

Informational Hearing

on Tax Proposals

HOUSE REVENUE COMMITTEE

April 7, 1997 Hearing Room A

8:30 a.m. Tapes 102- 103, Sides A-B

MEMBERS PRESENT: Rep. Tom Brian (8:50 arrival)

Rep. Lee Beyer, Vice-Chair

Rep. Tony Corcoran

Rep. Randall Edwards

Rep. Leslie Lewis (8:46 arrival)

Rep. Anitra Rasmussen (8:45 arrival)

Rep. Lane Shetterly

Rep. Mark Simmons (9:00 arrival)

Rep. Ken Strobeck

MEMBERS EXCUSED: all present

STAFF PRESENT: Jim Scherzinger, Leg. Revenue Officer

Ed Waters, Economist

Steve Meyer, Economist

Kim Taylor James, Office Manager

WITNESSES: Tim Nesbitt, Oregon Public Employees Union

Michael Ettlinger, Institute on Taxation and Economic Policy

Gary Carlson, Association Oregon Industries

These minutes contain materials which paraphrase and/or summarize statements made during this session. Only text enclosed in quotation marks report a speaker's exact words. For complete contents of the proceedings, please refer to the tapes.

TAPE 102 SIDE A

009 Vice-Chair Beyer called the meeting to order at 8:33 am.

010 Ed Waters presented an overview of the Oregon tax system and pointed out significant trends. The context is total state and local taxes in Oregon. Refer to Exhibit A, OREGON TAXES OVERVIEW, TOTAL STATE AND LOCAL TAXES.

Questions and discussion interspersed on the age of the information presented and the relation of this information in comparison with other states.

370 Tim Nesbitt (Oregon Public Employees Union) read his testimony explaining questions about Oregon's total tax burden leading up to a request for a study by the by the Institute on Taxation and Economic Policy. Nersbitt noted three major findings of the report as:

In 1978-79, business and household paid equal shares of Oregon's state and local taxes.

By 1990-91 business share had declined to 79 cents for every dollar paid by households.

During Measure 5, property taxes paid by homeowners increased 3% while property taxes paid by commercial and industrial property declined 29%.

TAPE 103 SIDE A

042 Michael Ettlinger (Institute on Taxation and Economic Policy) discussed methodology used in the study completed by the Institute entitled The Business Share of State and Local Taxes, How Oregon Compares to other States (Exhibit C).

085 Michael Ettlinger reviewed the Executive Summary of the study (Exhibit D) findings of the study:

Oregon's business tax share is low - ranking 43 of the 50 states in business share.

Oregon's household tax share is high - ranking 5 of 51.

Total taxes paid directly by Oregon households is slightly higher than average - 22nd.

Compared to neighboring states, Oregon imposes the highest tax share on households and the lowest tax share on businesses.

In 41 states, household tax dollars buy more government services because higher taxes paid by business.

103 Questions and discussion

316 Rep. Brian noted Oregon's weight mile tax has not been included in the study or fees, i.e., vehicle fees.

339 Michael Ettlinger explained that if no other state had anything to add, and weight mile were included that might change Oregon to about 40th, however, that would not change the "story".

387 Questions and discussion.

TAPE 102 SIDE B

007 Questions and discussion continued.

138 Gary Carlson read his testimony which he characterized as "defense of the concept of limited government and maximum individual opportunity" (Exhibit E). Carlson submitted other exhibits for members reference including a Wall Street Journal article entitled States to Congress: Try Tax Cuts, a JEC State and Local Taxation and Economic Growth study entitled State and Local Taxes and Economic Growth: Simple Evidence, an opinion letter by Carlson published in the Oregonian entitled Businesses Only Benefit Short Term, a study by The Manufacturing Institute entitled White Paper, Improving the Economic Condition of the American Worker, and a study by the The Manufacturing Institute entitled The Case for Higher Growth. Exhibits G-J

Questions and discussion

TAPE 103 SIDE B

Questions and discussion

100 Chair Brian conducted administration business regarding committee schedule.

113 Chair Brian adjourned the meeting at 10:10 am.

Kim Taylor James

Office Manager

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Exhibit Summary:

A Informational - Tax Proposals, Waters, Oregon Taxes Overview, Total State and Local Taxes, 10 pgs.

B Informational - Tax Proposals, Nesbitt, written testimony, 4/7/97, 7 pgs.

C Informational - Tax Proposals, Ettliger, Executive Summary, The Business Share of State and Local Taxes, How Oregon Compares to Other States, 4/97, 3 pgs.

D Informational - Tax Proposals, Study, The Business Share of State and Local Taxes, How Oregon Compares, 4/97, 16 pgs.

E Informational - Tax Proposals, Carlson, Written Testimony, 4/7/97, 5 pgs.

F Informational - Tax Proposals, Carlson, WALL STREET JOURNAL, States to Congress: Try Tax Cuts, 4/2/97

G Informational - Tax Proposals, Study, Carlson, JEC State and Local Taxation and Economic Growth, State and Local Taxes and Economic Growth: Simple Evidence, 3/26/97, 5 pgs.

H Informational - Tax Proposals, Carlson, OREGONIAN, Businesses Only Benefit Short Term, 11/18/91, 1 pg.

I Informational - Tax Proposals, Carlson, The Manufacturing Institute White Paper: Improving the Economic Condition of the American Worker, 4/96, 28 pgs.

Jj Informational - Tax Proposals, Carlson, The Manufacturing Institute, The Case for Higher Growth, 7/96, 43 pgs.