

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.

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Public Hearing 2275, 2204
Tapes 33 & 345A & 36 A

House Committee on
State and School Finance
January 31, 1995 Page

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HOUSE STATE AND SCHOOL FINANCE COMMITTEE

JANUARY 26, 1995 8:30 AM HEARING ROOM A STATE CAPITOL BUILDING

Members Present: Rep. John Schoon, Chair
Rep. Ron Adams
Rep. Lee Beyer (excused 9:15 am arrival)
Rep. Tim Josi (excused 9:15 am arrival)
Rep. Tony Federici, Vice Chair
Rep. Jane Lokan (left at 9:15, returns at 9:40 am)
Rep. Anitra Rasmussen
Rep. Ken Strobeck
Rep. Jim Welsh (excused at 11:00 am)

Witnesses Present: Ozzie Rose, COSA
Rob Douglas, OSCPA
Karen Schofels, OSCPA
Carol Wachter, OSCPA
Mark Scogland, OSCPA

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

TAPE 33 SIDE A

004 Chair Schoon calls the meeting to order at 8:30 am and conducts administrative business
HB 2275
012 Ozzie Rose -informs that COSA administrators discussed budget
-refers to Exhibit A,
-encourages using three year phase-in using equal steps
-make biggest steps we can make right now and reassess in 1997
078 Rep Rasmussen -reiterates stance of COSA
085 Vice Chair Federici -establishing equity at \$4545 level what districts are between two figures
096 -clarifies his part in Governor's budget
117 Jim Scherzinger -explains Exhibit B, Calculation of Current Law Budget for Local Schools
179 -Governor's budget is \$118.6 million short of Current Law Budget
-explains reasons for budget estimates
-don't have budgetary control over state agencies
-don't have timely data to know actual expenditures
-revenue generated while state agency data is expenditure generated
299 -no cost of living increases for state workers, merit raises
327 Chair Schoon -asks if inflation rate different
334 Scherzinger -agencies lock in estimated inflation rate with current projections
-don't have good way of adjusting forecast after it has been made
-general inflation rate assumption rate only applies to services and supplies in general budget
-start with budgeted rate, not actual

TAPE 34 SIDE A

026 All -questions and discussion
054 Rep. Adams -clarifies 1st year of biennium received more property taxes than expected so general fund piece was reduced and carried over to second year of biennium
066 Scherzinger -property tax \$ shifted to second biennium, local \$ did not
108 Chair Schoon -closes hearing on 2275
117 Vice Chair Federici -MOTION TO ACCEPT LC DRAFT (EXHIBIT C) TO INTRODUCE AS BILL

-THERE BEING NO OBJECTIONS SO ORDERED

HB 2204

140 Steve Bender -corrects error:reconnect amount is not included in Governor's budget

171 Chair Schoon -asks about sunsetted credits

177 Steve Bender -not included in budget, any extended credits will be in addition to budgeted \$

PUBLIC HEARING

194 Rob Douglas -advocates conformity to federal reconnect

238 Mark Skogland -explains background of OSPCA

269 Karen Schoenfeld-federal law changed in August in 1993, OR has not complied yet

-CPAs have to do double duty until reconnect

-explains Exhibit E, Analysis by Oregon Society of Certified Public Accountants

350 -clarifies codes used in recommendations, Page ii, Exhibit E

378 Steve Bender -OR does not connect to credits, only to taxable income

TAPE 33 SIDE A

008 Steve Bender -any changes in B Recommendation would have to be added to the bill

013 Karen Schoenfeld-continues to explain recommendation codes

048 -explains recommendation to connect with Educational Assistance Exclusion

Extension, ExHB it E, page 1

079 -explains recommendation to connect with Working Condition Fringe Exclusion Clarification, Exhibit E, page 1

091 -no modification necessary on Extension of Targeted Jobs Credit, Exhibit E, page 2

104 Steve Bender -notes that although bill is silent on both issues, it agrees with recommendations

152 -points out Section 14, page 11 of HB 2204, Research and Clinical Testing Credits

190` Schoenfeld -Clinical Drug Testing, no longer applicable

199 -Research and Development Credit, no change for this provision

211 Carol Walker -Exhibit E, page 4, recommends reconnect to Capital Gains provisions

226 Bender -notes this change bigger than others so far, Senate Committee also looking at preferential treatment for capital gains

246 Walker -OR does not have alternative minimum tax , so minimum tax exclusion not applicable

275 Chair Schoon questions and discussion

340 Mark -alternative minimum tax explanation is very confusing, aimed at those who might pay no other income tax

365 Schoenfeld -this won't take affect until 1998

375 Walker -Modification to Penalty for Failure to File Information Returns

389 -ExHB it E, page 5, Effects of Small Business Stock Deduction, recommends reconnect

TAPE 34 SIDE B

011 All -questions and discussion

026 Schoenfeld -clarifies that most practitioners agree with comformity due to disparity between federal and state requiring extra work

060 Rep Lokan -concerns for small businesses

067 Walker -clarifies that this is for share holder and helps small businesses

084 -explains Exhibit E, page 5-6, recommends reconnect ot rollover of publicly traded securities gains,

098 Steve Bender differs from first capital gains in that qualified small business stock is stock issued by corporation, by small business has to have less than \$50 million in assets, This provision goes with publicly traded securities, rollover if gain is invested in certain types of small companies Sentae Committee also looking at this

121 Walker -continues to explain Page 6, Exhibit E

136 -explains error in recommendation from A-G Modification To Minimum Tax

Depreciation Rules, Page 7, Exhibit E

177 -recommends reconnect to expense deduction for Small Businesses

191 Schoenfeld -biggest revenue loser in bill

199 Steve Bender -refers to Revenue Impact, Exhibit from yesterday agrees this provision is largest negative impact 13116 reduction of \$11.2 million in this biennium, \$1.1million in next biennium

265 Steve Bender -take full cost of asset in year purchased, which is advantageous to small businesses

388 Walker -discusses page 8, Exhibit E, neither affects OR

TAPE 35 SIDE A

015 Walker -explains Page 9, Exhibit E, no modification necessary

027 -discusses modification may be necessary for Permanent Extension of Qualified Mortgage Bonds

069 -explains Passive Loss Rules, Page 10, Exhibit E

140 Rep. Adams -question regarding amounts

168 Walker -explains the program works

176 ? -continues with Passive Loss Rules

210 -discusses Page 11 & 12, Exhibit E, Provisions Relating to Real Estate Investments by Pension Funds

266 -explains Page 12, Exhibit E, Repeal of Automatic UBTI Rule for Publicly-traded Partnership

310 -explains Page 13, Exhibit E, UBTI of Title-holding Companies (non-profit organizations)

347 -explains Page 14, Exhibit E,

369 -discuss Page 14, Exhibit E, Exclusion of Certain Option Premiums & Loan

Commitment Fees from UBTI

387 -explains Page 15, Exhibit E, Relaxation of Limitations on Investments in Real Estate Investment Trusts by Pension Funds

Tape 37 Side A

030 -discusses Page 16, Exhibit E, Discharge of Indebtedness

045 discusses Page 16, Exhibit E, Increase in Recovery Period for Non residential Real Property

080 -discusses Page 17, Exhibit E, Luxury Tax

099 -discusses Page 18, Exhibit E, Other Changes Related to Real Estate

118 SB -explains federal law regarding charitable contributions
143 Vice Chair Federici -concerns with substantiation of the contributions
211 -explains Temporary Extension of Deduction for Health Insurance Costs of

Self-employed individuals, Oregon has own rules for this

243 Chair Schoon -explains reasons why
262 Mark -substantial changes may be made federally in the area of health
insurance costs
293 Walker -explains page 20, Provisions Affecting Individuals
319 -Modification to Alternative Minimum Tax and Exemption Amount
329 -page 21, Overall Limitation on Itemized Deductions for High-Income

Taxpayers Made Permanent

338 Steve Bender -explains that because bill is silent on this, it does
connect, positive revenue impact for Or after 1995
384 Walker -Phaseout of Personal Exemptions of High-Income Taxpayers Made
Permanent

TAPE 35 SIDE B

007 Walker -Interest Embedded in Financial Transactions
013 Steve Bender -conversions transactions designed to transfer income from
ordinary income into capital gains
030 Steve Bender -trying to segregate what is truly capital gain compared to
loan

047 Chair Schoon -closes hearing on HB 2204
050 Chair Schoon -2198 refers to Exhibit ???
67 Vice Chair Federici MOVES PRINTED -1 AMENDMENTS TO 2198

HEARING NO OBJECTIONS SO MOVED

081 MOVES 2198 BE ACCEPTED AS AMENDED

106 ROLL CALL VOTE:

108 Chair Schoon -asks Rep Rasmussen to carry bill to floor
115 Chair Schoon -explains LC Draft referring to cigarette stamps
121 Chair Schoon -adjourns meeting at 11:25 am