

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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Work Session SB 328 A 328 A, HB 2865  
Tapes 153-A & B, 154 A & B

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

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HOUSE STATE AND SCHOOL FINANCE COMMITTEE

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

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Members Present: Rep. John Schoon, Chair  
Rep. Lee Beyer  
Rep. Tony Federici, Vice Chair  
Rep. Tim Josi  
Rep. Jane Lokan  
Rep. Anita Rasmussen  
Rep. Ken Strobeck  
Rep. John Watt  
Rep. Jim Welsh

Witnesses Present: Dexter Johnson, Legislative Counsel

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

TAPE 153 SIDE A

004 Chair Schoon -calls the meeting to order at 8:40 am and conducts administrative business  
-OPENS WORK SESSION ON SB 328 A

SB 328 A

006 Steve Meyer -summarizes bill prohibits local governments from levying taxes specifically on lottery game retailers for compensation derived from sale to public of lottery tickets or shares, which would negate the tax Eugene voters passed

-refers to amendments -4, which allows Eugene to collect tax, but other local governments could not tax lottery retailers beginning Jan 1, 1996

021 Vice Chair Federici -speaks against amendments, purporting equal prohibitions for all cities

033 Rep Strobeck -MOVES SB 328 A BE SENT TO THE HOUSE FLOOR WITH A DO PASS

RECOMMENDATION

ROLL CALL VOTE: MOTION PASSED 7-2, REPRESENTATIVES VOTING AYE: JOSI, LOKAN,

STROBECK, WATT, WELSH, FEDERICI, SCHOON. MEMBERS VOTING NAY: BEYER, RASMUSSEN

052 Chair Schoon -asks Rep. Watt to carry bill in floor debate

053 Chair Schoon -CLOSES WORK SESSION ON SB 328 A

057 -OPENS WORK SESSION ON HB 2865

HB 2865

059 Steve Bender -refers to -1 amendments, Exhibit A

-explains provisions of bill

-does not provide for contributions by individuals themselves into Medical

Savings Accounts (MSAs), but employers can contribute up to \$2,400 per year

-fund pays eligible medical expenses

-funds can be used to pay federal government for tax liability (employee

could owe up to \$950 federal tax)

-employee can be directly reimbursed for checks written to medical provider

or federal government

-on last business day of calendar year, amount left in account can be

withdrawn, if deposited into medical annuity

-medical annuity defined as investment designed to provide health care

financing for employee and spouse upon retirement

-funds can be withdrawn for other non-medical reasons, however, amounts

withdrawn are added back to federal taxable income, no penalty imposed for

withdrawal for non-medical use

146 Chair Schoon -refers to Exhibit A, -1 amendments

165 All -questions and discussion regarding administration of MSA without causing a revenue impact  
186 Bender -clarifies self-employed could purchase MSA for employees in their business, but not purchase MSA for themselves  
-because of current federal treatment, advantage to employee to have employer's contribution be in medical insurance rather than \$ amounts to account, but MSA preferable to additional amount of salary income  
266 Rep Welsh -asks if same rules apply to this as to an IRA  
265 Chair Schoon -replies no, since IRA is federally tax exempt, federal government to this point has not agreed to exempting MSA  
-because MSA would have fiscal impact, Sen. Packwood does not plan to facilitate federal MSA  
330 Bender -stresses major benefit to encourage employees to scrutinize health care benefits, provides choice to employee  
381 Chair Schoon -adds employer could provide this in lieu of wages  
401 Bender -notes page 3, lines 9-13, states requirement of account holder to have catastrophic health plan, doesn't have to be provided by employer  
TAPE 154 SIDE A  
021 Rep Strobeck -expresses concern that MSA ignores uniqueness in Oregon market, high penetration of managed care insurance  
-notes bill encourages healthy to apply for MSA, unhealthy to be placed in pools where insurance rates would increase  
062 Bender -explains bill expands uses of account to pay for federal tax owed for receiving the contribution  
070 Chair Schoon -asserts desire to delete that provision to not affect federal tax consequences  
079 Bender -notes page 2, lines 18-27 of bill defines who administrator can be  
-suggests on page 3 of amendments strike lines 26-28, line 29 change c to b, line 30 after holder delete until line 31  
-relays Legislative Counsel's opinion: contributions into MSA of self-employed not tax-exempt unless business is something other than sole proprietorship  
129 All -further questions and discussion  
163 Chair Schoon -indicates bill will not be passed out of committee, but use information to aid in future discussion of similar Senate Bill  
153 Dexter Johnson -clarifies premium payments for major medical are eligible medical expense  
-funds can be withdrawn for any purpose, if account holder can't verify that withdrawal made for eligible medical expense, then \$ would be taxable  
248 Bender -explains Section 8, page 4, Exhibit A, deals with reporting and recording requirements, would be separate account  
-explains Sections 9-10, Exhibit A, requires employer to file annual report to Department of Revenue  
286 Bender -explains Section 12, Exhibit B, prohibits or prevents double deduction  
346 All -questions and discussion  
058 Chair Schoon -CLOSES WORK SESSION ON HB 2865  
060 -adjourns meeting at 9:45 am

Rhonda Wehler, Committee Assistant Kimberly Taylor James, Office Manager

Exhibit Summary  
A. HB 2865, Bender, Proposed Amendments, 4/10/95  
B. HB 2865, Seagraves, Suggested Changes, 4/8/95  
C. HB 2865, Bishop, Written Testimony, 4/10/95