

PUBLIC HEARING, INVITED TESTIMONY

HB 2285, HB 2286, HB 3015, HB 3016,

HB 3208, HB 3248, HB 3474

TAPES 131A, 132A

HOUSE REVENUE COMMITTEE

APRIL 22, 1997 8:30 AM HEARING ROOM A STATE CAPITOL BUILDING

MEMBERS PRESENT: Rep. Tom Brian, Chair

Rep. Lee Beyer, Vice-Chair

Rep. Tony Corcoran

Rep. Randall Edwards

Rep. Leslie Lewis (Excused)

Rep. Anitra Rasmussen (Arrived 9:00 a.m.)

Rep. Lane Shetterly

Rep. Mark Simmons (Excused)

Rep. Ken Strobeck

WITNESSES PRESENT: Rep. Frank Shields

John Lewis, Legislative Aide

Tim Nesbitt, Oregon Public Employees Union

Rep. Cynthia Wooten

Charles Sheketoff, Oregon Law Center

STAFF PRESENT: Ed Waters, Economist

Barbara Guardino, Committee Assistant

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TAPE 131 SIDE A

013 Chair Brian Called meeting to order at 8:45 a.m.

PUBLIC HEARING, INVITED TESTIMONY -- HB 3015, HB 3016

016 Rep. Frank Shields Refer to written testimony, "Rep. Frank Shields Testimony, HB 3015, 3016, Establishing an Earned Income Tax Credit" verbatim (EXHIBIT A) Establishes a state income tax credit for working poor. State is taxing working people who are too poor to make ends meet. Oregon is known for its innovation in Welfare reform. EITC would help them pay child care. Favors a non-refundable credit for workers to help protect them from returning to public assistance.

Refer to chart (EXHIBIT B) "What are the numbers?"

Outlines income tax rates for incomes beginning at \$5.50 an hour.

057 Rep. Shields HB 3016 addresses related way to help low income working families. Oregonians deduct federal taxes up to \$3,000 from taxable income. Under current system, person who claims federal EITC have federal tax liability reduced by amount of credit.

Senate Revenue Committee on April 18 sent SB 1143 to Senate floor. Urged committee to support that bill. Contains 5 % refundable credit, child care credit, and language from HB 3016.

092 Vice Chair Beyer Asked difference between refundable and nonrefundable.

098 John Lewis Refundable credit will give taxpayer money back (possibly more than was paid). Non-refundable credit, taxes would be zeroed out.

Questions and discussion concerning chart figures

Gave figures for 1997 poverty level:

For family of one -- \$7,890
Family of two -- \$10,610
157 Lewis Family of three -- \$13,330
Family of four -- \$16,050
Vice
178 Chair Closed public hearing on HB 3015 and HB 3016
Beyer

PUBLIC HEARING - HB 2285, HB 2286, HB 3208

Vice
178 Chair Opened public hearing on HB 2285, HB 2286, HB 3208
Beyer

Testimony 3208, HB 2285, HB 2286

HB 3208 and HB 2286 are vehicles for potential rebracketing, and highlighting effects of rebracketing corporate and personal income tax rates. Households are taxed at rate of fifth highest in nation, and corporations are 43rd in nation. Whether shift was intended or not, there is no denial that shift has occurred. These bills will reverse this shift. With M47 property tax has been put in state of flux.

182 Rep. HB 3208 creates brackets of 5, 7, 9 and 10 for personal tax rates and doubles standard
Corcoran deduction. Catches up corporate tax rate with personal tax rate (page 5).

HB 2285 requires corporate excise and personal income tax rates be equal. Brings corporate rates up to 9 % level from current 6.6 %. This would net \$220 million.

HB 2286 (refer to EXHIBIT C) chart "Oregon Law Change: 1998 Tax in Thousands of Dollars - Total". Shows in terms of returns, consequences of stair-stepping at proposed rate. Tax reduction would be about 6 % for incomes under \$25,000. Impact in terms of total tax creates net savings of \$75-100,000. Increases tax on households earning over \$100,000.

Continued testimony on HB 2286 charts, "Oregon Law Change: 1998 Average Tax In Dollars". Shows tax savings to households up to \$75 - 100,000. Increase tax levels at higher rates.

Last two pages: Corporate income tax

270 Rep. Increased rates up to 12 % -- impact was \$155 million over biennium.
Corcoran

More reasonable - create income tax reduction for smaller corporations (under \$100,000) to 6 %.

Households under \$75,000 would see reduction in income tax.

331 Tim Nesbitt Expressed support for HB 2285. Twenty years ago businesses paid dollar for dollar, the tax rate of households. Now it is down to 61 cents per dollar. Each 1 cent of this shift is equivalent to \$92 million per biennium. Voters overwhelmingly support equalizing tax burden. Latest polling shows raising corporate income tax is more popular with voters than liquor and alcohol tax.

Who pays business taxes ultimately? Losses are passed onto either consumers or shareholders. Either way, Oregonians would be served with this adjustment.

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030 Nesbitt Consider this as issue of fairness. Three out of four businesses in Oregon pay the 9 % personal income tax, not corporate. It is only fair that the most profitable corporations pay same tax rate on profits that others pay on wages.

045 Rep. Strobeck Asked how long corporate rate has been the present rate, and why was it set at that rate?

053 Vice Chair Beyer Mid-1980s corporate rates were rebracketed and dropped.

056 Rep. Strobeck Asked, HB 2285, under Section 3 (1)(b) concerning changes in forecast based on passage of various ballot measures caused by initiatives, and how that would revise forecast in any particular session. Were that in effect today, lawmakers would not be talking about returning the kicker.

068 Rep. Corcoran These are all vehicles to give lawmakers a way to look at inequities. Multitude of bills dealing with kicker formula is another mechanism. This would be a stop-gap since there may not be political will to deal with kickers.

083 Vice Chair Beyer Commented, public is paying more for education, although total education expenditure has not changed.

PUBLIC HEARING - HB 3248

093 Chair Brian Opened public hearing on HB 3248

Refer to written testimony verbatim (EXHIBIT D) "Testimony by Rep. Cynthia Wooten, State Representative - District 41"

Asks committee to look carefully at what they can do today -- create a little bit of flexibility.

Rep. Earned Income Tax Credit program benefits. These low pay jobs are often sole support. Families will not be successful and will fall into welfare. Earned Income Tax Credit gives these families a break. This bill mirrors federal EICT program. Earning \$6.25 an hour are: store supervisors, assistant property managers, auto parts store clerks,

- Cynthia Wooten construction and production workers, restaurant cooks, cabinetmakers, roofers etc.
Federal government provides tax credit, then state cancels it out. Current tax is regressive.
- 096 Bill provide a nonrefundable EITC at rate of 75 % of that received from federal government. Tax credit would cost state of Oregon \$120 million. It is the very least we can do.
- 195 Wooten Expressed willingness to combine this bill with other bills.
Questions and discussion concerning Wooten testimony.
Overview of SB 1143: Merging of three bills into one. Creates 5 % refundable EITC. To benefit lowest wage earners, it has to be refundable. Believes LRO estimates are high, but 5 % refundable does not stop taxing people in poverty. To do this, for three person family has to be 7.5 %. Bill creates 40 % child care credit for incomes up to 150 % of poverty, then phases down to zero. Income starting wage from \$6.22 per hour, net spendable income goes down as wages go up to \$12.00 per hour. The bill stops practice of taxing federal earned income credit. Effective 1999.
- 233 Charles Sheketoff
- 342 Rep. Wooten Urged committee to address inequities in most immediate way -- the flat tax rate. Combining efforts with accurate forecasts will send message that real tax reform is a possibility.
- 361 Sheketoff Tax credit does what Senate President wanted , as wages go up, income goes up. Under current system, this does not occur.
- 388 Chair Brian Closed public hearings 9:35, recessed meeting until 3 p.m.

Submitted by, Reviewed by,

Barbara Guardino Kim James

Committee Assistant Revenue Office Manager

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EXHIBIT SUMMARY:

- A. HB 3015 - HB 3016, Shields, Rep. Frank Shields Testimony, 2 pp.
- B. HB 3015 - HB 3016, Shields, What are the numbers? 2 pp.
- C. HB 2286, Corcoran, House Bill 2286 work sheets and charts, 7 pp.
- D. HB 3248, Wooten, Testimony by Rep. Cynthia Wooten, 2 pp.
- E. HB 2285 - HB 2286 - HB 3208 - HB 3474 - HB 3016 - HB 3015 - HB 3248, Waters, Revenue Impact of Proposed Legislation, 1 p.
- F. HB 2286, Waters, Fiscal Impact statement, 1 p.
- G. HB 3208, Waters, Fiscal Impact statement, 1 p.
- H. HB 3016, Waters, Fiscal Impact statement, 1 p.

WORK SESSION

HB 3710

TAPES 133, 134 A/B

HOUSE REVENUE COMMITTEE

APRIL 22, 1997 3:00 PM HEARING ROOM 50 STATE CAPITOL BUILDING

MEMBERS PRESENT: Rep. Tom Brian, Chair (Arrived at 3:32 p.m.)

Rep. Lee Beyer, Vice-Chair

Rep. Tony Corcoran

Rep. Randall Edwards (Arrived at 3:32 p.m.)

Rep. Leslie Lewis (Arrived at 4:00 p.m.)

Rep. Anitra Rasmussen

Rep. Lane Shetterly

Rep. Mark Simmons (Excused)

Rep. Ken Strobeck

WITNESSES PRESENT: Tom Linhares, Columbia County Assessors

Gil Riddell, Association of Oregon Counties

STAFF PRESENT: Jim Scherzinger, Legislative Revenue Officer

Steve Wermuth, Clerk

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006 Vice-Chair Beyer Calls meeting to order at 3:29 p.m. Opens work session on HB 3710.

**HB 3710 -
WORK
SESSION**

007 Jim Scherzinger Introduces [EXHIBIT A]. Explains that first issue is "Personal Property Cancellation," [EXHIBIT B]. Discusses proposed penalties for failure to file on time [EXHIBIT C], and current law (ORS 308.295) [EXHIBIT D]. Speaks of ORS 308.300 [EXHIBIT D]. Says if someone fails to file for property taxes, they will pay the first penalty, and if long enough, assessor sends a bill based on his/her own estimate of what the personal property is worth. Says that under current law, penalties are the same for personal property returns, real property returns and industrial property returns. Comments that utility return is higher.

057 Scherzinger Discusses time lines for returns and utility [EXHIBIT E]. Says that if someone is later than three months, penalty would be 25% of the total tax, and more than five months late, penalty is 100% of tax.

089 Rep. Shetterly Asks if issues relating to personal property taxes and penalties are part of Measure 50 implementation.

103 Rep. Rasmussen Believes realigning the filing dates of personal property tax and changing penalty system is part of Measure 50.

117 Chair Brian Asks Representative Shetterly if his comment was, "increasing the penalty might make this so it cannot be an emergency bill."

120 Rep. Shetterly Says that the time line issue is important for implementation of Measure 50 and he is not sure discussions on increasing penalties or exemption versus cancellation are part of Measure 50 implementation.

136 Vice-Chair Beyer Asks why personal property is treated differently than other properties.

140 Rep. Rasmussen Explains that the work group focused on personal property as being most difficult to get people to file for and that personal property must be valued before tax can be assessed on it.

159 Rep. Rasmussen Says that work group did not have time for a good exploration of whether or not that made sense or not.

167 Scherzinger Comments that other issue is confusion of current personal penalty. Explains tiers of personal penalty.

175 Rep. Rasmussen Says that most cases are not pushing around big numbers in terms of penalty structure.

182 Scherzinger Says that the second issue is local property tax reserves. Talks about two provisions under current law dealing with reserves [EXHIBIT F], one being a voluntary reserve requirement (ORS 311.807). Explains voluntary reserve. Says that in addition to that, there is a mandatory reserve statute (ORS 311.814), explains.

232 Scherzinger Explains section 284 of the -1 amendments [EXHIBIT C from 4/17/97], and says that under current law, sets up a mandatory reserve that triggers when the amount in dispute exceeds 1/4 of 1% of the value of the county [EXHIBIT G]. Says that the -1 amendments make it a voluntary reserve, and under current law, it says you have to take the taxes on amount in dispute out of tax year following the year in which appeal was filed, and amendments allow to take out of current year. Says there are three issues in regard to reserve on large appeals. One being mandatory or voluntary and another being the trigger point.

279 Scherzinger Says that under this new system, if there is a dispute, and the person does not pay the tax right away, then there will be no refund payable until the person pays. Says the third issue in regard to reserve on large appeals is in which year the reserve is taken from. Explains chart of effect of rounding on trigger points [EXHIBIT H]. Figures out decimal places.

329 Chair Brian Clarifies placement of decimals.

347 Scherzinger Says that the handouts give an idea of trigger points.

382 Scherzinger Value in dispute, under current law would be 1/4 of 1%. Gives totals per county.

392 Rep. Edwards Asks if voluntary, does the size become discretionary.

402 Scherzinger States that the treasurer makes that decision.

404 Chair Brian Asks Tom Linhares and Gil Riddell for their views on the subject.

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002 Tom Linhares Representing Oregon State Association of County Assessors. Says that issue has not been addressed internally specifically. Gives pros and cons of voluntary and involuntary.

013 Gil Riddell Association of Oregon Counties. Says that since local money is primarily dealt with, local officials should have responsibility to work through their issues and should be voluntary.

026 Chair Brian Says that if voluntary, there would be no need to worry about trigger points and year of collection.

- 037 Riddell Comments on section 284 and says since it was mandatory, there need not be an authority to authorize county treasury to hold this money, believes someone should authorize treasurer to do so.
- 045 Chair Brian Clarifies that it would be a voluntary system but the responsibility should be placed on Commissioner.
- 047 Riddell Says current law says that Department of Revenue notifies treasurer that trigger point has been reached and must then do something. Suggests removing trigger point.
- 055 Scherzinger Says that the only issue on trigger point is for department appraised property, the county may not know of dispute. Says that there might want to be a trigger point for purposes of the notice.
- 061 Riddell Says that a notification system has been introduced with the Department of Revenue.
- 068 Chair Brian Asks if reserve issue comes up on Department of Revenue side.
- 072 Scherzinger Says it would be the same issue, and that it is still local money and that the local government can decide whether or not to put aside a reserve.
- 077 Linhares Says DOR has complete control over centrally assessed role, and that county assessor has nothing to do with the appeal process.
- 089 Scherzinger Confirms that authority is desired to have reserve there at all and want it to be decision of County Commissioner, the trigger point.
- 094 Chair Brian Agrees.
- 095 Scherzinger Presumes that the trigger point is being taken out.
- 097 Chair Brian Says yes it is being taken out. Says that commissioners will determine what trigger point will be.
- 104 Scherzinger Explains that rounding is another major issue. Discusses section 233 of the -1 amendments and number of decimal places **[EXHIBIT H]**. Says that current standard that is used is four decimal places in terms of dollars per thousand. Explains that under current statute, the truncating (rounding down) system is used.
- 140 Rep. Lewis Asks if all 36 counties in Oregon are set up to truncate.
- 143 Scherzinger Says yes and that it is a department rule. Says that Measure 50 allows rounding or truncating.
- 154 Linhares Says there will be two rate calculations in 1997, the normal Measure 5 rate calculation and the new process of rounding and making five digits instead of seven digits being truncated.
- 172 Rep. Lewis Asks if the new calculation is only made once.
- 175 Linhares Says yes.
- 180 Rep. Lewis Asks if the bonded debt limits are currently the same seven digits truncated.
- 181 Linhares Says yes.
- 183 Chair Brian Asks Jim Scherzinger if the effect of truncating would benefit taxpayers.
- 185 Scherzinger Explains that truncating reduces and rounding up increases, and rounding to the nearest can either increase or decrease depending upon which way the nearest is.
- 193 Chair Brian Says that it would be a benefit to taxpayers and how the counties would prefer to do it.
- 215 Scherzinger Says there are three issues left to discuss: urban renewal, distribution of tax reductions, and shift restrictions.
- Says she was not present the day when decision was made on calculation of maximum

229 Rep. Lewis assessed value. Says she is not satisfied with that decision.

241 Chair Brian Says there are a few issues discussed: peaking and sharp decline response, if there is more of a prolonged dip, whether they should spring back up to the total maximum assessed value.

254 Rep. Lewis States her concern for taxpayers having an increase in their taxes of more than 3%.

272 Chair Brian Adjourns meeting at 4:15 p.m.

Submitted by, Reviewed by,

Steve Wermuth Kim James

Committee Clerk Revenue Office Manager

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EXHIBIT SUMMARY:

A - HB 3710, Measure 50 Implementing Draft, Staff, 4 pp.

B - HB 3710, Measure 50 Handout, Staff, 1 p.

C - HB 3710, Measure 50 Handout, Staff, 1 p.

D - HB 3710, ORS Material, Staff, 3 pp.

E - HB 3710, Return Filing Time Line Handout, Staff, 1 p.

F - HB 3710, Measure 50 Handout, Staff, 2 pp.

G - HB 3710, County Values Handout, Staff, 1 p.

H - HB 3710, Measure 50 Handout, Staff, 1 p.

