

These minutes paraphrase and/or summarize statements made during this meeting. Text enclosed in quotation marks reports the speakers exact words. For complete context of proceedings, please refer to the tape recording.

These minutes paraphrase and/or summarize statements made during this meeting. Text enclosed in quotation marks reports the speakers exact words. For complete context of proceedings, please refer to the tape recording.

Orientation      Tapes    3A-4A

House Committee on  
State and School Finance  
January, 17, 1994 , Page

These minutes paraphrase and/or summarize statements made during this meeting. Text enclosed in quotation marks reports the speakers exact words. For complete context of proceedings, please refer to the tape recording.

HOUSE STATE AND SCHOOL FINANCE COMMITTEE

---

JANUARY 1, 1994    8:30 AM    HEARING ROOM A    STATE CAPITOL BUILDING

---

Members Present:      Rep. John Schoon, Chair  
                         Rep. Ron Adams  
                         Rep. Beyer (late arrival, 8:35 am)  
                         Rep. Tim Josi  
                         Rep Tony Federici, Vice Chair (late arrival, 8:32 am)  
                         Rep. Jane Lokan  
                         Rep. Anita Rasmussen  
                         Rep. Ken Strobeck  
                         Rep. Jim Welsh

WitnessesL      Paul Warner, State Economist, Department of Administrative  
Services      Elizabeth Harchenko, Special Counsel to the Attorney General  
                 Tom Baumer, Deputy Attorney General

Staff:      James Scherzinger, Legislative Revenue Officer  
                 Rhonda Wehler, Committee Assistant

TAPE 03 SIDE A

003    Chair Schoon      -calls the meeting to order at 8:30 am.  
024    js      -conducts administrative business  
062    cs      -discusses further

HISTORY OF RETIREMENT TAXATION ISSUE

108    Tom Baumer      summarizes three cases  
140    tbSAIF began in 1980. State General Fund to transfer \$81 million  
from general accident fund. 1982 special session \$81 million transfer to  
industrial accident fund to general fund. Class actions by companies

insured by SAIF. 1993 Oregon Supreme Court said general fund had to repay \$ to general fund. Question is what to do with \$ after it is returned. Remanded to Judge Miller in Marion County Circuit Court. What amount of interest to be paid? Argues that state not required to pay. 9% interest is 95 million. Compounded interest is 195 million in addition to principle. Ongoing cost of case, accruing at 1 million per month. E board

did approved 5 million payment on principle.

234 Chair Schoon questions whether interest should have been paid before principle

241 tb responds Judge Miller has not passed judgment Plaintiffs can't execute against the state. no final judgment

283 Rep Josi asks why state doesn't have to live up to its obligations

293 tb responds state has sovereign immunity

317 rp asks when final judgment, further litigation possible

324 tb ruling 30-60 days

what to do with \$ after returned to General Accident Fund

-interest issue must be settled before judgment

360 vcf-who makes decision how \$ allocated

366 tb -decision up to court

-what would SAIF have done to benefit SAIF insureds in 1980's?

398 ra what caused legislators to not repay it?

405 tb

014 rs percent for this?

020 Elizabeth Carchenkolegislators transferred \$ from veteran's fund, determined that was inappropriate.

037 ec premium tax case insurance companies taxed based on profit. Premium

tax gross amount of tax. 1985 US Supreme Court Alabama vs. Differenmtial tax was discrimination. If state taxes 2 purposes to promote domestic business, to encourage capital investment. Not legitimate according to Supreme Court. 8/93 first lawsuit by 4 companies Liberty Mutual required to pay premium tax on their premiums while domestic companies are not. All

asserting same issue. All in Marion County. Pacific Health and Life. Stuart Guarantee. Asserted theory for getting refunds. Oregon Statute mandates the agency that collected taxes. limits amount of taxes. I legislature fixes things, litigation may go away. Attorney General interested in working with legislature to resolve this.

153 rj loss to state if premium tax was dropped.

159 ec no info

164 ec -reviews retiree tax from 1989. two cases pending in Marion County.

State could not discriminatory tax federal pensions. 1991 tax equalization, 9% retirement credit for those with lower income. enacted partial benefit increase for PERS 30 year employees. 1992 Supreme Court PERS had contract right to credit. cases pending, consolidated for trial.

seeking benefit increase to equal credit or damages. 5 issues: what is nature who owes it do non-PERS retirees have right to benefits?

289 ec Multnomah, federal and PERS retirees should get both

Ragsdale 2, argued in March

327 recess ra

343 cs meeting resumes

BASIC TAX PACKET

355 dy -reviews Basic Tax Packet, Exhibit B

TAPE 3, SIDE B

055 cs back fill (programs continued, general source changed)

explains differences in terms. New term is real numbers

086 dy

093 rj large \$ of property tax.

105 cs -explains scheme, for every 1% of inflation, govt. receives 1.6% when recession hit, revenue loss was accelerated

131 Rep Josi asks further explanation

134 Chair Schoon -responds how take home would be less by moving into higher tax bracket

153 Rep. Adams -asks clarification

157 Dick Yates -discusses further

186 Rep. Adams -stress that 26% is all legislature has control of

220 Dick Yates -continues explanation

244 Rep Beyer -asks how often kicker has it been paid  
255 Dick Yates -responds  
269 Rep Rasmussen -question  
277 Steve Bender -if money is based on amount spent if previous biennium,

subject to spending limit

297 rr -question  
298 SB -answers that property tax relief is not subject to spending limit  
-\$ legislature appropriated no subject o spending limit. legal question  
349 cs -suggest further clarification at another time  
357 rbquestions  
TAPE 4, SIDE B  
023 SB -explains income taxes: largest source of state and local tax in Oregon.

-OR is second highest tax in US  
106 rb-asks about state and local taxes  
113 Steve Bender -clarifies  
154 Rep. Adams -asks if figures include 2% income tax  
174 Steve Meyer -continues to explain Oregon tax rankings  
206 does not include feels  
225 Steve Meyer ACIR designed to account for differences in state to support taxes.  
303 Rep Strobeck -asks if sales tax is missing element in other states  
TAPE 5, SIDE A  
017 Rep Beyer -questions  
021 Steve Meyer -continues clarification  
-legislature chose not to connect to some things  
-legal requirements that only income can be taxed that is earned in OR  
-interest on treasury bills  
083 Rep Lokan -asks if everything is legislatively determined  
087 Steve Bender -answers yes and clarifies  
-cannot tax Social Security benefits  
125 Rep. Adams -questions  
134 Paul Warner -corporate revenue has produced 30%  
164 Rep. Adams-does it include Tri Met tax  
195 Dick Yates-explains property tax limitation

231 Rep Josi -commenets that Lincoln and Tillamook counties are not part of school district until June 1995 asks Chair Schoon views on property tax.

280 Chair Schoon -explains his opposition to assessment limitations since

OR values on market value

-OR tried this with Vic Atiyeh and it didn't work  
-many constituents have tax burden  
-arrive at reasonable limitations of 6%  
380 Rep Rasmussen -asks charts between residential and commerical property  
399 Chair Schoon -wonders if commercial properties are being allowed to depreciate for tax purposes, whereas  
TAPE 6, SIDE B  
021 Dick Yates -continues explanation of tax packet  
065 Dick Yates-property tax relief enacted, which caused deficit and was dropped  
174 Dick Yates -severance taxes same as privileged taxes  
197 Dick Yates -explains no good figures are available for average timer prices  
227 Dick Yates -notes that page 11 & 12, lottery issues, are new to packet  
279 Dick Yates -city taxing revenues heavily receives more \$ than city that doesn't  
323 Chair Schoon -adjourns meeting at 11