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Work Session HB 2064 A, 2255, 2256, 2257, 2259, 3160
Tapes 181-183 A & B, 184 A

House Committee on
State and School Finance
April 24, 1995 Page

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HOUSE STATE AND SCHOOL FINANCE COMMITTEE

APRIL 24, 1995 8:30 AM HEARING ROOM A STATE CAPITOL BUILDING

Members Present: Rep. John Schoon, Chair
Rep. Lee Beyer (9:00 a.m. late arrival) (excused 6:30-7:15 p.m.)
Rep. Jane Lokan
Rep. Anitra Rasmussen
Rep. Ken Strobeck
Rep. John Watt (excused 6:30 -7:15 p.m.)
Rep. Jim Welsh (excused 6:30 -7:15 p.m.)

Members Excused: Rep. Tony Federici, Vice Chair
Rep. Tim Josi

Witnesses Present: Jim Manary, Department of Revenue
Karen Whitaker, Director of Office of Rural Health
Brian DeLashment, Oregon Nurses Association
Ed Patterson, Oregon Association of Hospitals
Frank Brawner, Oregon Bankers Association
Lynn Schessler, Deputy Director, Housing Authorities
Joe Mishak, Department of Forestry
Lynn Partin, Mobile Home Ombudsman
John McCulley, Agriculture Coop of Oregon

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

TAPE 181 SIDE A

004 Chair Schoon -calls the meeting to order at 8:45 am
-recesses meeting at 8:45 am
-reconvenes meeting at 9:10 am and conducts administrative business
-OPENS WORK SESSION ON HB 2064 A, 2255, 2257, 2259, 3160

025 Steve Bender -refers to Exhibit A, Amendments to Tax Credit Bills
-explains meaning of numbers on Exhibit A table:
-shaded portion of any bill specifies estimated revenue impact if passed
without amendments, which shows negative impacts since these are scheduled
to sunset
-each row under bill itself is revenue impact of amendments themselves
-any plus figure is relative to revenue impact of bill alone

HB 2256
099 -summarizes bill contains research and development (R& D) and
reforestation credits

119 Chair Schoon -notes -1 amendment is technical correction

120 Bender -notes HB 2256-3 Proposed Amendments extend credit through
12/31/2001, apply limit of total credit amount to limits of 1993 tax year
-explains errors in amendment:
-all references to 1992 should be changed to 1993, and all 1993 should be
changed to 1994

169 Chair Schoon -suggests making cuts to credits in work session, then
restoring amounts determined through a process like that of Ways and Means

184 Bender -further explains elimination of credit expansions in bill,
reducing maximum credit to \$50,000

209 Chair Schoon -suggests expanding credits into specific industries, i.e.,
secondary wood products

226 Bender -explains \$ savings from rescinding expansion to other industries

259 -notes -3 amendments eliminate institutional carry-forward proposed in
the bill

320 280 -questions and discussion

358 Bender -informs R & D credits still extended with -3 amendments,

alternative not based on increase in research but on level of research
TAPE 182 SIDE A
006 -notes approximately \$100,000 per biennium revenue impact if R & D
credit is eliminated
022 -instead of no carry forward, Chair Schoon suggests 5 year carry-forward
for R & D, allowing a research credit into utilization of secondary wood
products
-notes HB 2632 allows a more generous credit for secondary wood products
-explains under existing Oregon law start-up companies will connect to
definitions of start-up companies, dependent upon age of company
-current Oregon law doesn't allow research into straw utilization
-before credit can be taken, R & D credits must be increased beyond certain
level, or exceeding 10% of Oregon sales
160 Chair Schoon -suggests adding language to include straw products
210 Bender -explains -4 amendments are reforestation credits which do not
change types of projects eligible, nor amount of credit, but apply
limitation to costs eligible for credit (Section 8 of amendments)
-notes Chair Schoon suggests delaying limitation until 1997-99
261 Chair Schoon -informs -5 amendments are not under consideration
HB 2257
277 Rep Rasmussen -refers to Exhibit B, -5 Proposed Amendments
-notes proposal to limit credit to primary care and general surgery
physicians
Rep Rasmussen -explains language would not change standards for those
already involved in program
-option to allow credit for 4 years instead of 5
-refers to Exhibit C, -6 Proposed Amendments, extending medical credit to
dentists
349 Bender -notes pro-ration based on amount of time if less than 40 hours
are spent at practice
TAPE 181 SIDE B
013 Bender -notes blank on page 3, Exhibit C, language which must be defined
for percentage of taxable income derived from other sources than dental
078 All -discussion regarding language in bill
105 Chair Schoon -recesses meeting at 10:30 am
107 Acting Chair Beyer -reconvenes meeting at 10:45 am
166 Jim Manary -reports if engaged in different businesses, different
schedules would be filed for each
-income is not segregated from different sites
223 Rep Rasmussen -suggests not using pro-ration formula
257 Karen Whitaker -notes 107 people using tax credit currently
-by allowing those in program to continue, and limiting new applicants to
general surgery and primary care, savings would be made
334 Rep Rasmussen -re-explains suggestion to grandfather in those currently
in program
-from 1995 on only general surgery, primary care, and emergency medicine
would qualify
353 Whitaker-notes savings of 45 practitioners if this implemented
375 Rep Strobeck -suggests leaving categories as is for new applicants, but
reducing \$ amount to \$4,000 for all practitioners
TAPE 142, SIDE B
026 Whitaker-informs most urban practices promise income of \$100,000 per
year, while rural offers only \$75,000
040 Brian DeLashment-notes nurse practitioner doesn't qualify for full tax
credit currently
049 Ed Patterson -approves of allowing all specialists to qualify and
decreasing amount to \$4,000
099 Bender -notes bone marrow transplant credit revenue impact is \$7,800 this
biennium, and \$10,000 next biennium
-notes description on page 124 on Tax Expenditure Report, Exhibit G,
2/28/95
136 Rep Strobeck -stresses bone marrow credit is unnecessary
145 Rep Beyer -informs to eliminate bill, must have specific amendment
HB 2064 A
178 Frank Brawner -expresses concern that in moving from ten years to twenty
years carry-forward, 15 year carry-forward is not addressed
199 Lynn Schessler -discussion regarding carry-forward
223 Manary -explains carry-forward for 15 years, credit accumulated in
particular year can be carried forward for 15 years from that year
242 Chair Schoon -notes desire is to reduce carry-forward from 15-5 years
-language must be rewritten to clarify
Chair Schoon -suggests using higher amount to move residential housing
credit into low-income credit
297 Brawner -notes effect for every \$500,000 of tax credit, 500 units are
built
319 Schessler -notes including low income into cap means fewer projects will
be built
338 Brawner -\$3 million allows projects in idea stage to progress
371 Chair Schoon -prefers \$3 million cap
377 Bender -suggests changing language on page 2, line 21, after \$3 million
insert the words "for any year"
TAPE 183 SIDE A
007 Chair Schoon -explains banks could leverage \$ same as any low income
project
-notes concerns of over-generous allotment (50%) to farm-worker housing
050 -recesses meeting until 3:30 p.m.
052 -reconvenes meeting at 3:30 p.m.
-recesses meeting until 6:30 p.m.
-reconvenes meeting at 6:30 p.m.
HB 2256
061 Bender -discusses SB 719 A, which accomplishes same purpose as HB 2256,
to extend sunset of alternative credits for research activities, expand
research activities to which credits apply, and allow carryforward of
credit unused in particular tax years, also extends sunset of reforestation
tax credit
-refers to SB 719 A, -1 Amendments, Exhibit I

-refers to Exhibit J, Staff Measure Summary
 -refers to Exhibit K, Fiscal Analysis

143 Chair Schoon -notes he agreed with lobbyists to cut credit from 50% to 45%, give businesses who exceed state and federal pollution standards by 5%, 55% credit
 -put cap on next biennium

168 Bender -refers to HB 2256-4 amendments, Exhibit R, 4/18/95
 -reviews changes requested in dates on page 5, line 14, to coincide with planting cycle
 -clarifying language
 -notes conceptual change limitation be maintained in current biennium, doubled in subsequent biennium

230 Joe Mishak -projects participation in credit would be same as currently
 HB 2259

253 Chair Schoon -asks for objections in maintaining mobile home credit at current amount
 -no objections noted

281 Lynn Partin -refers to Exhibit H, Proposed Amendments, which would act as legislative note to Department of Revenue, and require Mobile Home Partin Park Ombudsman to provide statement notifying tenant of existence of the tax credit
 HB 2255

385 Bender -explains -19 amendment (Exhibit O, 4/18/95) gives coops option of property tax exemption or income tax credit, but not both

TAPE 184 SIDE A
 006 -would also forgive any penalties received from taking income tax credit previously

013 John McCulley -informs three coops currently have wrongly taken tax credit against income, totaling \$40,000

023 Bender -informs Department of Revenue identified two additional credits for 1989-90, so altogether 5 coops have illegally taken income tax credits

045 Chair Schoon -asks if -19 amendments cure problems with coops

053 Bender -responds any penalties would be waived

094 McCulley-notes coop election is irrevocable
 -expresses approval of caps for corporate coops

147 Rep Strobeck -clarifies income tax is from non-member business

155 McCulley-projects income tax option would be taken by corporate coops who make large profit from non-members

207 Chair Schoon -adjourns meeting at 7:15 p.m.

Rhonda Wehler, Committee Assistant

Kimberly Taylor James, Office Manager

Exhibit Summary

A. Tax Credits, Bender, Amendments to Tax Credit Bills, 4/24/95
 B. HB 2257, -5 Proposed Amendments, 4/24/95
 C. HB 2257, -6 Proposed Amendments, 4/24/95
 D. HB 2255, Nesmith, Systems Receiving Final Approval, 4/24/95
 E. HB 2255, Grainey, Memo, 4/20/95
 F. HB 2259, CASA, Proposed Amendments
 G. MISC., Lokan, Memo, 4/17/95
 H. HB 2259, Partin, Proposed Amendments
 I. SB 719 A, Bender, -1 Proposed Amendments, 4/5/95
 J. SB 719 A, Bender, Staff Measure Summary
 K. SB 719, Bender, Fiscal Impact, 4/20/95