

PUBLIC HEARING ON

SB 60 and SB 169

TAPES 054 - 055, A/B

**SENATE REVENUE COMMITTEE**

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**FEBRUARY 24, 1997 - 9:00 A.M. - HEARING ROOM B - STATE CAPITOL BUILDING**

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Members Present: Sen. Ken Baker, Chair

Sen. Neil Bryant, Vice Chair

Sen. Joan Dukes

Sen. Verne Duncan

Sen. Tom Hartung

Sen. Randy Leonard (arrived at 10:04 a.m.)

Witnesses: Patricia O'Sullivan, Department of Administrative Services and the Scholarship Commission

Rep. Anita Rasmussen, District 11

Sandra Giffin, Department Director, Oregon Poison Center

Martin Smilkstein, M.D, Medical Director, Oregon Poison Center

Susan Browning, Department of Revenue

Elaine Young, Director, Oregon Advocates for the Arts

Cynthia Thompson, Executive Director, Children's Trust Fund of Oregon

James Davis

Gary Andeen, Executive Director, Oregon Independent Colleges

Eric Carlson, Associated Oregon Industries

Staff: Ed Waters, Economist

Carol Phillips, Committee Assistant

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**TAPE 054, SIDE A**

005 Chair Baker Opened meeting at 9:34 a.m.

OPENED PUBLIC HEARING ON SB 60

014 Patricia O'Sullivan Requested bill be tabled. Between time bill was dropped last week when it was first scheduled and now, a lot of issues came up concerning the charitable checkoff. There are at least two more bills affecting the charitable checkoff statutes. Believes Department of Revenue and the Charitable Checkoff Commission would be better vehicles to decide the broader policy issues which come up. Should checkoffs continue? Should public entities as well as private non-profits be able to apply to be on the list? If so, what is the method of rotation and date keeping, the timing of the collection versus budget process, etc.? Requested SB 60 be tabled in lieu of a broader based bill or an interim look at the whole process. Other bill is 2682 which puts money into Oregon Education Fund. Of that, 70% goes to the State School Fund, 15% to Student Driver Fund, remainder to Motorcycle Safety Fund. That would be set by statute in perpetuity. Some of the other entities on the list now have relating statutes in their own statutes which say they are on the list forever, so the rotation would not apply to them. At present, SB 60 is not complete in looking at the whole issue.

059 Rep. Rasmussen Exhibit D - Written testimony. This legislation would alter tax forms by deleting from statute the requirement for checkoff boxes of \$1, \$5, \$10, or other. It would take the checkoff boxes off the form and leave a fill-in line. Eliminating the checkoff boxes opens up the form for another five organizations. The Checkoff Commission would be directed to meet immediately and review organizations to be added in the new spaces on the tax form. Also hopes to encourage the Commission to give priority consideration to a charitable cause which has state-wide benefit, such as the Oregon Poison Center or Oregon Health Sciences University. Oregon Poison Center distributes the green Mr. Yuk stickers which every home with small children should not be without. Telephone assistance and treatment to victims of poisoning and overdose incidents is available. OPC educates the public in poison prevention and informs health professionals about how medications interact with each other. Oregon Poison Center, which receives about 60,000 telephone calls per year, provides its service free of charge. Questions and discussion.

143 Chair  
Baker Asked Rep. Rasmussen if because there are already five very good charities on the current list, should they stay on in perpetuity; or would it be considered that after a period of time good organizations should rotate off the list and give other organizations a chance. Rep. Rasmussen replied that she supported the concept of organizations rotating off the list on a scheduled basis. Further questions and discussion.

173 Sandy  
Giffin Exhibit E - Oregon Health Sciences University material and Mr. Yuk stickers. Provided testimony about history and service of Oregon Poison Center as an example of a statewide program which deserves access to voluntary public support made available through the checkoff system. Scope of service, cost effectiveness, and funding history make it ideal for tax checkoff program. Oregon Poison Center is a statewide service provided to all citizens and health care providers throughout Oregon. OPC provides emergency telephone assistance, provides treatment recommendations, establishes public education program, and provides training to health care students and professionals in management of poisonings and toxic exposures. Questions and discussion.

282 Smilkstein Exhibit C - Written testimony. Main point is that anything OPC would get through checkoff program would not come anywhere near funding their program, but that is not their objective. Certain components of OPC's services are directed toward citizens, and support for that element of the program is what he is trying to achieve through testimony. It would be appropriate for OPC to have access to those funds and for citizens of Oregon to offer voluntary support for it through whatever means is available, and not to the exclusion of other programs. Questions and discussion interspersed.

240 Susan  
Browning Exhibit G - Interoffice Memo. In reviewing SB 60, the Department of Revenue had some questions about how it should be implemented. To be retained on the checkoff list, entities must maintain at least \$50,000. Four areas of concern if going ahead with SB 60: 1. Increased booklet costs, 2. Negative impact on Telefile program, 3. Rotation of entities, and 4. Placement on eligibility roster. Moving toward more filing by phone, which the Department of Revenue is very interested in .

#### **TAPE 055, SIDE A**

035 Browning Because the commission meets in even-numbered years, it would next meet in 1998, thus 1999 would be first year new groups could come on and old groups fall off checkoff list. Currently by statute, the Department of Revenue does not issue a tax refund for amounts under \$5.00. If taxpayers have \$3.00 owed to them, many of them would like to apply that \$3.00 overpayment to a charitable checkoff. It is not clear under current statute if they can do that and asked is legislature could repair that problem. Questions and discussion interspersed.

Exhibit H - Written testimony relating to Charitable Checkoff on Tax Forms. From 1982 to 1992 there was an arts development fund on the checkoff. It was a program for cultural infrastructure projects and an investment in long-term items like stage curtains, chairs and exhibition space for facilities throughout the state. Advocates for the Arts is

084 Elaine Young in support of SB 60 or any other legislation which would make the program more flexible. With the addition of more groups to the checkoff form, the arts contribution diminished, so they were one of the groups dropped because they did not meet the \$50,000 minimum requirement. Would like the opportunity to be placed back on the checkoff and complete with other groups again.

115 Cynthia Thompson Exhibit I - Written testimony. Approximately 40% of the money awarded to 23 local programs each year is derived from the income tax checkoff. To lose that would be a substantial hardship to those communities and those programs and the 5,000 citizens who benefit from the funds. Children's Trust Fund of Oregon opposes removing entities that receive voluntary taxpayer support, so they oppose SB 60.

147 James Davis Representing himself regarding non-game wildlife. Makes his living off non-game wildlife providing educational programs, taking people on birdwatching trips, teaching college classes in wildlife, etc. Important that there is funding from non-game programs. Wrote Guide to Wildlife Watching in the Pacific Northwest. Interest is high for the recreational enjoyment of wildlife. Hunters and anglers pay for their enjoyment of wildlife, but recreationalists do not; so it is important that there be a well-established, stable source of income for the non-game programs. Rotating system seems okay for other programs, but not for something as important as wildlife. Questions and discussion interspersed.

238 Gary Andeen SB 60 was introduced at the request of the State Scholarship Commission. By virtue of the Governor's wanting to table the bill, the Scholarship Commission has no opportunity to present their reasons for wanting it introduced. The Scholarship Commission has hundreds of private scholarship programs including one general Oregon scholarship fund to which people regularly contribute anyway. This would be an opportunity to solicit additional contributions and bring that fund to the attention of the public at large. The problem with the Scholarship Commission is there is a waiting list of twelve organizations just to get on the sheet, and they cannot even get on the waiting list. Issue is whether the log jam can be broken and give more organizations an opportunity to show the public what they do in this way.

CLOSED PUBLIC HEARING ON SB 60

OPENED PUBLIC HEARING ON SB 169

275 Susan Browning Exhibit J - Senate Bill 169 Summary. Requires provisions for mandatory payment of combined payroll taxes by electronic funds transfer. Major policy issue with the Department of Revenue. Department of Revenue is asking the legislature consider the requirement statutorily. Electronic transfer does have impact on taxpayers. Electronic funds transfer will raise revenue for the state eventually by eliminating the float employers have on their money by decreasing the time they have between when employers send the money and when it is received. Department of Revenue has received inquiries from the Treasurer and Secretary of State to move more aggressively

toward mandatory electronic funds transfer. But the question the Department of Revenue has is the issue to whom does this money belong and the impact it has on taxpayers. Questions and discussion interspersed.

**TAPE 054, SIDE B**

004 Browning Department of Revenue feels implementation of electronic funds transfer will be more challenging for Oregon than other states because Oregon is the only state with combined payroll. Oregon collects for five different agencies and five different programs in one form with one payment. Those programs are Withholding, Unemployment Insurance, Workers Compensation Assessment Fee, Tri-Met Transit Tax, and Lane Transit Tax. It is believed that one and one-half days could be cut off by requiring EFT. That equates to approximately \$750,000 a year in interest. And that money would be additional revenue for the General Fund. Believes it is best to start with the large taxpayers first, some of which pay several times a week. Estimate it will cost \$209,000 for 1997-99, and save Revenue about \$22,000. 1999-01 the cost would be \$364,000, and Revenue would increase to \$135,000. After 2001 the costs will be more balanced. Questions and discussion interspersed.

145 Eric Carlson The threshold level regarding small business in Oregon with combined taxes collected by the Department of Revenue appears to be 3 to 4 employees, using an average salary statewide \$10,000 figure. We as a state should set this as close to the federal level of \$20,000 as possible because it will be the lead agency dealing with small business. Questions and discussion interspersed.

185 Chair Baker Adjourned meeting at 10:40 a.m.

Carol Phillips

Committee Assistant

Kim James

Office Manager

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Exhibit Summary:

- A. SB 60, Waters, Memo of 2/21/97 re. Checkoff program, 2 pages
- B. SB 60, Waters, Copy of proposed Oregon Individual Income Tax Return Form 40, 2 pages
- C. SB 60, Waters, Income Tax Checkoff Programs Grow as Revenues Drop, 3 pages
- D. SB 60, Rasmussen, Talking Points for Senate Revenue, 2 pages
- E. SB 60, Giffin, Miscellaneous written testimony and brochures, 40 pages
- F. SB 60, Smilkstein, Written testimony and data 12 pages
- G. SB 60, Browning, Memo of 2/21/97 and data, 4 pages
- H. SB 60, Young, Written testimony, 2 pages
- I. SB 60, Thompson, Written testimony of 2/24/97, 4 pages
- J. SB 169, Browning, Senate Bill 169 Summary, 1 page