, Section 5, Exhibit 5).
114	David Hooper	Spoke in support of the (-2) amendment. (Exhibit 5)
122	Vice Chair Wilde	When and under what authority did the State stop taxing mechanical amusement devices?
125	Browning	"Perhaps the last 5-6 years, I will need to get that information for the Committee."
130	Richard Yates	"In either 1993 or 1995 there was a clean up and change of where the money went and a sunset was put on all games except video lottery games; that sunset was allowed to expire."
135	Sen. Starr	"Believes the last expired in 1995."
136	Browning	"It was in recent years and this is the last piece left."
139		Distributed the (-1) amendment, (Exhibit 6) and staff measure summary, (Exhibit 7).

## WORK SESSION ON SB 249

141	Vice Chair Wilde	MOTION: MOVED (-2) AMENDMENT TO SB 249 BE ADOPTED. HEARING NO OBJECTION, THE CHAIR SO ORDERED.
146	Vice Chair Wilde	MOTION: MOVED SB 249, AS AMENDED, TO THE SENATE FLOOR WITH A DO PASS AS AMENDED RECOMMENDATION.
150	VOTE	<p>ROLL CALL VOTE: MOTION PASSES 4-0-1</p> <p>SENATORS VOTING AYE: Hartung, Starr, Wilde, Chair Miller</p> <p>SENATORS EXCUSED: Beyer</p> <p>Chair Miller will carry the bill.</p>
158	Chair Miller	Meeting adjourned at 3:44 p.m.

Submitted by, Reviewed by,

Joan Green Kim T. James

Committee Assistant Revenue Office Manager

Exhibit Summary:

1. SB 2, Waters, Spreadsheet for spendable income and fiscal impact statement, 2 pages
2. SB 2, Sheketoff, Written testimony, 3 pages
3. SB 7, Yates, Chart of exempt benefits, 3 pages
4. SB 7, Maine, Written testimony, 2 pages
5. SB 249, Browning, (-2) amendment, (DJ/ps) 04/26/99, 8 pages
6. SB 249, Browning, (-1) amendment, (DJ/ps) 04/22/99, 8 pages
7. SB 249, Yates, Staff measure summary, 1 page