

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 HB 2257, 2259, 2255, 2256  
Public Hearing HB 3349, 3374  
Tapes 170 A & B, 171 A

House Committee on  
State and School Finance  
April 18, 1995 Page

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HOUSE STATE AND SCHOOL FINANCE COMMITTEE

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APRIL 18, 1995 8:30 AM HEARING ROOM A STATE CAPITOL BUILDING

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Members Present: Rep. John Schoon, Chair  
Rep. Tony Federici, Vice Chair  
Rep. Tim Josi  
Rep. Jane Lokan  
Rep. Anita Rasmussen  
Rep. Ken Strobeck (9:45 am excused late arrival)  
Rep. John Watt  
Rep. Jim Welsh

Members Excused: Rep. Lee Beyer

Witnesses Present: Ted Demezas, Oregon Council of Federally Related  
Organizations (OCFRO)  
Willis Meisenheimer, OCFRO  
Walter McCollum, OCFRO  
Joe Gray, Portland Retired Firefighters  
Mari Anne Gest, Oregon Public Employees Union  
Stephanie Holmes, Oregon Schools Employees Union,  
Jack L. Sollis, OPA-PAC  
Elizabeth Harchenko, Attorney General's Office  
Sen. Kennemer, District 12

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

TAPE 170 SIDE A

004 Chair Schoon -calls the meeting to order at 8:30 am  
-OPENS PUBLIC HEARING ON HB 3349 AND HB 3374

HB 3349, 3374

008 Elizabeth Harchenko -summarizes history of income tax exemptions for  
retirees  
-1989 Supreme Court ruled public pensions must be treated equally for tax  
purposes  
-1991 Oregon Legislature authorized tax credit for low income retirees  
Harchenko -1992 Supreme Court held PERS retirees had constitutionally  
protected right for PERS benefits on or before change in income tax rules  
of 1991  
-informs PERS retirees have sued for costs and damages  
-presents preliminary rulings on who pays and how reinforcing decision of  
Supreme Court to all PERS employees  
-Oregon state solely responsible for damages  
-local government employers have contract with state, or right to claim  
indemnity for damages caused to employees

073 Sen. Kennemer -speaks in favor of HB 3349

087 Dick Yates -refers to Exhibit A, History of Retirement Taxation Issue  
-refers to Exhibit B, Revenue Impact  
-refers to Exhibit C, Revised Estimates of Tax on Pension Income  
-explains bill makes some income exempt, therefore those \$ not also  
eligible for tax credit

136 Chair Schoon -restates 1991 state started taxing state retirees, also  
created equivalent credit for all retirees  
-public had already passed law prohibiting taxing social security  
-additional increase in PERS retirement benefit based on longevity, with  
automatic sunset, benefits contingent upon income being taxable  
174 Yates -notes bill retroactively refunds any benefit back to 1981

205 -refers to Exhibit D, Proposed Amendments to HB 3374  
 -explains all pension income up to \$100,000 is exempt  
 -notes page 4, definition of pension income (lines 7-31)  
 -increased benefits dealt with in Section 3  
 -Section 7 effective date on or before Jan. 1, 1996  
 -Section 5 deletes repealed language

325 -refers to Exhibit C, providing estimate for tax paid on pension income  
 (divided into PERS, Federal, Private, since all are affected by 3374-1  
 amendments)

344 Chair Schoon clarifies Exhibit C only applies to HB 3374, without  
 consideration of HB 3349

367 Yates -notes approximately 400 returns with over \$100,000 in benefits,  
 with revenue impact of \$62 million for those returns

TAPE 171 SIDE B

013 Ted Demezas -refers to Exhibit E, Written Testimony, supporting HB 3349  
 -recommends language "sunsetting SB 656" state that the loss of benefits  
 applies to those individuals hired on or after the effective date of the  
 new statute  
 -suggests creative financing to refund taxes (through bond issue,  
 amortizing cost over several years, utilizing lower bond interest rates,  
 etc.)

005 Chair Schoon -stresses if court determines refund is made for retirees,  
 it would have to be repaid immediately

122 Joe Gray-refers to Exhibit F, Written Testimony, supporting HB 3349  
 -asserts retired firefighters should be included in exemptions, since they  
 cross city, county and state lines in their duties

164 Roy Benson -concur with support of HB 3349

166 Jack Sollis -speaks in support of HB 3349

229 Mari Anne Gest, -opposes HB 3349  
 -revenue impact severe,  
 -\$100,000 threshold unreasonable (more realistic threshold is \$20,000)

263 Stephanie Holmes-opposes HB 3349

274 Chair Schoon -CLOSES PUBLIC HEARING ON HB 3349, 3374  
 -recesses meeting at 9:30 am  
 -reconvenes meeting at 10:05 am

TAPE 170 SIDE B

006 Chair Schoon -informs Governor will report information on tax credit for  
 ethanol producers  
 -explains when Governor drafts budget, it is based on current law  
 -committee asked to generate \$3 million from existing credits and develop  
 bill to rescind political tax credit (which would save \$10 million)  
 -recommends viewing credits on policy basis, and asking:  
 -if original still exists for credit  
 -what is achieved by continuing tax credits  
 -notes assisting gang members through providing job opportunities is  
 priority tax credit  
 -informs \$1 million from \$10 million saved is reserved for this

123 Rep Strobeck -notes importance of asking if tax credit is worth asking  
 every tax payer in the state to pay for

136 Rep. Adams -explains new construction on factories/plants are engineered  
 around pollution control

Chair Schoon -OPENS WORK SESSION ON HB 2257, 2259, 2255, 2256

163 -refers to Exhibit G, Pollution Prevention Tax Credit Proposal, to  
 eliminate use of dry cleaning solvents and other toxic chemicals

180 Steve Bender -notes 2255-16 amendments applies to this

189 Chair Schoon -reviews Amendments to Tax Credit Bills, Exhibit H

318 -adjourns meeting at 10:30 am

Rhonda Wehler, Committee Assistant

Kimberly Taylor James, Office Manager

Exhibit Summary

A. HB 3349, Yates, History of Retirement Taxation Issue  
 B. HB 3349, Yates, Revenue Impact, 4/17/95  
 C. HB 3374, Yates, Revised Estimates of Tax on Pension Income  
 D. HB 3374, Yates, Proposed Amendments, 4/17/95  
 E. HB 3349, Demezas, Written Testimony  
 F. HB 3349, Gray, Written Testimony  
 G. HB 2255, Bender, Pollution Prevention Tax Credit Proposal  
 H. Tax Credits, Bender, Amendments, 4/18/95  
 I. HB 2255, Bender -2 Amendments, 3/8/95  
 J. HB 2255, Bender, -9 Amendments, 3/16/95  
 K. HB 2255, Bender, -10 Amendments, 3/31/95  
 L. HB 2255, Bender, -14 Amendments, 4/4/95  
 M. HB 2255, Bender, -16 Amendments, 4/14/95  
 N. HB 2255, Bender, -17 Amendments, 4/14/95  
 O. HB 2255, Bender, -19 Amendments, 4/14/95  
 P. HB 2256, Bender, -1 Amendments, 2/24/95  
 Q. HB 2256, Bender, -3 Amendments, 3/31/95  
 R. HB 2256, Bender, -4 Amendments, 4/14/95  
 S. HV 2257, Bender, -3 Amendments, 3/29/95  
 T. HB 2259, Bender, -1 Amendments, 3/29/95  
 U. HB 2259-2, Bender, -2 Amendments, 3/29/95  
 V. HB 2064, Bender, -A2 Amendments, 3/22/95  
 W. HB 2064, Bender, -A3 Amendments, 3/23/95