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WORK SESSIONS: SB s 323 & 376
BILL INTRODUCTIONS LC340 LC3028,
& LC3491
TAPES 042 & 043, A/B

SENATE COMMITTEE ON GOVERNMENT
FINANCE AND TAX POLICY

FEBRUARY 23 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
Sen. Greg Walden
Sen. Eugene Timms

Witnesses: Lana Butterfield, Northwest Propane Gas Association
Gary Carlson, Associated Oregon Industries

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

TAPE 042 - SIDE A

005 Chair Phillips -calls the meeting to order at 1:08 pm as a subcommittee
-announces work plan for the day

SB 323 WORK SESSION

032 Chair Phillips -distributes a newspaper article authored by Craig Berkman

regarding Oregon tax reform (Exhibit A)

COMMITTEE STANDS AT EASE 1:12-1:15 PM

SB 323 WORK SESSION

040 Chair Phillips -introduces (-5) amendments to SB 323 (Exhibit B)

062 Steve Bender -explains (-5) amendments which provide for a phased-in
capital gains rollover

-discussion about nature of restrictions and state venture capital

incentives

110 Steve Bender -continues with staff report

-discussion of Section 3 (3) of amendment regarding intent of deferral

209 Bender -explains Page 5 which lists types of gain or income not eligible
for deferral

230 -points out definitions on Page 1, Section 2
282 -discussion of Section 2 (3) concerning expansion share
-staff report and discussion continues

TAPE 043 SIDE A

070 Bender -Section 6, page 6, refers to basis of new business taxpayer
115 Bender -explains Section 9 regarding transfer of deferral in the event of

taxpayer death or disability

159 Bender -describes effective date of the sunset clause as described in
Section 10, pages 8-9

189 -questions and discussion

SB 376 WORK SESSION

208 Chair Phillips -explains work to date on SB 376 which pertains to
compressed gas fuel tax

220 Dick Yates -presents staff review of proposed (-1) amendments which add
an additional language to SB 376 setting an equivalency between a gallon of
gasoline and 1.3 gallons of propane (Exhibit C on 2/22/95)

302 Yates -discussion of Fiscal Impact Report (Exhibit C) and revenue impact
-refers to problems which exist because of lack of fuel measurement

standard on an energy equivalence basis

326 Lana Butterfield -Northwest Propane Gas Association
-asks whether staff revenue impact statement takes into account "just the
reduction or if you're figuring the entire amount that propane pays"

353 Yates -explains that ODOT (Oregon Dept. of Transportation) has problems
breaking out the amount of tax that was paid for different types of gas,
but their estimate of the amount of tax that was paid on propane gas in the

year of 1994 was \$150,000

-states that revenue impact consideration included two years of the
biennium, growth percentage, and estimate of 23% reduction in revenue

412 -discussion and questions about rate of industry growth

441 Chair Phillips -requests that Ms. Butterfield provide committee with
estimate of industry growth for the next work session on SB 376 in order to
review revenue impact of SB 376

456 Chair Phillips -direction to staff

REQUEST FOR BILL INTRODUCTIONS

484 Sen. Trow -MOTION TO INTRODUCE LC340, LC3028, AND LC3491 AS COMMITTEE
BILLS

TAPE 042 SIDE B

Chair Phillips HEARING NO OBJECTION, THE CHAIR SO ORDERS

SB 323 WORK SESSION

055 Chair Phillips -For the benefit of Senator Walden, reviews progress so
far on this measure

077 Gary Carlson -Associated Oregon Industries
-has no major objection to (-5) Amendment (Exhibit B)

-reaction of the investment community to measure is not known

108 -sees possible problem with a 12 month time frame for reinvestment

119 -discussion includes: loss of revenue and jobs when capital leaves
Oregon, possibility of abuse of deferral, and several hypothetical
situations

200 Chair Phillips -asks committee members for their intent regarding
reinvestment within Oregon

224 -MOVES INSERTION OF LANGUAGE AT LINE 22 AFTER THE PHRASE "HELD FOR USE"
TO ADD "IN THIS STATE"

-HEARING NO OBJECTION THE CHAIR SO ORDERS

220 Chair Phillips -asks committee intent for need of a sunset date

243 Carlson -believes that the sunset is appropriate and suggests on the
record that "when time comes to evaluate this concept, that we use someone
from the Department of Economic Development or someone with the capability
to analyze the actual impacts on economic development, on jobs created in
the state, -what effect it has really had - and contrast the benefits with
calculable cost to the public treasury"

264 Sen Walden -asks about existing capabilities to track and analyze the
flow of this money

-discussion with staff, and suggestion to insert language into measure
which requires Dept. of Revenue to track/analyze impact

-discussion about effect of inheritance on deferral

353 Chair Phillips -MOVES LANGUAGE BE INSERTED ON LINE 4 OF PAGE 9 THAT THE DEPARTMENT OF REVENUE IN CONJUNCTION WITH THE DEPARTMENT OF ECONOMIC DEVELOPMENT AND LEGISLATIVE REVENUE, MUST PREPARE A REPORT REGARDING THE ECONOMIC IMPACT OF THIS ACT FOR THE 2001 LEGISLATURE - THE PURPOSE OF THIS REPORT IS TO ANALYZE THE JOB CREATION AND TAX IMPLICATIONS OF THE ACT

-discussion

402 Chair Phillips -HEARING NO OBJECTION, THE CHAIR SO ORDERS

417 Sen. Walden -MOVES SUBSTITUTION OF THE ORIGINAL SB 323 WITH (-5) AMENDMENTS (AS AMENDED)

-THERE BEING NO OBJECTIONS, THE CHAIR SO ORDERS

425 Sen. Walden -MOVES SB 323 AS AMENDED BY THE (-5) AMENDMENTS TO THE SENATE FLOOR WITH DO PASS RECOMMENDATION

TAPE 043 SIDE B

003 Sen Gold -explains reasons for opposition to bill that she would like money "used in a broader manner to benefit a broader range of people and more directly"

013 Sen Trow -expresses concern about fiscal impact of measure in the future biennium

-also concerned about deferral aspect and prefers a straight reduction

-questions to what extent substantial tax benefits have already been given to businesses and impact of federal legislation

-likes fact that this measure might stimulate economy

034 Chair Phillips -states that he has spoken with Finance Committee staff in Washington, DC and Senator Packwood and his staff and was pleased to receive encouragement for this measure

-measure promotes reinvestment in Oregon, creation of jobs and stimulation of venture capital

- discussion and questions

080 Chair Phillips -ROLL CALL VOTE (ON SEN. WALDEN'S MOTION AT TAPE LOG 042 SIDE B - 425) -MOTION PASSES 4-2

-SENATORS VOTING AYE: HARTUNG TIMMS, WALDEN & PHILLIPS NAY: TROW & GOLD

083 Chair Phillips -will carry bill on the Senate Floor

085 Senators Gold & Trow serve notice of possible minority report

089 Chair Phillips -adjourns meeting at 2:40 pm

Janice DeVito
Committee Assistant

Kimberly Taylor James
Office Manager

Exhibits Summary:

- A. SB 323, Phillips, "Oregon tax reform could create jobs" news article 1/10/95 The Oregonian
- B. SB 323, Bender, Proposed (-5) Amendments, 2/23/95 (BPS/dj/lg)
- C. SB 376, Bender, Fiscal Impact Assessment, 2/22/95
- D. SB 377, Bender, Fiscal Impact Assessment, 2/22/95
- E. Draft LC340, 2/21/95 (SH/hk)
- F. Draft LC3028, 2/21/95 (CW/ng)
- G. Draft LC3491, 2/22/95 (BPS/dc)