

## **SENATE REVENUE COMMITTEE**

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**MAY 19, 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

Steve Meyer, Economist, Legislative Revenue Office

Ed Waters, Economist, Legislative Revenue Office

Joan Green, Committee Assistant

Witnesses: Mike Grainey, Office of Energy

Jessica Harris, Rep. Lundquist's Legislative Assistant

Tricia Smith, Oregon EA

Ozzie Rose, Confederation of Oregon School Administrators

Jim Scherzinger, Portland Public Schools

Jeannie Berg-Rempel, Service Employee International Union

Susan Browning, Department of Revenue

**TAPE 120, SIDE A**

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

PUBLIC HEARING ON SB 570

019 Mike Grainey Presented testimony in support of measure. (Exhibit 1)

053 Vice Chair Wilde If I, as the landlord, purchase the appliance can I deduct it?

056 Grainey As the landlord you can deduct it under the "Business Energy Tax Credit Program" or it can be filed with the individual return, if you are an individual investing in rental property.

065 Staff Distributed revenue impact statement. (Exhibit 2)

WORK SESSION ON SB 570

068 Vice Chair Wilde MOTION: MOVED SB 570 TO THE SENATE FLOOR WITH A DO PASS RECOMMENDATION.

071 VOTE ROLL CALL VOTE: MOTION PASSES 3-0-2

SENATORS VOTING AYE: Hartung, Starr, Wilde, Chair Miller

SENATORS EXCUSED: Beyer

Vice Chair Wilde will carry the bill.

PUBLIC HEARING ON HB 3497

084 Ed Waters Described HB 3497, which would allow an income tax subtraction for scholarship awards used for housing expenses. (Exhibit 3)

090 Jessica Harris Spoke in support of the measure. Submitted testimony from Eric MacKender for the record. (Exhibit 4)

WORK SESSION ON HB 3497

114 Vice Chair Wilde MOTION: MOVED HB 3497 TO THE SENATE FLOOR WITH A DO PASS RECOMMENDATION.

117 VOTE  
ROLL CALL VOTE: MOTION PASSES 4-0-1  
SENATORS VOTING AYE: Hartung, Starr, Wilde, Chair Miller  
SENATORS EXCUSED: Beyer  
Sen. Hartung will carry the bill.

PUBLIC HEARING ON HB 3365

133 Steve Meyer Described HB 3365, which deals with county school fund billings by the Department of Education. (Exhibit 5)

176 Ozzie Rose Spoke in support of the measure.

195 Jim Scherzinger Spoke in support of the measure.

225 Scherzinger Continued with testimony in support of the measure.

WORK SESSION ON HB 3365

280 Vice Chair Wilde MOTION: MOVED HB 3365 TO THE SENATE FLOOR WITH A DO PASS RECOMMENDATION.

285 VOTE  
ROLL CALL VOTE: MOTION PASSES 4-0-1  
SENATORS VOTING AYE: Hartung, Starr, Wilde, Chair Miller  
SENATORS EXCUSED: Beyer  
Sen. Beyer will carry the bill.

PUBLIC HEARING ON SB 126

- 306 Tricia Smith Spoke in opposition to the measure and the (-1) amendment. (Exhibit 6)
- 347 Sen. Starr Is the witness aware that contributions made to a private Christian school might meet the requirement for a deduction from taxable income?
- 355 Smith Yes, but my understanding of the (-1) amendment is that rather than a deduction a credit could be claimed under the bill, which would increase the amount that is reduced in the General Fund.
- 368 Jeannie Berg-Rempel Spoke in opposition to the measure. Spoke to concern with the large revenue impact of \$33 million for the 1999-01 biennium. (Exhibit 7)
- 420 Chair Miller SB 126 would be in addition to a solid funding base provided to every school district in the State. The ambition of the Chair is to let taxpayers direct additional help to schools.

**TAPE 121, SIDE A**

- 024 Smith "Appreciates the Chair's comments and the intent. As soon as there is an adequate, stable funding base for K-12 we could probably support this idea, but at this time another \$33 million out of the next budget cycle is too much money."
- 043 Chair Miller "Money that you say is withdrawn from the State's projected future revenues is money that is likely directed into a cause that you would support. It is not exactly like it disappeared from the use of schools."
- 049 Smith "It probably would be, but with the vast difference in support throughout the State for school systems and how many people will access the bill I suspect will be dramatically different. Those that are in most need of assistance right now will probably not be the winners under this bill."

WORK SESSION ON SB 126

- 062 Vice Chair Wilde "A full deduction of a contribution would probably benefit the more wealthy districts in the State; however a \$50 tax credit could be taken advantage by all income brackets. This measure would not necessarily help the wealthy districts

disproportionately and that is why I am interested in this, at this size."

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| 077 | Sen. Starr       | Spoke to the demographics of private school parents matching, financially, the demographics of the public schools. Parents that might contribute are going to match the population as a whole. Spoke in support of the concept.  |
| 092 | Ed Waters        | Requested clarification as to the Committee's intent, should a married taxpayer filing separate should each get a \$50 tax credit or should the credit be divided between the two?   |
| 104 | Vice Chair Wilde | It is bad tax policy to penalize someone for filing a joint return. Spoke in favor of dividing it and limiting the credit to \$25 for each return.   |
| 113 | Chair Miller     | MOTION: MOVED (-1) AMENDMENT TO SB 126 BE ADOPTED.   |
| 114 | Chair Miller     | Read lines 9-10 of the (-1) amendment, (Exhibit 6). It would be the Chair's preference to allow each individual taxpayer to claim \$50; whether they are filing jointly or separately. Does the (-1) amendment not clearly state that view, and if not could it be fixed on the House side?  |
| 130 | Waters           | The language could be clarified on the House side with an amendment. Allowing a \$50 tax credit per individual on a return would increase the revenue impact substantially.  |
| 143 | Susan Browning   | The Department of Revenue raised this issue to be clear of on the legislative intent. This could be addressed on the House side to get language to clarify the intent.   |
| 154 | Chair Miller     | It was my preference that each taxpayer received credit for their contribution, but if the Committee would prefer to limiting the credit to \$25 per individual than the (-1) amendment would work, correct?   |
| 158 | Browning         | <p>Proposed the following language:</p> <p style="text-align: center;">"The total contribution not to exceed \$50 on a separate return and that total contribution not to exceed \$100 on a joint return."</p> <p>The Department would work with Legislative Revenue and Legislative Counsel to get the language the Committee provides direction.</p> |

168	Sen. Hartung	The revenue impact was calculated based on the filer not the taxpayer, the proposed language could change the revenue impact considerably, correct?
173	Waters	Correct, the proposed language would change the assumption so that a joint return could receive up to a \$100 credit.
175	Sen. Hartung	Spoke to a more gradual implementation than \$50 each and go with Mr. Waters suggestion of the \$50, whether it be single or joint.
185	Sen. Starr	What is the revenue impact for the \$100 tax credit per couple for the political tax credit?
187		General response of \$8.1 million.
188	Sen. Starr	How can we suppose that a tax credit such as this would lead to \$68 million?
197	Waters	Reviewed data at the bottom of the revenue impact statement, those are the kinds of contributions that would be eligible for the credit under the (-1) amendment. (Exhibit 7).
212	Sen. Starr	Spoke to his personal contributions to charities; not one of the 46 charities would have qualified for this particular tax deduction. It is a stretch to think that a major share of the contributions is going to be moved towards this kind of a donation.
222	Waters	The (-1) amendment allow any contribution that qualifies as an itemized deduction under Internal Revenue Code section 170(c) would be eligible for the credit. (Exhibit 6)
227	Sen. Starr	That definition needs to be sharpened.
228	Vice Chair Wilde	"If the definition is sharpened then the contributions, under the Oregon Constitution, will probably not be allowed to religious organizations. That is the reason the Committee mirrored the Internal Revenue Code and stated it broad class."
254	Waters	This credit would be available to everyone, not just those who itemize.

256	Vice Chair Wilde	Spoke to support for the \$25/\$25 or \$50 for \$68 million next biennium.
260	Chair Miller	WITHDREW MOTION TO ADOPT THE (-1) AMENDMENT TO SB 126. MOTION WITHDRAWN BY IMPLIED CONSENT.
261	Chair Miller	Requested that SB 126 be posted for after 4:00 tomorrow; would like to have discussion about limiting these opportunities to individuals.
301	Chair Miller	Meeting adjourned at 3:51 p.m.

Submitted by, Reviewed by,

Joan Green Kim T. James

Committee Assistant Revenue Office Manager

Exhibit Summary:

1. SB 570, Graineey, Written testimony, 2 pages
2. SB 570, Waters, Revenue impact statement, 1 page
3. HB 3497, Waters, House staff measure summary, revenue and fiscal impact statements, 3 pages
4. HB 3497, Harris, Written testimony submitted on behalf of Eric MacKender, 2 pages
5. HB 3365, Meyer, Staff measure summary, House Education Committee staff measure summary, summary sheet, revenue and fiscal impact statements, 5 pages
6. SB 126, Waters, (-1) amendment, (DJ/ps) 05/18/99, 1 page
7. SB 126, Waters, SB 126-1 Revenue impact statement and support material, 2 pages