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PUBLIC HEARINGS & WORK SESSIONS,
HB 2204A & SB 313
TAPES 050-051, A/B

SENATE COMMITTEE ON GOVERNMENT
FINANCE AND TAX POLICY

MARCH 07, 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 (excused 1:26 pm)

Excused: Sen. Eugene Timms

Witnesses: Ed Patterson, Oregon Association of Hospitals
Tim Simmons, Hood River Hospital
Karen Whitaker, Office of Rural Health
Jane Myers, Oregon Dental Association
Rob Douglas, Oregon Society of Certified Public Accountants
Karey Schoenfeld, The Bessert Law Firm, P.C.
Carol Wachter, Deloitte & Touche LLP

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

TAPE 050 SIDE A

005 Chair Phillips -calls the meeting to order at 1:10 pm as a subcommittee
SB 313 PUBLIC HEARING
009 Chair Phillips -comments on discussion with House Chair regarding
committee responsibilities on this measure
016 Steve Bender -presents staff overview of SB 313 and relates action of the
Health and Human Services Committee (See Staff Measure Summary - Exhibit A)
-explains that measure contains two provisions which deal with rural health
which are "quite independent of each other"
(quorum established)
-describes Section 1 regarding reimbursements for Type B hospitals as a
"housekeeping" provision with no fiscal or revenue impact
042 -explains Sections 2-5 which deal with extension of the income tax
credit for rural medical practitioners
Bender -refers to the Proposed (-1) Amendments (Exhibit B) that would delete

Sections 2-5 of the bill and just retain Section 1

-if it retains Section 1-5, the bill will have negative revenue impacts of (\$6.5 million) this biennium and (\$7.7 million) the next biennium

050 Ed Patterson -Oregon Association of Hospitals

-expresses support for the (-1) Amendment (Exhibit B) and gives background of earlier legislation that provides for full cost based reimbursement under Medicaid

-distributes written testimony (Exhibit C)

081 -describes financial similarities in type "A" and type "B" hospital classifications and advantage of standardizing for the purposes of reimbursement to guarantee recovery of cost for Medicaid patients

099 Tim Simmons -Hood River Memorial Hospital

-distributes written testimony in support of SB 313 (Exhibit D)

-addresses impact of the loss of Type B funding

-distributes and explains chart which illustrates Oregon Hospitals

Operating Margins 1987-1993 (Exhibit E)

135 Karen Whitaker -Office of Rural Health, Oregon Health Sciences University (also represents position of the Oregon Rural Health Association)

-distributes written testimony in support of SB 313 (Exhibit F)

180 Chair Phillips -comments briefly about rationale for action on this subject and coordination with the House

201 Jane Myers -Oregon Dental Association

-states that since part of the bill will be deleted that refers to tax credits, she will present her comments to the House for consideration

SB 313 WORK SESSION

223 Sen. Walden -MOVES ADOPTION OF THE (-1) AMENDMENTS TO SB 313

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

235 Sen. Walden -MOVES SB 313 AS AMENDED TO THE SENATE FLOOR WITH A DO PASS

RECOMMENDATION

-discussion to clarify that the page 2 & 3 deletions pertain only to the

tax credits

245

-ROLL CALL VOTE MOTION PASSES 5-0

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

EXCUSED:

TIMMS

250 Sen. Walden -will carry the bill on the Senate Floor

HB 2204A PUBLIC HEARING

245 Chair Phillips -describes House action on this measure, intent to move on

HB 2204A fairly early in the session, and availability of staff to respond to complex questions posed by committee members

262 Steve Bender -presents brief description of the "reconnect" process which

passed the House with a vote of 54-6 and out of the House committee with a vote of 9-0 (see Staff Measure Summary - Exhibit H)

281 Bender -explains that the measure reconnects Oregon's definitions of taxable income to a more current date in statute, and that it simplifies the tax system for taxpayers as well as for Dept. of Revenue's administration of the tax law

310 -comments on exceptions made by the legislature

324 -reviews 1040 Form (Exhibit I) and explains that Oregon "connects" with the definition of taxable income only through line 37 of this federal form

390 -reviews Oregon Form 40, Individual Income Tax Return (Exhibit J) and describes changes and adjustments that taxpayers must make from federal reporting

TAPE 051 SIDE A

007 Bender -explains Oregon constitutional provisions as they relate to taxation of certain types of income

-describes public policy grounds on which the legislature has chosen to "disconnect" from the federal tax system

018 -states that there is always a "lag" between connection date and the tax

return that people file which necessitate adjustments to conform with the federal system

035 -questions and discussion about frequency of changes in federal tax code

050 Bender -refers to Wall Street Journal article of 2/6/95 - "Tax Cuts Have 5-Year Cost of \$62.7 Billion" (Exhibit K) and notes how issues coming up in

Congress may or may not relate to reconnect

095 Bender -explains concept of legislature adopting changes "prospectively" which would be allowed by Oregon Constitution Article 4, Section 32

118 Chair Phillips -asks Mr. Bender if there are "any major policy issues left on the table" by the House which may be reflected by 54-6 vote on this measure

123 Bender -responds that the House committee was satisfied that all issues had been addressed, and no comment was made on the floor about the Nay votes

136 Bender -refers to other materials provided by staff:
 Staff Measure Summary (Exhibit H)
 Revenue Impact Statement for HB 2204A/10/95 (Exhibit L)
 Revenue Impact of HB 2204A 3/6/95 (Exhibit M)

155
 195 -questions and discussion

222 Bender -refers to table titled Revenue Impact of HB 2204A 3/6/95 (Exhibit N)
 and explains identified provisions which have the largest revenue impact (both positive and negative)

402 -refers to HB 2204A Department of Revenue Summary (Exhibit O) which is a section-by-section summary of the bill

TAPE 050 SIDE B

015 Bender -introduces memorandum from Dexter Johnson of Legislative Counsel (Exhibit P) which details changes in reconnect legislation

027 Rob Douglas -Oregon Society of Certified Public Accountants
 -explains reasons that OSCPA appears before the legislature at each session to advocate reconnection to changes in the federal tax code

Douglas -introduces Carol Wachter and Karey Schoenfeld who serve on OSCPA state and local taxation committee

046 Karey Schoenfeld -distributes report titled "Analysis of Changes..." prepared by the State and Local Taxation Committee (Exhibit Q)
 -outlines purpose of report and states general philosophy of OSCPA "that reconnect is best" because there will be less malpractice, more taxpayer compliance, and simplification of tax law

073 -begins explanation of "Analysis of Changes..." - Exhibit Q (questions and discussion interspersed):

080 -pages 1-3 - Education and Training

128 Schoenfeld -points to page (ii) of Analysis which summarizes standard recommendations

157 -pages 4-6 - Capital Gain Provisions

289 Carol Wachter -page 7 - Modification to Minimum Tax Depreciation Rules

333 -page 8 - Tax Exempt Bonds

355 -page 9 - Expansion and Simplification of Earned Income Credit

366 -page 10 - Passive Loss Rules

TAPE 051 SIDE B

031 Bender -in response to question from Sen. Trow, explains rationale for 1993 change in federal treatment of passive loss rules for real estate investments

064 -discussion and questions regarding reconnect and real estate investment issues

102 Schoenfeld -states that passive activity loss is one of the most complex areas for Oregon

114 Schoenfeld -page 11-15 - Provisions Relating to Real Estate Investments by Pension Funds

215 -explanation of treatment of REITs in Oregon

235 Wachter -page 16 - Discharge of Indebtedness/Increase in Recovery Period for Nonresidential Real Property

263 Chair Phillips -suggests ending the hearing for the day at this point of the Analysis
 -general discussion

313 Chair Phillips -adjourns meeting at 2:55 pm

Janice DeVito
 Committee Assistant

Kimberly Taylor James
 Office Manager

Exhibits Summary:

- A. SB 313, Bender, Staff Measure Summary
- B. SB 313, Bender, Proposed (-1) Amendments, 3/6/95 (GMD/hl)
- C. SB 313, Patterson, testimony from Oregon Association of Hospitals and Health Systems, 3/7/95
- D. SB 313, Simmons, testimony from Oregon Association of Hospitals and Health

Systems/Hood River Memorial Hospital, 3/7/95

- E. SB 313, Simmons, chart: Operating Margin Oregon Hospitals: 1987-1993
- F. SB 313, Whitaker, testimony from Oregon Health Sciences University
- G. SB 313, Bender, Fiscal Impact Statement, 1/30/95
- H. HB 2204A, Bender, Staff Measure Summary
- I. HB 2204A, Bender, 1040 US Individual Income Tax Return, 1994
- J. HB 2204A, Bender, Form 40 Oregon Individual Income Tax Return, 1994
- K. HB 2204A, Bender, "Tax Cuts Have 5-Year Cost of \$62.7 Billion", The Wall Street Journal, 2/6/95
- L. HB 2204A, Bender, Revenue Impact of Proposed Legislation, 2/10/95
- M. HB 2204A, Bender, Revenue Impact of HB 2204A, 3/6/95
- N. HB 2204A, Bender, Revenue Impact of HB 2204A Listing Major Revenue Provisions, 3/6/95
- O. HB 2204A, Bender, Department of Revenue Summary, 3/6/95
- P. HB 2204A, Johnson, memorandum from Office of Legislative Counsel, 1/30/95
- Q. HB 2204A, Bender, An Analysis of Changes..., Oregon Society of Certified Public Accountants
- R. HB 2204A, Bender, Fiscal Impact Assessment, 2/10/95
- S. HB 2204A, Bender, news article "Gatt Passage Has Potential State Revenue-Raisers", Research Institute of America
- T. HB 2204A, Bender, news article "Federal Contract Provisions Would Affect State Taxation", Tax Administrators News, 1/95
- U. HB 2204A, Bender, 1994 Oregon Full-Year Resident Income Tax Booklet
- V. HB 2204A, Bender, Form 40S Oregon Individual Income Tax Return, 1994
- W. HB 2204A, Bender, Form 40P Oregon Individual Income Tax Return, 1994
- X. HB 2204A, Bender, Form 40N Nonresidents Oregon Individual Income Tax Return, 1994
- Y. HB 2204A, Bender, Form 20, Oregon Corporation Excise Tax Return, 1994
- Z. HB 2204A, Bender, Instructions for Form 20 - Oregon Corporation Excise Tax

Return, 1994

- AA. HB 2204A, Bucholz, DiNicola memorandum, 1/24/95