

SENATE REVENUE COMMITTEE

APRIL 6, 1999 - 3:00 P.M. - HEARING ROOM A - STATE CAPITOL BUILDING

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

Joan Green, Committee Assistant

Witnesses: Mark Gardner, Attorney General's Special Counsel

J. L. Wilson, Speaker's Office

Jon Mangis, Oregon Department of Veterans Affairs

TAPE 081, SIDE A

005 Chair Miller

Meeting called to order at 3:05 p.m.

PUBLIC HEARING ON HJM 9

- 019 Paul Warner Described HJM 9, which urges Congress and the President to prohibit federal recoupment of state tobacco settlement recoveries. (Exhibit 1)
- 035 J. L. Wilson Spoke in support of the measure.
- 064 Mark Gardner Spoke in support of the measure.
- 089 Chair Miller Did the Oregon Congressional delegation agree with the position addressed in HJM 9?
- 091 Gardner Congressman Walden's office was the only office to indicate absolute support of HJM 9; the other offices indicated sensitivity to the issue.
- 094 Chair Miller Can you characterize the reluctance of the other delegates to support this?
- 097 Gardner Believes it was more of a reluctance to commit their member prior to discussion of the issue with them.
- 103 Sen. Starr Does any of Oregon's delegation serve on the Conference Committee?
- 104 Gardner The Conference Committee not been selected yet, however it is doubtful that any of Oregon's delegation will be appointed to the Conference Committee, as this was an appropriations bill and none of Oregon's delegation serves on the Appropriations Committee.

WORK SESSION ON HJM 9

- 118 Vice Chair Wilde MOTION: MOVED HJM 9 TO THE SENATE FLOOR WITH A DO ADOPT RECOMMENDATION.
- 120 VOTE ROLL CALL VOTE: MOTION PASSES 4-0-1
SENATORS VOTING AYE: Hartung, Starr, Wilde, Chair Miller

SENATORS EXCUSED: Beyer

Vice Chair Wilde will carry the bill.

PUBLIC HEARING ON SB 665

- 138 Jon Mangis Presented testimony in support of measure. (Exhibit 2)
- 170 Chair Miller Is it perceived that being one of the selected checkoffs on the tax form is an advantage?
- 174 Mangis It would generate a revenue stream for a set period of years and would help to build the trust fund for the Oregon Veterans Home to \$3-4 million.
- 184 Chair Miller What if no one organization would be in a preferred position and the tax checkoff on the tax form were eliminated?
- 196 Mangis Those organizations on the form today do have a preferred status, however that opportunity is not begrudged. Discussed options to the current system.
- 211 Chair Miller Would rotation on the tax form provide entities with a good database for solicitation in the years when they are not listed on the tax form?
- 218 Mangis As a State Agency it is doubtful that we would go out with a direct solicitation in off years.
- 243 Distributed testimony from Rep. Rasmussen. (Exhibit 3)

WORK SESSION ON SB 665

- 251 Sen. Starr Would personally have trouble trying to expand or eliminate the current listing; has used it in the past and probably will in the future.
- 278 Vice Chair Wilde With the discussion heard leans in the direction of eliminating the checkoff.

- 298 Sen. Hartung Spoke to leaving the checkoff as is or elimination of it on the tax form.
- 318 Chair Miller Prior to further action the Chair will check with Sen. Beyer. It might also be discussed with caucus members.

WORK SESSION ON SB 464

- 332 Chair Miller Reviewed prior Committee discussions on measure. Referenced opinion from Legislative Counsel that based on an Oregon Supreme Court case the inclusion of private schools (because of religious affiliations of some) would probably be declared unconstitutional.
- 370 Sen. Starr The State is much more restrictive than the federal, but uncertain as to how to challenge this position.
- 388 Ed Waters Shared latest figures for credit limits; the top left side provides a full dollar-for-dollar credit, the bottom left side provides half credits or \$0.50 on the \$1.00. The right hand side of the table provides potential impacts to the general fund, depending on what year of the biennium the measure is implemented. (Exhibit 4)
- 446 Chair Miller The impact would be one-half of the straight credit for the half credit portion of the table?
- 448 Waters Correct.

TAPE 082, SIDE A

- 040 Waters Discussed the assumptions behind the numbers.
- 043 Chair Miller What percent of people with children in school would claim this credit?
- 045 Waters Approximately 70%.
- 048 Vice Chair Wilde That is a feasible percent, especially if the half-credits were adopted.

053	Chair Miller	Discussed the half credit scenario, if \$100 were donated \$50 is claimed as a tax credit and would the remaining \$50 be tax deductible, and is that tax deduction reflected in the impact statement?
056	Waters	That is correct, if the taxpayer itemized deductions and yes the impact statement reflects that potential deductible.
062	Sen. Starr	Never envisioned a deduction in addition to a credit. A credit exceeds the value of the deduction; a deduction of the remainder on a half-credit should not be permissible, as I would envision the measure.
074	Chair Miller	Spoke to starting with a lower credit, if it were doubly attractive (both a tax credit and potential deduction). Cited possible scenarios.
096	Vice Chair Wilde	Spoke to the \$100/200 half-credit, without a deduction, and why it would be the Vice-Chair's preference. The biennial impact to the State would be \$53.7 million, but would generate \$107.4 million for the schools.
123	Chair Miller	The analysis of \$53.7 reflects only the monies that legislature has control over?
128	Waters	Correct, explained the assumptions used in the calculation.
138	Sen. Hartung	Why doesn't the \$107 million available represent a reduction in the revenue stream?
146	Vice Chair Wilde	The actual revenue flow to the State for the tax system will be \$53.7. An individual taxpayer can make a \$100 personal contribution, but only \$50 is eligible for the tax credit. The impact to the State is on the \$50 only, the remaining \$50 is a pure contribution on the part of the individual.
154		Discussion and questions as to how the State's revenue is affected and what level the credit should be set at to allow the most participation.
213	Chair Miller	Should the Committee recommend that the measure be referred to the Ways and Means Committee?

215	Waters	It does not require an appropriation.
221	Sen. Starr	The ultimate cost to the State could be affected by having the operable date a year or two in the future.
233	Sen. Starr	MOTION: MOVED BY CONCEPTUAL AMENDMENT THE ADOPTION OF THE HALF-CREDIT FORMULA WITH THE \$100 FOR JOINT FILERS AND \$50 FOR SINGLE FILERS.
243	Sen. Hartung	Discussion regarding cutting taxes vs. tax credits.
282	VOTE	HEARING NO OBJECTION, THE CHAIR SO ORDERED. CONCEPTUAL AMENDMENT ADOPTED.
283	Chair Miller	Requested the amendment be put in LC form and be brought back to the Committee. Are other amendments required?
290	Waters	Does not believe other amendments are required. Requested clarification to the following: <ul style="list-style-type: none"> 1. Are corporations eligible for the tax credit? 2. Is any portion of the half-credit to be deductible?
300	Chair Miller	It would be the Chair's intent that corporations are not eligible. Sen. Starr indicated that his desire was to have a straight tax credit with no deduction.
307	Vice Chair Wilde	Is my donation currently deductible if I give to one of these organizations? If the deduction is eliminated are contributions kept at this level? Cited example; perhaps deductions should be left in.
320	Sen. Starr	Recommended that the tax credit contribution not be deductible, the remainder of the contribution could be deducted.
	Chair Miller	The intent would be that if \$100 contribution were made, \$50 would qualify as a credit and under the initial proposal there would be no deduction for the remaining \$50. If \$200 were contributed, \$50 would qualify as a credit and \$100 could qualify as a deduction and the remaining \$50 would be a donation with no write-off, correct?

326 Sen. Starr The \$50 credit exceeds the value of the \$100 deduction.

350 Waters Referenced page 1, line 26, of the measure, in the case of the half-credit the deduction would be reduced by the dollar amount of the credit. What would the effective date be?

366 Chair Miller Section 8 of the measure has January 1, 1999, I would recommend it be kept the same.

373 Consensus of the Committee.

381 Chair Miller The Department of Revenue has invited the Committee to tour their facility; requested the sense of the Committee in touring the Department next week. Meeting adjourned at 3:53 p.m.

Submitted by, Reviewed by,

Joan Green Kim T. James

Committee Assistant Revenue Office Manager

Exhibit Summary:

1. HJM 9, Warner, Senate staff measure summary, House staff measure summary, revenue and fiscal impact statements, 3 pages
2. SB 665, Mangis, Written testimony, 2 pages
3. SB 665, Rep. Rasmussen, Written testimony, 1 page
4. SB 464, Waters, Credit chart, Fiscal impact statement, 2 pages