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Public Hearing and Work Session: HB 2581, 2204

B, 45 46A

House Committee on
State and School Finance
February 3, 1995 Page

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HOUSE STATE AND SCHOOL FINANCE COMMITTEE

FEBRUARY 3, 1995 8:30 AM HEARING ROOM A STATE CAPITOL BUILDING

Members Present: Rep. John Schoon, Chair (excused at 9:00 am)
Rep. Ron Adams
Rep. Lee Beyer (8:42 am, unexcused late arrival)
Rep. Tim Josi
Rep. Tony Federici, Vice Chair
Rep. Jane Lokan (absent from 10:30-10:55 am)
Rep. Anita Rasmussen (10:30 am unexcused late arrival)
Rep. Ken Strobeck
Rep. Jim Welsh

Witnesses Present: Jim McCoid, Association of Oregon Food Industries (AOFI)
Joe Gilliam, National Federation of Independent Businesses (NFIB)
Jim Manary, Department of Revenue
Susan Browning, Department of Revenue
Julie Brandis, Associated Oregon Industries (AOI)

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 43 SIDE A
005 Chair Schoon -calls the meeting to order at 8:37 am
HB 2275
007 Terry Drake -clarifies agency budgets haven't extended that to K-12
school funding -working with projection of 1.2% per year
084 All -questions and answers
135 Drake -emphasizes no reason for districts to pad the figures because they
have to pay back the money
156 Rep Strobeck -notes that drop in growth, trend towards private schools
and homeschooling indicates concern for quality of public schools
183 Drake -responds correlation isn't necessarily causation
201 All -questions and discussion
PUBLIC HEARING/WORK SESSION HB 2581
233 Chair Schoon -turns chair over to Vice Chair Federici
244 Dick Yates -clarifies that bill is same as HB 2199 with exception of
relating clause
Dick Yates -requires distributor to file report, eliminates cigarette stamps
269 Vice Chair Federici -expresses concern that retailers must keep track of
cigarette sales
-asks about Indian governing bodies
296 Yates -replies Indian bodies buy stamps for which tax is already paid
302 Steve McCoid -explains AOFI is non-profit trade association representing
grocery industries, many small businesses
-background of survey faxed to 31 small grocers, and many distributors re:
HB 2581
-delineates results:
-Albertsons opposed, uncomfortable with losing stamp, sees problem with
black marketing
-Walmart approved, noting savings and efficiency for them
-wholesalers United Grocers opposed because their retailers opposed and
they are a coop
-larger independents opposed due to more paper work
-very small retailers were adamantly opposed due to burdensome paper work
376 Rep. Adams -asks if retailers thought they would have to do work
389 McCoid -replies most small stores said it would be problem to hold

invoices for 4 years
 -larger stores already keep invoices for this period of time

TAPE 44 SIDE A

009 McCoid -explains many retailers buy cigarettes from Costco
 -no stamp means major concern for black marketing
 -AOFI opposed because people they represent are opposed

036 Vice Chair Federici -questions and answers

049 McCoid -explains United Grocers has cash and carry's, precursors of Costco, where many retailers purchase cigarettes directly

074 Rep. Adams -questions and discussion

085 Joe Gilliam -expresses opposition to retailer's keeping invoices
 -predicts additional paperwork with Department of Revenue-required form
 -questions why bill introduced when stamps work
 -comments creating a problem to solve, rather than solving a problem

119 Rep Beyer -asks if retailers would support this bill if Department of Revenue agreed not to audit small businesses

149 Gilliam -indicates no trust for such promises

152 Vice Chair Federici -summarizes wording of bill, in Revenue Impact, Exhibit A

177 McCoid -clarifies no license needed to sell tobacco products, so follow up on distributors would be difficult

190 Rep. Adams -expresses concern about sales to children, no way to trace where tobacco is purchased

222 McCoid -explains affixed stamp proves tax has already been paid

238 Joe Gilliam -stresses legal cigarettes are easily identifiable today with stamps

-if all cigarettes look the same, it will be easier to black market them

273 All -questions

303 Gilliam -says if burden can still lie with wholesaler, rather than retailer, they would be open to supporting it

350 All -comments and discussion

384 Rep Strobeck -comments bill is solution in search of a problem

TAPE 43 SIDE B

015 Dick Yates -clarifies Revenue Impact, Exhibit A

025 Jim Manary -summarizes purpose of bill is not to burden businesses, but efficiency and savings

-relates cost of stamps (\$25 million to make stamps plus discount to distributors)

109 -clarifies no compliance problems with stamps, except with Indian Reservations

-Oregon entered into trade agreement with Indians to buy stamped cigarettes- state gives them a rebate, so no smoking Indian is taxed

149 Manary -repeats report that unstamped cigarettees are being distributed in Oregon

175 All -questions and discussion

178 Browning-discusses possible penalties to retailers for not retaining invoices

218 Manary -under current law only sanction for selling unstamped cigarettes is seizure, options available for other sanctions

248 Browning-says Michigan is blaming their lack of compliance on increased cigarette tax (.25-.75)

275 Susan Browning -explains Cigarette Tax Penalties Federal and State, Exhibit B

-most penalties deal with seizure and fines, significant federal penalties

dealing with shipments

335 -explains purpose of retaining invoices at retail level is to determine cigarettes being sold to retailer by distributor and for checking inventory

380 Rep Strobeck -ask if another form would be created for retailers

386 Browning-bill is designed to keep normal business invoices, but no additional forms for retailers

TAPE 44 SIDE B

019 Manary -language could be narrowed to confirm that only paperwork necessary for retailer would be invoice retention

029 All -questions and discussion

136 Vice Chair Federici -suggests lowering retention of invoices to 6 months, instead of 4 years

144 Julie Brandis -shares concerns of businesses for extra paper work
 -stresses current system works well for retailer

202 Vice Chair Federici -CLOSES HEARING ON HB 2581

PUBLIC HEARING ON HB 2204

211 Jim Bucholz -refers to Exhibit D, 2/2/95, Section 17 - Charitable Contribution Deduction for Corporations

316 Bucholz -Section 18 & 19

387 Bender -explains cancelled dets must be recorded as income, with exceptions

TAPE 45 SIDE A

011 Bender -explains reducing tax attributes postpones tax, it no attributes are current, no tax is required

-1993 Congress increased attributes, so fewer taxpayers get this break

065 Jim Bucholz -reviews Section 20-22

091 -Section 23

095 Bender -explains this is a reconnect issue to pick up everything feds ascribe to

103 Bucholz -Section 24, housekeeping change

108 -Section 25 is reconnect issue

110 -Section 26

118 -Section 27 repeals what was done last legislature

145 Bender -refers to ExhibitsE Proposed Amendments to HB 2204-1 & Exhibit F, Proposed Amendments to HB 2204-2

153 Bucholz -Section 28-331 clarifies language

161 -Section 32 & 33

166 All -questions and answers

178 Manary -Charitable Checkoff Commission has no staff, Department of Revenue provides assistance in staffing,

191 Bucholz -Section 33, 34,
 -Section 35 housekeeping

214 -Section 36

234 Bender -Section 37, proxy tax on lobbying expenditures
proxy tax for lobbying activities
263 Bucholz -Section 38-39 sets effective dates for other sections
283 -Section 40 in process of being amended, numbering problem, now
addresses Section 19, should address Section 17
307 -Section 41, 42
360 -Section 43, repeal of deadwood law
TAPE 46 SIDE A
025 All -questions and discussion
098 Vice Chair Federici -CLOSES HEARING ON HB 2204
104 Steve Bender -clarifies that retroactive provisions will have mixed
results for taxpayers
120 Vice Chair Federici -adjourns meeting at 11:25 am

Rhonda Wehler, Committee Assistant

Kimberly Taylor James, Office Manager

Exhibit Summary
A.