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WORK SESSION SB 333 & 323
PUBLIC HEARING SB 323
TAPES 023-024, A/B

SENATE COMMITTEE ON GOVERNMENT
FINANCE AND TAX POLICY

FEBRUARY 2, 1995 - 1:00 P.M. - HEARING ROOM A - STATE CAPITOL BUILDING

Members Present: Sen. Paul Phillips, Chair
 Sen. Shirley Gold, Vice Chair
 Sen. Tom Hartung
 Sen. Cliff Trow (excused 1:50 pm)
 Sen. Greg Walden

Excused: Sen. Eugene Timms

Witnesses: Randolph L. Miller, The Moore Company
 Gary Carlson, Associated Oregon Industries
 Jim Craven, American Electronics Association
 Bob Cantine, Association of Oregon Counties
 Tom Clifford, Legislative Counsel

Staff: James Scherzinger, Legislative Revenue Officer
 Richard Yates, Legislative Revenue Office
 Steve Bender, Legislative Revenue Office
 Janice DeVito, Committee Assistant

TAPE 023 SIDE A
005 Chair Phillips -calls the meeting to order at 1:04 pm
 -announces work plan for the day
012 Steve Bender -introduces information from staff: Draft Revenue Impact
Statement of Proposed Legislation (Exhibit A)
 -Comparison of SB 323 and Reconnect Provisions in HB 2204 Relating to IRC
1202 and 1044 (Exhibit B)
 -Taxation of Capital Gains revised 2/02/95 (Exhibit C)
 -Wall Street Journal Article of 2/1/95 (Exhibit D)
 -Fiscal Impact Assessment 1/30/95 (Exhibit E)

PUBLIC HEARING SB 323 - TAXATION OF CAPITAL GAINS
040 Randolph Miller -The Moore Company
 -volunteer in economic development for approximately seventeen years, with
mission to attract private business growth to Oregon

075 -speaks about trend of taxation policy
120 Miller -suggests consideration of concept that investment in Oregon
business should be exempt from capital gains
140 -encourages committee to take a broader approach than just that
addressed in current bill
148 -cites conversations with Portland Chamber and board members, CEO
community, as well as Trade and Economic Development Committee which
reflect agreement in concept of Oregon business exemption from capital
gains
-questions and discussion
209 Miller -fundamental need is "to attract capital" to Oregon
218 Bender -addresses staff report titled Taxation of Capital Gains (Exhibit
C)
-explains definition and calculation of capital gain, and how capital gain
is taxed in Oregon
268 -Oregon follows federal treatment of capital loss
315 -page two of Exhibit C shows those affected by federal treatment of
capital gain prior to the 1992 changes
359 -page two of Exhibit C, paragraph 2, explains the exclusion established
by Congress in 1993 for limited types of capital gains
TAPE 024 SIDE A
005 -staff report and discussion continue
050 Bender -explains situation prior to 1987 tax year on state and federal
levels
-refers to table on page four of Exhibit C which illustrates Capital Gain
Income for All Full Year Returns in Oregon
114 -clarifies that returns shown are personal income tax reports rather
than corporations
130 -points to higher concentration of capital gains income from higher
income taxpayers
-if capital gains income relief is provided, it will go to higher income
individuals
157 Chair Phillips -gives interpretation that 4% of taxpayers pay 1/5 of
total tax revenue - "a small group paying a significant amount of money"
-"if you carry the theory that everybody should be taxed fairly...their
income in this case is being taxed unequally"
172 Sen Gold -comments that discussion today should be limited to receiving
information without opinions being expressed regarding "fair and equitable
taxation"
187 Bender -continues with explanation of Capital Gain Taxation in Other
States (Exhibit C, page 3)
275 Gary Carlson -Associated Oregon Industries
-presents written testimony (Exhibit F)
-testifies in support of SB 323 as a measure which would increase economic
growth in Oregon
375 -questions and discussion
TAPE 023 SIDE B
011 Carlson -mentions a House Bill which has been introduced by AOI to deal
with the personal tax side of capital formation
019 Jim Craven -American Electronics Association
-"ad hoc group" has been looking at topic of capital access in Oregon
-initial conclusion of group is that debt issue is being addressed fairly
well in Oregon, but equity side needs improvement
-group sees need for improvement in acquisition of venture capital pool in
Oregon as well as improvement in the capital gains situation
WORK SESSION ON SB 333
072 James Scherzinger -presents corrections to (-9) Amendments to SB 333
(Exhibit G)
187 Bob Cantine -Association of Oregon Counties
-states agreement with (-9) amendments to SB 333
200 Chair Phillips -calls for discussion about fee reductions
210 Tom Clifford -committee may choose to add language to provide specific
ability to reduce fees
236 Scherzinger -introduces Revenue Impact of Proposed Legislation (Exhibit
H)
240 Richard Yates -responds to questions about revenue impact
-discussion of intent of increased legislative involvement in the fee

setting process, and need for modification of staff description of effects of this bill

300 Scherzinger -agrees that "possible" decrease in fee revenue is appropriate statement about revenue impact, since actual estimate is uncertain

399 Sen. Walden MOVES ADOPTION OF (-9) AMENDMENTS TO SB 333 DATED 2/2/95 WITH CHANGES

PAGE 1, LINE 16 & 23

PAGE 2, LINE 26 & 28

PAGE 4, LINE 11

PAGE 4, LINE 29

PAGE 5, LINE 12

420 Chair Phillips -THERE BEING NO OBJECTION THE CHAIR SO ORDERS
TAPE 024 SIDE B

018 Sen. Trow -MOVES ADOPTION OF LANGUAGE FOR SB 333-9 AMENDMENTS, PAGE 2, LINE 18, TO STRIKE THE WORD "UNLESS" AND INSERT THE WORD "UNTIL"

-discussion

050 Chair Phillips -THERE BEING NO OBJECTION THE CHAIR SO ORDERS

052 Yates -initiates discussion of fee change situations during the interim

075 Sen. Walden -MOVES ADOPTION OF LANGUAGE FOR SB 333-9 AMENDMENTS, PAGE 4, SECTION 2 AFTER LINE 16, TO ADD "(4): NOTHING IN THIS ACT SHALL BE CONSTRUED TO PROHIBIT A STATE AGENCY FROM DECREASING FEES"

-discussion

155 Chair Phillips -THERE BEING NO OBJECTION THE CHAIR SO ORDERS

163 Sen. Walden -MOVES SB 333 AS AMENDED TO THE FLOOR WITH A DO PASS RECOMMENDATION

174 ROLL CALL VOTE -MOTION PASSES 5-0

AYE: HARTUNG, TROW, WALDEN, GOLD, PHILLIPS

EXCUSED: TIMMS

178 Chair Phillips -will carry bill in floor debate

185 Chair Phillips -adjourns the meeting at 2:42 pm

Janice DeVito
Committee Assistant

Kimberly Taylor James
Office Manager

Exhibits Summary:

- A. SB 323, Bender, Revenue Impact of Proposed Legislation, 1/31/95
- B. SB 323, Bender, Comparison of SB 323 and Reconnect Provisions in HB 2204 Relating to IRC Sections 1202 and 1044, 1/31/95
- C. SB 323, Bender, Taxation of Capital Gains, 2/2/95
- D. SB 323, Bender, -Wall Street Journal article 2/1/95, "Tax Report"
- E. SB 323, Bender, Fiscal Impact Assessment, LFO 1/30/95
- F. SB 323, Carlson, Testimony on SB 323 - Capital Gains Deferral, 1/31/95
- G. SB 333, Scherzinger, Proposed (-9) Amendments to SB 333, 2/2/95, TC/hk
- H. SB 333, Yates, Revenue Impact of Proposed Legislation, 2/2/95
- I. SB 333, Scherzinger, DCBS Assessments and Charges Proposed for Exemption

From the Provisions of SB 333, 2/2/95

- J. SB 329, Meyer, Proposed (-2) Amendments to SB 329, 1/27/95 BPS/hl