

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 2255, 2256, 2257, 2259, 2064 A, 3160  
Public Hearing HB 2924  
Tapes 178-179 A & B, 180 A

House Committee on  
State and School Finance  
April 21, 1995 Page

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HOUSE STATE AND SCHOOL FINANCE COMMITTEE

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APRIL 21, 1995 8:30 AM HEARING ROOM A STATE CAPITOL BUILDING

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Members Present: Rep. John Schoon, Chair (excused from 9:00 a.m. - 9:40 a.m.)  
Rep. Lee Beyer (9:12 am excused late arrival) (excused at 3:20 p.m.)  
Rep. Tony Federici, Vice Chair  
Rep. Tim Josi (excused at 3:20 p.m.)  
Rep. Jane Lokan  
Rep. Anitra Rasmussen  
Rep. Ken Strobeck  
Rep. John Watt (excused at 3:20 p.m.)  
Rep. Jim Welsh (excused at 3:20 p.m.)

Witnesses Present: Sec. of State, Phil Keisling  
Rep. Liz VanLeeuwen, District 37  
Dave Nelson, Oregon Dairymen's Association  
John McCulley, Coops of Oregon  
Carolyn Young, Department of Environmental Quality (DEQ)  
Diana Lefevre, DEQ

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

TAPE 178 SIDE A

004 Chair Schoon -calls the meeting to order at 8:30 am and conducts administrative business  
-OPENS WORKS SESSION ON HB 2255, 2256, 2257, 2259, 2064 A, 3160

HB 3160

014 Phil Keisling -speaks in opposition to HB 3160  
-because constituents were demanding restructuring of campaign financing, so new rules were passed in all 36 counties  
-tax credit is key mechanism in new rules  
-suggests if intent is to balance budget, then increase revenue by decreasing tax credit to those candidates who don't fall under new rules limits  
-repeal credit for those who contribute to ballot measure campaign  
Keisling-repeal everything except what Ballot Measure 9 addresses

HB 2255

127 Steve Bender -informs pollution control credit revenue impact 1995-97 biennium on General Fund is \$22.3 million, next biennium 21.5 million  
-explains bill extends sunset to 2001  
-administration changes for simplifying allocation for smaller investments  
-allows tax payers option to receive preliminary certification  
-extending sunsets \$25.4 revenue impact, decreases in subsequent bienniums, 11.5 million in 1997-99  
-refers to Exhibit A, Amendments to Tax Credit Bills  
-notes explanation found in Exhibit G, 2/28/95, page 108

239 Vice Chair Federici -notes -16 and -24 amendments refer to additional pollution credit

246 Steve Bender -explains two-step process to apply for pollution control credit

-facility must qualify  
-to qualify facility must pass principle purpose test, to reduce pollution to meet standards and requirements set by law and increase profitability of company, allocation is made to determine what portion is attributable to

pollution control  
 -sole purpose criteria, stricter standard requiring no other purpose than  
 to reduce substantial quantity of pollution  
 -credit is 50% of costs, taken over the life of the facility, up to 10 year  
 maximum, can take up to 5% of cost of facility annually  
 -non-refundable credit  
 -refers to -21 amendments, Exhibit B, make substantial changes to set total  
 \$ limits of certified costs on facility, to taxpayer, total statewide  
 certification total  
 -changes eligibility for only costs that go beyond legal requirements  
 TAPE 179 SIDE A  
 008 All -questions and discussion re: raising more revenue through fewer tax  
 credits vs. fairness to industry  
 087 Bender -notes revenue impact of -21 amendments at \$1.1 million this  
 biennium, and \$8.7 million next biennium  
 144 Vice Chair Federici -notes -21 amendments would retain 50% total credit  
 but taxpayer could take it over a lesser period of time than 10 years  
 165 Bender -affirms more advantageous to taxpayer to take larger sum of \$  
 earlier, which would have larger revenue impact at first  
 -revenue impact notes no limitations, based solely on way projection is  
 estimated  
 219 -refers to -22 amendments, Exhibit C  
 -notes amendments allow grass seed producers and/or confined animal feeding  
 operations (lines 19-22) to be eligible for credit  
 242 Rep. VanLeeuwen -testifies grass seed growers are seeking alternatives to  
 burning straw, option is building storage facilities  
 280 Dave Nelson -explains problems with -21 amendments  
 -excludes dairy farmers and grass seed farmers in eligibility for tax  
 credit  
 -prefer adopting 2255 with no amendments, or adding -22 amendments in place  
 of -21 amendments  
 354 Bender -refers to HB 2255-19, Exhibit O, 4/18/95, which supersedes -17  
 and -16  
 -companies that take property tax exemption are eligible to take pollution  
 tax credit also  
 TAPE 178 SIDE B  
 006 -coops may prefer to take tax credit over take irrevocable election as  
 to whether they want to take property tax or income tax  
 -presently Department of Revenue is billing coops for taking income tax  
 credit  
 -bill would forgive back taxes and penalties  
 036 Rep Strobeck -asks how coop involved in pollution, since functionally are  
 no different than a feed store or gas station, just organized differently  
 038 Bender -store fuels for vendors use in underground storage tanks  
 052 John McCulley -notes coops can choose to be exempt (non-profitable) or  
 non-exempt corporation, amendment allows tax paying coops to be treated as  
 any other tax paying entity  
 -most would choose income tax route  
 -estimates 20-25 coops who would be considered non-exempt, would take  
 credit against income  
 -all rural electric coops are tax exempt  
 -300 coops organized under ORS 62  
 094 Bender -refers to -24 amendments, Exhibit D, creates tax credit for  
 pollution prevention facilities  
 -limit credit to description, pollution prevention tax credit proposal,  
 -refers to Exhibit G, 4/18/95  
 -costs that are incurred for developing processes and technologies to  
 prevent pollution by eliminating use of toxic products  
 -taken over five year period, credit 50% of costs, \$75,000 cap, per project  
 171 Vice Chair Federici -clarifies company with several locations could be  
 eligible for credit at every location  
 180 Bender -explains taxpayer must be required to go beyond what the eligible  
 costs, but if they did, they would receive full credit  
 -notes cleaner technologies could cost less than more polluting  
 technologies  
 201 Carolyn Young -refers to Exhibit E, Pollution Control Report  
 -notes many companies don't currently qualify for tax credit because if  
 they change to less hazardous program they don't fit under Title 5 Federal  
 Clean Air Act  
 Young -goal to provide incentive to narrow set of businesses  
 262 Diana Lefevre -notes over 100 sites of drinking water contaminated by  
 chemicals listed in amendments  
 -only pollution control facilities presently receive tax credit  
 -in this amendment facilities would receive credit for not using polluting  
 chemicals  
 337 Bender -re-explains that pollution prevention machinery does not qualify  
 TAPE 179 SIDE B  
 006 Young -explains intent to reach small businesses with pollution control  
 066 Vice Chair Federici -asks if \$75,000 per taxpayer or per project is best  
 072 Lefevre -replies costs of technology ranges from \$50,000-\$150,000 per  
 location, so per location credit would be preferable  
 085 Chair Schoon -CLOSES WORK SESSION ON HB 2255  
 -OPENS PUBLIC HEARING AND WORK SESSION ON HB 2924  
 HB 2924  
 079 -explains bill extends sunset date on cigarette tax, dedicates funds to  
 health care  
 119 Dick Yates -further explains bill increases permanent cigarette tax from  
 \$.28 to \$.38 per pack  
 -increase is effective on the first day of the month following the  
 effective date of this act  
 -distributes the \$.10 increase to the state General Fund and dedicates the  
 revenue to the Oregon Health Plan  
 -imposes a temporary cigarette tax of \$.10 per pack on distributions

between July 1, 1995 and the first day of the month following the effective

date of this act

219 Rep Strobeck -explains temporary tax intent to continue what is currently

being taxed until permanent .38 tax is imposed

263 Yates -suggests changing date of .10 tax to continue in current law to 1997  
-notes bill does not change tax distribution to counties and cities

281 Chair Schoon -suggests conceptual amendment

330 Rep Strobeck -MOVES TO EXTEND SUNSET DATE 2 YEARS, CHANGING LANGUAGE IN  
EXISTING STATUTE FROM \$.28 TO \$.38, AND DEDICATING ADDITIONAL REVENUE TO

OREGON HEALTH PLAN

Chair Schoon -THERE BEING NO OBJECTION THE CHAIR SO ORDERS  
recesses meeting until 3:20 p.m.

TAPE 180 SIDE A

002 Chair Schoon -reconvenes meeting at 3:35 p.m.

003 -CONTINUES WORK SESSION ON HB 2924

HB 2924

042 Yates -explains existing law evaporates before existing date of act

Yates -current .10 tax dedicated to health care, sunsets on 7/95, so law  
expires

-is tax increase, therefore cannot use emergency clause  
-rather than temporary and permanent tax, -2 Amendments, Exhibit L, now

uses 2 temporary, taxes, one which is retroactive, one which re-enacts a

temporary law continuing \$.10 TAX until 7/1/97

102 Rep Strobeck -MOVES -2 AMENDMENTS AS AMENDED TO READ JAN. 1, 1998,  
INSTEAD OF JULY 1, 1997

Chair Schoon -HEARING NO OBJECTIONS THE CHAIR SO ORDERS

115 Rep Strobeck -MOVES -2 AMENDMENTS AS AMENDED INTO BILL TO ESTABLISH 2

TEMPORARY PERIODS TO EXTEND CURRENT CIGARETTE TAX UNTIL 7/1/98

-HEARING NO OBJECTIONS THE CHAIR SO ORDERS

133 Rep Strobeck -MOVES HB 2924 AS AMENDED TO WAYS AND MEANS COMMITTEE

ROLL CALL VOTE: MOTION PASSES 5-0, REPRESENTATIVES VOTING AYE: LOKAN,  
RASMUSSEN, STROBECK, FEDERICI, SCHOON. MEMBERS EXCUSED: BEYER, JOSI, WATT,

WELSH.

149 Chair Schoon -conducts administrative business

-adjourns meeting at 3:50 p.m.

Rhonda Wehler, Committee Assistant

Kimberly Taylor James, Office Manager

Exhibit Summary

- A. Tax Credit, Bender, Amendments to Tax Credit Bills, 4/21/95
- B. HB 2255, Bender, -21 Proposed Amendments, 4/19/95
- C. HB 2255, Bender, -22 Proposed Amendments, 4/20/95
- D. HB 2255, Bender, -24 Proposed Amendments, 4/21/95
- E. HB 2255, Young, Pollution Control Report
- F. HB 2255, Bender, -23 Proposed Amendments, 4/20/95
- G. HB 2924, Yates, -1 Proposed Amendments, 4/21/95
- H. HB 2924, Yates, Revenue Impact, 4/20/95
- I. HB 2924, Yates, Staff Measure Summary
- J. HB 2924, Butrick, Letter to Speaker Clarno, 4/6/95
- K. HB 2256, Bender, Corporate Taxpayers Claiming the Research Credit,  
4/20/95
- L. HB 2924, Yates, -2 Proposed Amendments, 4/21/95
- M. HB 2924, Yates, Staff Measure Summary
- N. HB 2924, Yates, Fiscal Impact, 4/21/95
- O. HB 2924-2, Yates, Revenue Impact, 4/21/95