

WORK SESSION: HB 3163A

PUBLIC HEARING: HB 2855,

PUBLIC HEARING & WORK SESSION: HB 2488

TAPES 187, 188 A/B

HOUSE REVENUE COMMITTEE

MAY 28, 1997 8:30 AM HEARING ROOM A STATE CAPITOL BUILDING

MEMBERS PRESENT: Rep. Tom Brian, Chair

Rep. Lee Beyer, Vice-Chair

Rep. Randall Edwards

Rep. Anitra Rasmussen

Rep. Lane Shetterly

Rep. Mark Simmons

Rep. Ken Strobeck

MEMBERS EXCUSED: Rep. Tony Corcoran

Rep. Leslie Lewis

WITNESSES PRESENT: Jeanne Arana, Oregon Winegrowers

Gil Riddell, Association of Oregon Counties

Jerry Hanson, Oregon Assessors' Association

Jim Manary, Department of Revenue

Rep. Ron Adams, District 27

Rep. Patti Milne, District 38

Gregg Dal Ponte, Oregon Department of Transportation

Chuck Smith, Oregon State Treasury.

STAFF PRESENT: Jim Scherzinger, Legislative Revenue Officer

Ed Waters, Economist

Dick Yates, Economist

Brian Reeder, Economist

Barbara Guardino, Committee Assistant

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PUBLIC HEARING -- HB 2855

- 007 Chair
Brian Called meeting to order 8:55 a.m. Opened public hearing on HB 2855
- 017 Brian
Reeder Reviewed HB 2855: (For Revenue Impact Statement, see May 23, Exhibit O.) Bill includes wine in definition of agricultural products that are exempt from personal property tax. Exempts from property tax, machinery and equipment used for wine making for farmers who grow their own grapes. Revenue impact is \$75,000 for remainder of 1997-99 biennium. Roughly \$8-10 million in personal property that would become exempt.
- 055 Jeanne
Arana Refer to written testimony "Oregon Winegrowers Association" (EXHIBIT A) in favor of HB 2855. Clarifies that production of wine is an agricultural use. Deals with agricultural exemptions for winegrowers.
- 075 All Questions and discussion concerning what would be exempt.

- 145 Vice
Chair
Beyer Noted, is having problem drawing distinction between equipment that is clearly agricultural and industrial production equipment.
- 151 Chair
Brian Explained how legislature in past determined exemptions of what is an agricultural product. (i.e. "egg bill") Lawmakers allowed exemption for all equipment engaged in creation of product, moving product for marketing purposes. Equipment that changed the product was not exempt. Believes same should apply for wine grapes.
- 192 Rep.
Strobeck Directed members' attention to bill, page 1, line 20: Existing law allows butter, cheese, evaporated milk. Page 2, lines 3-4 "dairying and the sale of dairy products ..."
- 209 Arana Pointed out, wine grapes cannot be used for anything but wine. They cannot be eaten. It is one agricultural process.
- 218 Rep.
Shetterly Suggested language requiring majority of grapes be grown on land.
- 234 Vice
Chair
Brian Noted, most of wine growers do not produce a majority of their grapes.
- 243 Arana Referred to page 2, lines 6-8: Makes it clear that it applies only to equipment where winery owner is engaged in production of winegrowing.
- 254 Gil
Riddell Committee has covered all the issues. Hoped "feeding frenzy of property tax exemptions" had ended with cut and cap property tax exemptions. It hasn't. Winegrowers are doing fine without tax exemption. If this passes, microbrewers will be next.
- 281 Chair
Brian Noted, bill would need amendments:
Page 1, line 23 should say "wine grapes;" limitation needed on wine grape production.
- 336 Vice
Chair
Beyer Asked, if assessor was assessing a winery with big vats that were part of the building, would that be considered real or personal property.
- 346 Jerry
Hanson Does not know, could go either way.
- 354 Jim
Manary Answer is, barns and fixed equipment are real and taxable. Tax court's definition of personal property is, property that is used in a mobile sense. Ex: irrigation pipes are personal, underground pipes are real. HB 2855 applies to personal property only.
- 419 Chair
Brian Closed public hearing on HB 2855. Opened work session on HB 3163A.

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WORK SESSION (CONTINUED) -- HB 3163A

- 048 Rep. Ron
Adams Refer to written testimony (EXHIBIT B) In opposition to \$1.20 access fee per telephone line (transportation bill). People who work from their homes would pay more with this incidental access fee than for the proposed increased gasoline tax. Legislators are trying to get people off the roads, and when they do they are penalized. Urged committee to

reject this fee.

- 106 Rep. Edwards Asked, is it possible to limit tax increase to two phone lines?
- 114 Rep. Adams Might work, but boils down to an honor system. Most families in future will have at least two lines, because of internet access. Difference between this tax and 911 fee is, 911 has to do with telecommunication. This use for transportation is inappropriate and dishonest.
- 146 Dick Yates Referred members to HB 3163A -A26 amendments (EXHIBIT C). Compilation of May 27 amendments that were adopted or discussed. (includes -A20, -A21, -A23, -A24).
HB 3163A -A27 amendments are same as -A26, but do not include Transportation, Safety and Services fee.
- 177 Chair Brian Recessed work session on HB 3163A. Opened public hearing on HB 2488.

PUBLIC HEARING -- HB 2488

- 184 Rep. Patti Milne Explained HB 2488: Earlier in session, lawmakers passed reconnect bill that reconnects Oregon to federal tax code. Included was medical savings accounts participation. HB 2488 ties into this, using same parameters (self-employed small businesses, etc.). Provides opportunity for Oregonians to open up medical savings accounts. Follows same guidelines as federal.
- 225 All Questions and discussion
- 278 Rep. Milne A roadblock in past to medical savings accounts has been tax advantage. Bill says, there may be a \$750,000 cap, but if Oregonians get involved in medical savings accounts, the state will recognize it and provide a tax benefit, even if they hit the cap.
- 293 Rep. Strobeck Wondered about subtraction against federal taxes. How can this occur?
- 330 Jim Manary Federal government has established cap in terms of allowing deductions. If this exceeded cap, deduction would not given for be federal purposes, but for Oregon purposes.

WORK SESSION -- HB 2488

- 395 Rep. Shetterly **MOTION TO MOVE HB 2488 TO THE FLOOR WITH A DO PASS RECOMMENDATION.**

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- 405 VOTE **IN A ROLL CALL VOTE, ALL MEMBERS PRESENT VOTED AYE: REPS. EDWARDS, SHETTERLY, SIMMONS, STROBECK; VICE CHAIR BEYER, CHAIR BRIAN.**

MEMBERS EXCUSED: REPS. CORCORAN, LEWIS, RASMUSSEN.

MOTION CARRIED. REP. MILNE WILL LEAD DISCUSSION ON THE FLOOR.

- 426 Rep. Strobeck Noted potential conflict of interest.
- 430 Chair Brian Closed work session on HB 2488, resumed work session on HB 3163A.

WORK SESSION -- HB 3163A

- 438 Dick Yates Resumed review of HB 3163 -A26, page 2, Section 4b: Requires review by 71st legislature; added 70th.

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- Page 5, Section 15: Changes 1999 to 2000
- 047 Yates Page 5: Brings in amendments to provisions from HB 3729
- Page 10: New section affects change from monthly to quarterly reporting
- 078 Yates Page 11: Language with respect to transponders
- 098 All Bottom page 11: Left out four words: "prescribed by the department"
- 126 Dal Ponte Questions and discussion concerning electronic filing discount.
- 136 Rep. Edwards Intent of Oregon Department Of Transportation (ODOT) was, as Yates described, that discount is due when electronic filing tools are used.
- 139 All Suggested term "bank" is too restrictive, perhaps "depository institution."
- 177 Yates Questions and discussion on electronic transfer and eligible depository institutions. Concerning discussion, lines 1 and 2 on page 12 say ODOT will prescribe electronic tools and methods. They will have to define the types of electronic funds transfers are eligible, so can define "bank" for those purposes.
- 196 Yates Continued discussion on HB 3163 -A26: Noted, change on page 6. In -A23 amendments, described how tax rates apply to only one table, not two. Now this appears under Miscellaneous in Section 50.
- 236 Rep. Strobeck Continues to have problem with telephone fee. Suggested separate tax from 911 emergency tax as a matter of disclosure.
- 276 All Questions and discussion.
- 290 Rep. Edwards Expressed discomfort with taxing mechanism. Suggested, if bill passes, future legislature should review this.
- 307 Chair Beyer Noted, Page 16, Section 30a has an implied sunset.
- Rep. Expressed doubt that this tax would discourage workers from telecommuting.

- 328 Shetterly Rasmussen agreed.
- 343 Yates Directed members' attention to HB 3163 -A27 (EXHIBIT D). This is identical to -A26 amendments except -A27 does not include access fees; which deletes Section 39a. Noted, need an amendment to provide for coverage of telephone company's one-time setup costs.
- Vice
364 Chair Referred committee to -A26, page 19. Transportation committee working to deal with delayed projects, one-time bonding.
Beyer
- 373 Chuck Refer to written testimony "Oregon State Treasury" (EXHIBIT H). Commented on bonding portion of HB 3163A, particularly -A24 amendments, which contemplate maximum bonding amount of \$410 million based on highway fund. From financing perspective, this is a prudent and reasonable level. However, any contemplated bonding level substantially above this should be reviewed. 1997 legislature created, through HB 2214, a state policy advisory commission. Commission was to create an integrated strategic debt plan for bonding programs within Oregon, and to create a six-year strategic plan to present to governor and legislature each even-number year, by April 1.
Smith
- 449 Smith Recommended more substantial increase await review of state policy advisory commission for review.

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- 037 Rep. **MOTION TO MOVE HB 3163 -A26 AMENDMENTS INTO HB 3163A, INCLUDING CONCEPTUAL AMENDMENTS.**
Strobeck
- 041 Vice Chair **ASKED MEMBERS FOR ANY OBJECTIONS TO MOVING -A26 AMENDMENTS WITH CONCEPTUAL AMENDMENTS, INTO HB 3163A. HEARING NO OBJECTION, CHAIR SO ORDERED.**
Beyer
- 058 Vice Chair Closed work session on HB 3163A. Committee stood at ease to await arrival of Jim Scherzinger with information on HB 2048.
Beyer
- 076 Vice Chair Adjourned meeting at 10:18 a.m.
Beyer

Submitted by, Reviewed by,

Barbara Guardino Kim James

Committee Assistant Revenue Office Manager

EXHIBIT SUMMARY:

- A. HB 2855, Arana, Testimony Before the House Revenue Committee in Support of House Bill 2855, 3 pp.
- B. HB 2163, Adams, Testimony of Ron W. Adams, Clackamas and Washington Counties, District 47, 1 p.
- C. HB 3163, Yates, Proposed Amendments: HB 3163 -A26, 22 pp.
- D. HB 3163, Yates, Proposed Amendments: HB 3163 -A27, 19 pp.
- E. HB 2488, Waters, Revenue Impact of Proposed Legislation, 1 p.
- F. HB 2488, Waters, Staff Measure Summary, 1 p.
- G. HB 2488, No Fiscal Impact statement, 1 p.
- H. HB 3163, Smith, Oregon State Treasury, 8 pp.