

WORK SESSION SB 347 AND
INFORMATIONAL MEETING ON
MEASURE 47
TAPES 045 - 046 A/B

SENATE REVENUE COMMITTEE

FEBRUARY 17, 1997 - 9:00 A.M. - HEARING ROOM B - STATE CAPITOL BUILDING

Members Present: Sen. Ken Baker, Chair (left 9:12 a.m.)(returned 9:26 a.m.)

Sen. Neil Bryant, Vice Chair

Sen. Tom Hartung

Sen. Randy Leonard (arrived 9:14 a.m.)

Members Excused: Sen. Joan Dukes

Witnesses: Karey Schoenfeld, Oregon Society of Certified Public Accountants

Jim Bucholz, Department of Revenue

Susan Browning, Department of Revenue

Carol Wachter, Oregon Society of Certified Public Accountants

Staff: Brian Reeder, Economist

Ed Waters, Economist

Carol Phillips, Committee Assistant

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TAPE 045, SIDE A

004 Chair Baker Called meeting to order at 9:06 a.m.

OPENED WORK SESSION ON SB 347

014 Chair Baker Stated that the following flagged issues from a previous meeting would be discussed:
depreciation schedules for water utility districts, energy subsidies, and state tuition programs.

023 Jim Bucholz Exhibit B - Chart 12 - Annual Depreciation Expense - Water Utility Property and Chart 14 - Total Accumulated Depreciation - Water Utility Property. Discussed the effect of the change as shown on the two graphs between old and new law. The change increases state revenues at the beginning and it is paid for at the back end. Questions discussion interspersed.

067 Chair Baker Would like to reconnect this with federal and asked Ed Waters to write a letter to the special districts telling them of this issue.

079 Schoenfeld Next flagged issue was Repeal of the Exclusion for the Energy Subsidy for Non-Dwelling Units. There is no tie into Internal Revenue Code in statutes. The Oregon provision allows that any credit received at federal level is not included in Oregon income.

095 Schoenfeld Next flagged issue was State Tuition Programs. Contacted Department of Higher Education to let them know legislature was discussing reconnect and that if they had any issues they should come forward today. At this point no reason to not reconnect. Questions and discussion interspersed.

138 Susan Browning Exhibit C - Memo dated 2/13/97 from Department of Revenue in response to flagged item on Collections and Disbursements of Support Payments. Oregon has been in compliance with this program for over ten years.

150 Schoenfeld OSCPA very much in favor of permanent reconnect. General discussion about how reconnect process could be set up and operated. Questions and discussion interspersed.

219 Carol Wachter Discussed Exhibit D - Permanent Reconnect Advantages and Disadvantages in detail. Questions and discussion interspersed.

TAPE 046, SIDE A

Two main things to consider: One would be if federal government does something

002 Bucholz which is particularly unpalatable for Oregon there would need to be some sort of review process to be able to take care of tax policy issues for Oregon; and two, currently tied only to taxable income. If the federal government decided to do something like a flat tax (where the definition of taxable income might be slashed to just a few items), it would be revenue neutral for them, but it would have consequences for Oregon. Oregon would want to build in a safety net in case the federal government decides to do something radical. Questions and discussion regarding reconnect consequences.

034 Wachter Further comments on item Exhibit D Item No. 4. Taxpayers look to taxpreparers as visionaries who automatically know what Oregon will do regarding legislative acts. Taxpayers do not like to file amended returns because they see them as red flags for audits, and they do not want to pay extra fees for tax preparers to prepare amended returns. Questions and discussion interspersed.

061 Chair Baker Asked to come back to permanent reconnect in three or four weeks.

072 Bucholz Exhibit E - Individual Income Tax Starting Points January 1, 1997 - Relation to Internal Revenue Code Tax Base. Indicates that 20 states have a permanent connection to the federal code, and 17 have a tie to federal taxable income or federal adjusted gross income.

090 Schoenfeld Exhibit F - Clinton Administration Proposals. Looks like there may be a reduction in capital gains at the federal level but it would not impact Oregon.

097 Bucholz Further discussion of Exhibit F. The only proposal which would affect Oregon is the proposal to expand individual retirement accounts (IRAs). Keep in mind that these are only proposals in Clinton's budget; very few of Clinton's proposals were actually passed last year. Not much chance these will pass either. These proposals do not affect Oregon's reconnect status anyway. Questions and discussion interspersed.

209 Chair Baker Requested that committee discuss (-1) amendments to SB 347.

213 Waters Discussed (-1) amendments which were designed to correct a technical oversight in the existing code regarding references to specific subdivisions within the Internal Revenue Code. Legislative Counsel incorporated the appropriate changes in the appropriate places. Questions and discussion interspersed.

235 Sen. Bryant MOVES (-1) AMENDMENTS TO SB 347 BE ADOPTED.

HEARING NO OBJECTION, THE CHAIR SO ORDERED.

Sen. MOVES SB 347 AS AMENDED BY THE (-1) AMENDMENT TO THE SENATE

243 Bryant FLOOR WITH DO PASS RECOMMENDATION.

ROLL CALL VOTE: MOTION PASSES: 4 - 0

247 Chair
Baker SENATORS VOTING AYE: LEONARD, HARTUNG, BRYANT, BAKER.
SENATOR EXCUSED FROM VOTE: DUKES

Chair Baker will carry the bill on the Senate Floor.

CLOSED WORK SESSION ON SB 347

OPENED INFORMATIONAL MEETING ON MEASURE 47

273 Brian
Reeder Exhibit G - Measure 47 Schedule - House Revenue Committee. Exhibit H - Measure 47 Progress Summary is updated every day to keep everyone advised of progress. Discussed items under Decisions Made category beginning with HB 2050 and HB 2047(40). Questions and discussion interspersed.

TAPE 045, SIDE B

003 Reeder Continuation of questions and discussion on Exhibit H on HB 2047 (40).

127 Sen.
Hartung Asked that members of Senate Revenue Committee receive a copy of Measure 47 Progress Summary daily.

132 Reeder Discussion of Exhibit H - HB 2047 (41-49) Classification Process.

152 Reeder Discussion of Exhibit H - HB 2047 (50-52) Appeal Process.

172 Reeder Discussed Current Issues - Election/Allocation and levies outside the cap. Questions and discussion interspersed.

192 Chair
Baker This Measure 47 Progress Summary will be discussed every week or two just to keep Senate Revenue Committee members up with all the information.

216 Sen.
Hartung Asked if House Revenue Committee meets every day to discuss Measure 47. Suggested they might consider meeting from 5:00 p.m. to 10:00 p.m., or meeting earlier in the morning. Reeder responded that the House Revenue Committee chair had mentioned possibly starting at 8:00 a.m., but there has been no talk of meeting in the afternoon or evening.

240 Chair
Baker Has talked with the House Revenue Committee chair about possibly taking a hiatus from Measure 47 and working on other issues now to get more bills processed.

254 Chair
Baker Adjourned meeting at 10:17 a.m.

Carol Phillips

Committee Assistant

Kim James

Office Manager

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Exhibit Summary:

- A. SB 347, Waters, (-1) Proposed Amendments, 2/14/97 (BS/ps) 3 pages
- B. SB 347, Bucholz, Annual Depreciation Expense - Water Utility Property, 2 pages
- C. SB 347, Browning, Memo from Department of Revenue 2/13/97, 1 page
- D. SB 347, Wachter, Permanent Reconnect Advantages and Disadvantages, 1 page
- E. SB 347, Bucholz, Individual Income Tax Starting Points 1/01/97, 2 pages
- F. SB 347, Bucholz, Clinton Administration Proposals, 5 pages
- G. Measure 47, Reeder, Measure 47 Schedule of House Revenue Committee, 1 page
- H. Measure 47, Reeder, Measure 47 Progress Summary 2/17/97, 7 pages
- I. Measure 47, Reeder, Effect of Measure 47 on Taxing Districts, Scenarios 1 and 2, 2 pages