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Work Session HB 2255, 2261
Tapes 104-105 A & B, 106 A

House Committee on
State and School Finance
March 10, 1995 Page

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HOUSE STATE AND SCHOOL FINANCE COMMITTEE

MARCH 10, 1995 8:30 AM HEARING ROOM A STATE CAPITOL BUILDING

Members Present: Rep. John Schoon, Chair (excused at 9:15 am, returns at 9:50 am)

Rep. Adams
Rep. Lee Beyer
Rep. Tony Federici, Vice Chair (8:35 am late arrival)
Rep. Tim Josi (8:45 am late arrival)
Rep. Jane Lokan
Rep. Anita Rasmussen
Rep. Ken Strobeck
Rep. Jim Welsh

Witnesses Present: Sharon Kidder, Employment Department
John Adams, Employment Department
Steve Nelson, Commission on Children and Families
Carolyn Young, Department of Environmental Quality (DEQ)
Bill Bree, Oregon Economic Development
Bill Nesmith, Department of Energy
Mike Grainey, Department of Energy

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

TAPE 104 SIDE A

005 Chair Schoon -calls the meeting to order at 8:30 am and conducts administrative business
019 OPENS WORK SESSION ON HB 2261
021 Steve Meyer -informs Counsel assured existing language regarding tribal lands in US trust is adequate
046 CLOSES WORK SESSION ON HB 2261
049 OPENS WORK SESSION ON HB 2255
052 Sharon Kidder -explains Exhibit A, HB 2255
-possible certification process for gang-affected youth tax credit
097 John Adams -says Commission on Youth and Families would work with communities to implement identification of gang affected youth
104 Steve Nelson -affirms Commission on Youth and Families can work on local level in every county
116 Steve Bender -refers to Exhibit B, Revenue Impact of Tax Credits
-refers to Exhibit C, Environment and Energy Income Tax Credits
157 -explains Credit Extensions, Exhibit B, includes impact of extending sunsets to 2001 and expanding scope of activities
-Total Impact is sum of everything, extending sunsets, expansions and other provisions
245 -refers to Exhibit D, Oregon Tax Expenditures
-provision of HB 2255 to include allowance for optional preliminary certification
296 Chair Schoon -clarifies proposed change allows businesses to ask in advance if program qualifies for credit
298 Vice Chair Federici -says change gives pre-construction engineering advice as to how to qualify for credit
305 Chair Schoon -adds person has up to two years to qualify
325 Bender -says current bill doesn't allow pre-certification
375 Bill Bree -informs two year limitation simply a restriction to keep previously built pollution control facilities from applying for credit
-preliminary certification provision as previously defined disqualified businesses who forgot to apply before construction, therefore was deleted
-voluntary pre-certification encourages both those who know about credit

and those who don't learn about it until later

TAPE 105 SIDE A

004 completion -most applications arrive within one year of substantial construction
-DEQ decides about portion of facility operational for pollution credit
051 Bender -explains credit is claimed for 10 or more years if facility is
useful for that period of time
-credit is non-refundable, can carry forward portion not used
088 Vice Chair Federici -company available for 50% exemption over 10 years
095 Bender -refers to Exhibit D, page 110, Revenue Impact (Corporate Income
Tax Only)
138 -pollution control facility must be constructed for business
147 -refers to Exhibit C, Credit Amount
-explains changes
-extends sunset to Dec. 31, 2001
-simplifies calculation how costs are allocable to pollution control
through rate of return calculation, does not reduce profitability of firm
-if facility costs no more than \$50,000, calculations need not be done,
calculations on time use basis instead
-example-trucks eligible if used for pollution control, purchased for under

\$50,000, time used for pollution control-15%, so 15% of cost eligible for
credit

Bender final change: optional pre-certification, still must certify after
facility built

-pollution control noted in Sections 1-7 in bill
269 Young -informs burden is placed on applicant through financial forms
reviewed by DEQ and accountant, all have been analyzed before determination

by Commission

-process takes several months
297 Young -notes very few rejections at Commission level due to
pre-certification done at staff level, then submitted with recommendation
to Commission
306 Bree -cost calculations carried out by applicant, statutory deadline of
120 days to deliver to Commission, applicant not under timeline
-sunset as it reads now is on issuing of certificates
350 Rep Beyer -suggests amendment to reduce two year application to one year
367 Bender -explains recycled plastics credit, impact \$160,000 this biennium,

described on page 111, Exhibit D

-investments used to manufacture products with recycled plastics eligible
-investments in product necessary to collect, transport or process
reclaimed plastic
-credit taken over 5 years

TAPE 104 SIDE B

014 Bender -law enacted in 1985, can take larger credit each year
-available to businesses, has 5 year carry-forward
-administered by DEQ, has pre and post certification requirement
035 Vice Chair Federici -asks if flexibility in system would be advantage to

businesses

041 Bender -carry-forward allows credit to be claimed even when taxable
income is not high enough
067 -most preferable to businesses to extend carry-forward
096 All -questions and discussion
154 Bender -plastics recycling limited to \$1.5 million certifications per
given year
-credit under-utilized due to limit in uses for recycled plastics
-portions of bill that deal with recycled plastics deal is Sections 7-15
-changes include extending sunset to Dec. 31, 2001 (complete facility and

apply by)

-can include research and development procedures on uses for recycled
plastics

-available to corporate and non-corporate taxpayers
-credit limited to \$25,000 per year
229 Bree -informs \$1.5 million preliminary implementation cap
-\$500,000 cap for individual applications
-was under-utilized until 1993-94 reached its cap
-intended to be incentive
Bree -front loading is preferable to applicant, facility must continue to be

in operation in order to apply for the credit

-tax credit benefits new plastic recyclers and those already in place
396 Bender -refers to page 113, Exhibit, Business Energy Tax Credit
-administered by Department of Energy for facility to produce energy,
conserve energy, or recycle

TAPE 105 SIDE B

024 -defines facility
-land, structures, buildings, machinery, equipment or devices, fuel fleet
vehicles, must be in Oregon

048 -credit equals total of 35% of certified cost of facility, taken over 5
year period

-capped by \$40 million dollars/year
070 Bender -refers to page 114, Exhibit D
-extends preliminary certification sunset to Dec. 31, 2001 and includes 3
year carry-forward to complete project

-HB 2255, Sections 15-18 deal with this

110 Bill Nesmith -cites examples-lighting system in office buildings, grocery

stores, weatherization, energy efficient equipment

124 Mike Grainey -says \$40 million cap has been reached this year

150 Nesmith -explains cap, screening criteria

201 All -questions and discussion

289 Nesmith -explains limitations of building codes and opportunities to
capture energy savings which are cost effective beyond what the code
requires (through new construction)

304 -questions and discussion about subsidizing new rental construction,
purpose of construction code, purpose of reducing energy consumption

TAPE 106 SIDE A

030 Chair Schoon -proposes a comprehensive review of purpose and intent of
all energy credits being considered
063 -emphasizes that Oregon Tax Expenditures report is new and should be
carefully reviewed by committee members
-suggests that definite "sunset dates" provide mechanism for review of
expenditures
114 Chair Schoon -adjourns meeting at 10:30 am

Rhonda Wehler, Committee Assistant

Kimberly Taylor James, Office Manager

Exhibit Summary

- A. HB 2255, Kidder, Input Regarding Gang-Affected Youth Tax Credit, 3/10/95
- B. Tax Credits, Bender, Revenue Impact of Income Tax Credits, 3/10/95
- C. HB 2255, Bender, Environment and Energy Income Tax Credits, 7/11/94
- D. Tax Credits, Bender, Oregon Tax Expenditures, 9/19/94
- E. HB 2261, Meyer, Fiscal Impact, 3/7/95
- F. HB 2256, Bender, Revenue Impact, 3/10/95
- G. HB 2256, Bender, Proposed Amendments, 2/24/95
- H. HB 2259, Bender, Revenue Impact, 3/10/95
- I. HB 2174, Meyer, Revenue Impact, 2/23/95
- J. HB 2174, Meyer, Fiscal Impact, 3/10/95