

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.

Bill # and Hearing Type

House Committee on
State and School Finance
February 1, 1995 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

FEBRUARY 1, 1995, 8:30 AM HEARING ROOM A STATE CAPITOL BUILDING

Members Present: Rep. John Schoon, Chair
Rep. Ron Adams
Rep. Lee Beyer (8:48 am late arrival)
Rep. Tim Josi (10:55 left)
Rep. Tony Federici, Vice Chair
Rep. Jane Lokan (8:35 am late arrival) (10:45 left)
Rep. Anita Rasmussen
Rep. Ken Strobeck
Rep. Jim Welsh

Witnesses Present: Ozzie Rose, COSA
Michael Vogel, Phys Ed. Specialist In Portland Schools
Terry Moore, Milwaukie School Board
Kare Schoenfeld, OSCP
Carol Wochter, OSCP
Mark Skogland, OSCP

Staff: James Scherzinger, Legislative Revenue Officer
Steve Bender, Legislative Revenue Office
Terry Drake, Legislative Revenue Office
Dick Yates, Legislative Revenue Office
Rhonda Wehler, Committee Assistant

TAPE 37 SIDE A
004 Chair Schoon calls the meeting to order at 8:30 am
HB 2275
043 Terry Drake -explains Exhibit A, Chart projecting 3-year phase in for
base level of equalization
094 All -questions and discussion
152 Chair Schoon -explains visual presentation of figures based on projected
share of revenues
178 Terry Drake -total available appropriation for K-12 schools
191 All -questions and discussion
226 Ozzie Rose -explains \$240 million is off top row of chart showing three
years of equal steps
252 Rep. Adams -comments policy discussion, not finding \$ to fund it
289 Chair Schoon -decide what is right for funding schools, then discuss with

Ways and Means
293 Rep Beyer -assumes base line is Portland, state it as base, state goal #
of years, not everyone operating under same assumptions
326 Vice Chair Federici -asks where Senate Committee stands
339 Chair Schoon -answers four year formula was original desire, but now that

doesn't look possible

356 All -Senator Phillips will go along with whatever they decide
384 Rep Rasmussen -questions and discussion
409 -not school's business to find money to fund

TAPE 38 SIDE A
016 Michael Vogel -details financial challenges Portland schools face
-federally mandated desegregation programs
-handicapped children
-supports decreasing Portland's special programs from equalization amount
139 Terry Moore -schools have lost local control
-believes student-teacher ratio is too high
192 All -questions and discussion
207 Moore -encourages legislators to give control back to local schools

241 Rep Josi-comments on confusion of constituents about Measure 5
 -denies that \$ from county does not go to Salem
 334 All -discussion
 TAPE 37 SIDE B
 008 Chair Schoon opens hearing on 2204
 031 Kare Schoenfeld continues testimony on Exhibit E, 1/31/95,-page 22,
 Repeal of Certain Exceptions to Market Discount Rates, recommends reconnect
 048 Steve Bender -explains congress designed this to prevent people from
 transferring \$ into capital gains
 060 Schoenfeld -discusses Treatment of Purchaser of Stripped Preferred Stock
 076 -recommends reconnect to Treatment of Capital Gain Under Limitation on
 Investment Interest, page 23, Exhibit E
 -recommends connect to Treatment of Certain Appreciated Inventory, page 23,
 Exhibit E
 095 -explains no change needed for Limitation of Wages Subject to Health
 Insurance Employment Tax or Top Estate and Gift Tax Rates, page 24, ExHB it
 E
 119 -recommends reconnect to Deductible Business Meals and Entertainment
 131 Steve Bender -this provision generates most revenue \$ (\$24 million, \$15
 million next biennium) in reconnect
 154 All -questions and discussion
 166 Schoenfeld -recommends reconnect on Club Dues and Limitation on Deduction
 for Executive Compensation, Page 25, Exhibit E
 186 Carol Wochter -clarifies that professional, trade or business
 associations are exempt
 281 Schoenfeld -recommends reconnect to Qualified Plan Compensation
 Limitation and Moving Expenses (Pages 26, 27 Exhibit E)
 314 Steve Bender -notes greatest number of taxpayers are affected by moving
 expenses deduction
 398 All -questions and discussion
 TAPE 38 SIDE B
 013 Rep. Adams -wants Moving Expenses issue to be addressed further
 020 Schoenfeld -Individual Estimated Tax
 040 Steve Bender -Oregon has parallel requirements feds have adopted with
 paying estimated tax (convered in sections 5-7)
 066 Schoenfeld -discusses Taxation of Social Security Benefits
 076 Steve Bender -Oregon deducts from federal taxable income social security,
 not changing tax statement
 084 Wochter -Increase in Top Marginal Corporate Rate Under Section 11, page
 30, ExHB it E
 -recommends reconnect for Denial of Deduction for Lobbying Expenses
 106 Steve Bender -explains lobbying provision has approximately \$2 million
 revenue for next 4 years
 -proxy tax received on lobbying expenditures
 150 Chair Schoon -suggests working group look at lobbying deduction to
 determine who is affected by this
 165 All -questions and discussion
 187 Wochter -recommends reconnect to Mark to Market Accounting Method for
 Securities Dealers, which generates \$7 million in first biennium
 227 Wochter -recommends reconnect to Clarification of Treatment of Certain
 FSLIC Financial Assistance, Pages 32, Exhibit E
 263 -explains Oregon has own separate rules for Modification of Corporate
 Estimated Tax Rules
 316 Modifications of Discharge of Indebtedness Provisions
 351 -Oregon doesn't connect to Limitation on Sec. 936 Credit
 368 -recommends reconnect to Modification to Limitation on Deduction for
 Certain Interest
 TAPE 39 SIDE A
 016 Schoenfeld -recommends reconnect to Foreign Tax Provisions, Earnings of
 Controlled Foreign Corporations:inclusions based on passive assets,
 coordination and ordering provisions (page 37, Exhibit E)
 -Passive Foreign Investment Corporations
 071 -Foreign Tax Credit Limitations does not apply to Oregon, page 39,
 Exhibit E
 086 Schoenfeld -recommends reconnect to Retained Earnings of Controlled
 Foreign corporations
 094 -Research and Experimental Expenditures, Foreign Oil and Gas Shipping
 Income, Transfer Pricing Initiative, Portfolio Interest Exemption for
 Contingent Interest does not affect Oregon
 125 -recommends reconnect to Multiple-party Financing Arrangements, page 42,
 Exhibit E
 134 Wochter -Oregon not affected by Export of Unprocessed Timber and Export
 of Unprocessed Timber, page 43, Exhibit E
 150 All -questions and discussion
 220 Wochter -not applicable to Oregon - Transportation Fuel Provisions Page
 44, Exhibit E
 276 Wochter -recommends no modifications to Compliance Provisions - Accuracy
 Related Penalty Modification - Page 46, Exhibit E
 338 -not applicable to Oregon - Debt Discharge Reporting Requirements, Page
 46, Exhibit E
 378 -recommends reconnection - TREATMENT of INTANGIBLES, Amortization of
 Intangibles Page 46 & 47, Exhibit E
 TAPE 40 SIDE A
 025 All -questions & discussion
 074 Wochter -recommends connections on Partnership Interest Liquidation
 Payments Page 47&48, Exhibit E
 085 -Oregon has its own rules - no modification for MISCELLANEOUS REVENUE
 RAISERS - Interest on Underpayments of Tax, Page 49, Exhibit E
 116 -recommends reconections for Travel Expenses for Spouses, Dependents
 and Others, Page 49, Exhibit E
 145 -Withholding Rate on Supplemental Payments does not apply to Oregon
 165 -recommends reconnect to Tax Incentives for Empowerment Zones and
 Enterprise Communities
 246 recommends reconnect to Investment in Indian Reservations
 274 Steve Bender -notes enrolled tribal members are not taxed for \$ earned on

reservation
306 Wochter -Disclosure Provisions do not apply to Oregon, pages 52-54,
Exhibit E
TAPE 39 SIDE B
008 -Miscellaneous Provisions
-Increases in Presidential Election Campaign Fund Checkoff not applicable
-recommends reconnect to Special Rule for Hospital Services, page 54, 55,
ExHB it E
055 -Credit for Portion of Employer Social Security Taxes Paid With Respect
to Employee Cash Tips and Availability and Use of Death Information, does
not relate to Oregon's definition of taxable income, therefore does not
apply
075 Wochter -recommends that Oregon conform as closely as possible to federal
Nanny Tax Provisions, page 56, Exhibit E
106 All -questions and discussion
134 Mark Skoglund -no withholding taxes on small amounts