

**WORK SESSION: HB 2048-A, SB 1103-A, SB 287**

**WORK SESSION, INVITED TESTIMONY: SB 1222-A, HB 3544**

**TAPES 244 A/B, 245 A**

**HOUSE REVENUE COMMITTEE**

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**JUNE 28, 1997 9:00 AM HEARING ROOM F STATE CAPITOL BUILDING**

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**MEMBERS PRESENT:** Rep. Tom Brian, Chair

Rep. Lee Beyer, Vice-Chair

Rep. Tony Corcoran

Rep. Randall Edwards

Rep. Leslie Lewis

Rep. Anitra Rasmussen

Rep. Lane Shetterly

Rep. Mark Simmons

Rep. Ken Strobeck

**WITNESSES PRESENT:** Susan Browning, Department of Revenue

Marge Kafoury, City of Portland

Carol Samuels, League of Oregon Cities

Mark Nelson, Oregon Historic Properties Association

Bill Cross, Building Owners and Managers Association

John DiLorenzo, Portland

Roger Martin, Tigard

Daniel Santos, Governor's Office

Gary Conkling, Beaverton and Hillsboro School Districts Jim Green, Oregon School Boards Association

**STAFF PRESENT:** Dick Yates, Economist

Jim Scherzinger, Legislative Revenue Officer

Barbara Guardino, Committee Assistant

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**TAPE 244 SIDE A**

006 Vice Chair Beyer Opened work session on SB 287.

**WORK SESSION -- SB 287**

Directed members' attention to SB 287 -1 (EXHIBIT A) which replaces SB 287. Takes 65 % of wholesale price tax that applies to other tobacco products (passed in BM 44); reduces it to 45 %. BM 44 increased tax from 35 % to 65 %. "Other" tobacco products. Does not affect cigarette taxes.

009 Dick Yates

Explained discussion sheet "Issue: Is the Other Tobacco Products Tax Comparable to the Cigarette Tax" (EXHIBIT B).

Commented, received a fax from a small tobacco shop owner concerning this matter. Said small cigar stores were going out of business and people purchasing products through mail because no tax. Was not sure what the individual meant until today's discussion.

033 Rep.  
Strobeck

Questions and discussion.

072 Rep.  
Strobeck

**MOTION TO MOVE SB 287 -1 AMENDMENTS INTO SB 287.**

Expressed discomfort with amendments.

077 Rep.  
Rasmussen

Asked, why are tobacco products sold through the mail treated differently in terms of tax.

115 Susan Browning Collection of tax on other tobacco products is becoming problem nation-wide because people can order them (Internet, etc.) and bypass tax. Department of Revenue was concerned about whether a higher rate would affect compliance. Is looking at this issue.

163 Rep. Shetterly Asked, who is behind request for these amendments?

169 Yates Small retailers of other tobacco products. Believes the real issue is the Internet.

200 Rep. Rasmussen Wondered, are members modifying another ballot measure, mind-reading what the voters wanted? Is committee voting strictly cigarette tax, or all tobacco?

209 Rep. Strobeck Store-owner told him publicity about M44 referred to increase as for only cigarettes, not for other tobacco products.

215 Yates Noted, it is soon to react to increase under M44. Lot variation in how much people smoke and when the sales occur. Not enough data to estimate effect of M44 increase, or to separate it from growing impact of Internet.

Reviewed chart for benefit of members who just arrived.

288 Chair Brian Explained reason for amendment. Retail cigar store owners brought issue forward. Their relative tax went way up over cigarettes and over other states. Oregon cannot help interstate issue, but could help on relative tax. Believes this bill will help because there is a point where people will pay to get product immediately versus through the mail.

321 Chair Brian **ASKED MEMBERS FOR ANY OBJECTIONS TO MOVING SB 287 -1 AMENDMENTS INTO SB 287. NOTING THE OBJECTION OF REP. RASMUSSEN, CHAIR SO ORDERED.**

326 Vice Chair Beyer **MOTION TO MOVE SB 287 TO THE FLOOR AS AMENDED WITH A DO PASS RECOMMENDATION.**

**IN A ROLL CALL VOTE, MEMBERS VOTING AYE: REPS. LEWIS, SIMMONS, STROBECK; VICE CHAIR BEYER, CHAIR BRIAN.**

**MEMBERS VOTING NO: REPS. RASMUSSEN, SHETTERLY.**

330 **VOTE**  
**MEMBERS EXCUSED: REPS. CORCORAN, EDWARDS.**

**MOTION CARRIED.**

353 Chair Brian Closed work session on SB 287. Opened work session on SB 1103-A.

### **WORK SESSION -- SB 1103-A**

380 Chair Brian Asked members if any questions on amendments SB 1103 -A5 (EXHIBIT C); -A6 (EXHIBIT D); and -A7 (EXHIBIT E). Noted, Historic Preservation; and Parks and Recreation Department support -A5 and -A6 amendments.

- 383 Rep. Rasmussen Explained, SB 1103 -A7 amendments (EXHIBIT E) were drafted in conjunction with City of Portland. Amendments make it clear there is a 15-year reset at current market value, then freeze for next 15 years. Gives City of Portland option to renew second 15 years. Concern with issue around condominiums, giving incentives to keep owners in apartment business. Gives cities local control, retains some low-income housing. City of Portland is concerned with conversion of multi-family housing in city if put housing for multi-family and condo conversions on same playing field. Explained purpose of -A7 amendments:
- 460 Marge Kafoury
- 1) Restore sunset which was removed from original bill
  - 2) To allow local government to review applications for additional 15-year abatement.

**TAPE 245 SIDE A**

- 038 Carol Samuels Noted, in SB 1103 -A7 amendments, Section 8, are inconsistent with -A5 and -A6 amendments. Section 8 would reset re-application process. This fixes a drafting error.
- Testified in support of SB 1103 -A5 and -A6 amendments. Two changes:
- 1) Lines 9-15 of -A5, people who purchased property that is on original 15-year freeze will get an additional 15-year freeze.
  - 2) Section 9: Language was too restrictive. Page 2, added language to establish conditions for approval of application.
- 047 Mark Nelson Expressed strong opposition to -A7 amendments. If adopted, city council could be prohibited from processing an application.
- 092 Bill Cross Testified in support of -A5 and -A6 amendments, objected to -A7 amendments because they give veto authority to local jurisdiction.
- 100 John DiLorenzo Testified in opposition to SB 1103 -A7, a veto would be a massive departure from current statutory scheme. Supports -A6 amendments, especially transition rules. Urged committee in future to support transition rules from old tax legislation to new.
- 131 Nelson Commented, Oregon Historic Properties Association agrees with sunset provision.
- 144 Kafoury Explained, reasoning behind -A7 amendments was to pattern this language after language contained in housing programs in statute that allow tax benefits for housing in distressed areas. City of Portland did not intend to prevent an application from going forward, just be given more teeth. Primary concern is loss of moderate and low income housing in city.
- 193 Kafoury Clarified what -7 was meant to do. Line 4: the words "shall not be processed" is not what City of Portland meant. City wanted to give more emphasis of a local government's recommendation to deny an application.
- 199 Chair Brian Suggested, bill might be sent to conference committee for correction.
- Rep. Explained, primary difference between bill and current law is, it brings condos into

- 219 Rasmussen second 15-year extension. Not moving the bill will preserve current incentives to retain and preserve a less profitable building.
- 273 Chair Brian Turned down Kafoury's request to allow legislative counsel to correct the error today before voting.
- 302 Rep. Rasmussen Asked committee to conceptually amend bill to retain sunset provision.
- 309 Rep. Simmons **MOTION TO MOVE SB 1103-A5 AMENDMENTS INTO SB 1103-A.**
- 311 Chair Brian **ASKED MEMBERS FOR ANY OBJECTIONS TO MOVING SB 1103 -A5 AMENDMENTS INTO SB 1103. HEARING NO OBJECTIONS, CHAIR SO ORDERED.**
- 314 Rep. Shetterly **MOTION TO MOVE SB 1103-A6 AMENDMENTS INTO SB 1103A.**
- 315 Chair Brian **ASKED MEMBERS FOR ANY OBJECTIONS TO MOVING SB 1103-A6 AMENDMENTS INTO SB 1103. HEARING NO OBJECTIONS, CHAIR SO ORDERED.**
- 332 Chair Brian **ASKED MEMBERS FOR CONSENT TO SUSPEND THE RULES FOR THE PURPOSE OF DELETING SECTION 3 FROM SB 1103-A. HEARING NO OBJECTION, CHAIR SO ORDERED.**
- 349 Jim Scherzinger Discussed sunset language. Suggested leaving language as is.
- 404 Rep. Rasmussen **MOTION TO ADOPT CONCEPTUAL AMENDMENT TO SB 1103-A TO REMOVE LINES 19-30.**
- 409 Chair Brian **ASKED MEMBERS FOR ANY OBJECTIONS TO ADOPTING CONCEPTUAL AMENDMENT TO SB 1103-A TO REMOVE LINES 19-30. HEARING NO OBJECTIONS, CHAIR SO ORDERED.**
- 413 Rep. Shetterly **MOTION TO MOVE SB 1103-A AS AMENDED TO THE FLOOR WITH A DO PASS RECOMMENDATION.**
- 8 - 0 - 1**
- IN A ROLL CALL VOTE, MEMBERS VOTING AYE: REPS. EDWARDS, LEWIS, RASMUSSEN, SHETTERLY, SIMMONS, STROBECK; VICE CHAIR BEYER, CHAIR BRIAN.**
- 425 **VOTE:** **MEMBERS EXCUSED: CORCORAN.**
- MOTION CARRIED. REP. STROBECK WILL LEAD DISCUSSION ON THE FLOOR.**
- 445 Chair Brian Closed suspension of rules.

**TAPE 244 SIDE B**

**WORK SESSION -- HB 2048-A**

- 026 Chair Brian Closed work session on SB 1103-A. Opened work session on HB 2048-A.  
029 Jim Scherzinger Noted, committee will discuss urban renewal.  
074 Chair Brian Committee will stand at ease. Committee recessed due to a call to floor.

**WORK SESSION - SB 287 RECONSIDERED**

- 082 Chair Brian Requested suspension of rules to reconsider SB 287 with -3 amendments (EXHIBIT G).
- 086 Vice Chair Beyer **MOTION TO RECONSIDER SB 287.**
- 089 Chair Brian **ASKED MEMBERS FOR ANY OBJECTIONS TO RECONSIDERING SB 287. HEARING NO OBJECTIONS, CHAIR SO ORDERED.**
- 094 Rep. Strobeck **MOTION TO RECEDE THE -1 AMENDMENTS FROM SB 287.**
- 096 Chair Brian Explained reason for re-vote. Bill overrode a number of assertions made in M44 with regard to tobacco tax. Did not want to change will of the voters.  
**ASKED MEMBERS FOR ANY OPPOSITION TO REMOVING THE -1 AMENDMENTS FROM SB 287. HEARING NO OBJECTIONS, CHAIR SO ORDERED.**
- 113 Chair Brian **MOTION TO MOVE SB 287 -3 AMENDMENTS TO SB 287.**
- 114 Vice Chair Beyer
- 115 Jim Scherzinger Commented, SB 287 -3 amendments remove from the definition of income, any lump sum payments that a PERS retiree would get from settlement of court case on taxation of PERS benefits. Purposes of senior deferral, one-time payment.
- 158 Chair Brian Questions and discussion.  
**ASKED MEMBERS FOR ANY OPPOSITION TO MOVING SB 287 -3 AMENDMENTS INTO SB 287. THERE BEING NO OPPOSITION, CHAIR SO ORDERED.**
- 160 Vice Chair Beyer **MOTION TO MOVE SB 287 AS AMENDED TO THE FLOOR WITH A DO PASS RECOMMENDATION.**  
**6 - 0 - 3**
- 162 VOTE **IN A ROLL CALL VOTE, MEMBERS VOTING AYE: REPS. LEWIS, RASMUSSEN, SIMMONS, STROBECK; VICE CHAIR BEYER, CHAIR BRIAN.**  
**MEMBERS EXCUSED: REPS. CORCORAN, EDWARDS, SHETTERLY**  
*(Refer to meter # 425 for Rep. Shetterly's vote and final vote.)*

**WORK SESSION (INVITED TESTIMONY) - SB 1222-A**

172 Chair Brian Closed work session on SB 287, opened work session on SB 1222-A.  
Explained history of SB 1222-A. In 1995, lawmakers passed bill to extend PERS to three judges for a period of time when they were elected to executive branch. Two of judges applied, found technically they had been turned down because their judicial service had not been covered. This bill extends window of opportunity, also requires PERS pay employer and employee contributions. Asked committee for its support.

173 Roger Martin

Vice  
219 Chair Beyer

**MOTION TO MOVE SB 1222-A TO THE FLOOR WITH A DO PASS RECOMMENDATION.**

**6 - 0 - 3**

**IN A ROLL CALL VOTE, MEMBERS VOTING AYE: REPS. LEWIS, RASMUSSEN, SIMMONS, STROBECK; VICE CHAIR BEYER, CHAIR BRIAN.**

230 VOTE **MEMBERS EXCUSED: REPS. CORCORAN, EDWARDS, SHETTERLY** (*Refer to meter # 406 for Rep. Shetterly's vote, and for final vote.*)

**MOTION CARRIED.**

#### **WORK SESSION (INVITED TESTIMONY) - HB 3544**

239 Chair Brian Closed work session on SB 1222-A. Opened work session on HB 3544.  
Refer to HB 3544-1 amendments (EXHIBIT I).

252 Daniel Santos Refer to "Testimony of Daniel Santos" in support of HB 3544 -1 amendments (EXHIBIT J). Gave background on bill. As Gov. Kitzhaber reviewed HB 3083, he agreed with proponents' intent to deal with seriously disruptive students. Potential unintended consequences led to veto of original bill. This bill addresses those concerns.

305 Gary Conkling Testified in support of HB 3544. Problem is not huge numbers, but of significant consequence. Rising number of expulsions were for significant incidents -- assaults, etc. Hillsboro and Beaverton school districts are looking for tool to re-engage student and their parents, will volunteer for this program.

338 Jim Green Testified, smaller school districts have same problems as larger and many of those districts are interested in this volunteer program. Requested removal of subsequent referral to Ways and Means.

376 Rep. Strobeck **MOTION TO MOVE HB 3544 -1 AMENDMENTS INTO HB 3544.**

378 Chair Brian **ASKED MEMBERS FOR ANY OBJECTIONS TO MOVING HB 3544 -1 AMENDMENTS ONTO HB 3544. HEARING NO OBJECTIONS, CHAIR SO ORDERED.**

**MOTION TO MOVE HB 3544 AS AMENDED TO THE FLOOR WITH A DO**

383 Rep. Strobeck **PASS RECOMMENDATION, AND TO RESCIND THE SUBSEQUENT REFERRAL TO WAYS AND MEANS.**

**7 - 0 - 2**

**IN A ROLL CALL VOTE, MEMBERS VOTING AYE: REPS. LEWIS, RASMUSSEN, SHETTERLY, SIMMONS, STROBECK; VICE CHAIR BEYER, CHAIR BRIAN.**

390 **VOTE**

**MEMBERS EXCUSED: REPS. CORCORAN, EDWARDS.**

**MOTION CARRIED.**

403 Chair Brian Asked members for unanimous consent to allow Rep. Shetterly change his vote for SB 1222-A. Hearing no objections, chair so ordered.

406 Rep. Shetterly **AYE. FINAL VOTE, 7 - 0 - 2.**

407 Chair Brian Asked members for unanimous consent to allow Rep. Shetterly to change his vote for SB 287. Hearing no objections, chair so ordered.

425 Rep. Shetterly **AYE. FINAL VOTE, 7 - 0 - 2.**

448 Chair Brian Adjourned meeting at 4:15 p.m.

Submitted by, Reviewed by,

Barbara Guardino Kim James

Committee Assistant Revenue Office Manager

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**EXHIBIT SUMMARY:**

A. SB 287, Yates, Proposed Amendments: SB 287 -1, 2 pp.



- B. SB 287, Yates, Issue: Is the Other Tobacco Products Tax Comparable to the Cigarette Tax, 1 p.
- C. SB 1103, Nelson, Proposed Amendments: SB 1103 -A5, 1 p.
- D. SB 1103, Nelson, Proposed Amendments: SB 1103 -A6, 2 pp.
- E. SB 1103, Rasmussen, Proposed Amendments: SB 1103 -A7, 1 p.
- F. HB 1103, Hamrick, Oregon Parks and Recreation Department, Subject: SB 1103A, 1 p.
- G. SB 287, Scherzinger, Proposed Amendments: SB 287 -3, 1 p.
- H. SB 1222, Scherzinger, No Fiscal Impact statement, 1 p.
- I. HB 3544, Santos, Proposed Amendments: HB 3544 -1, 2 pp.
- J. HB 3544, Santos, Proposed Amendments: Testimony of Daniel Santos, 1 p.