

Public Hearing HB 35g2 Informational: Existing Tax Credits Rural Doctors
-Computer Donations Low Income Housing Loans
-Sale of Personal Residence Tapes 92-93 A/B 94-95 A
HOUSE COMMITTEE ON
REVENUE AND SCHOOL FINANCE
SUBCOMMITTEE ON INCOME
TAXATION

APRIL 20, 1993 8:00 AM HEARING ROOM C STATE CAPITOL
BUILDING

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Members Present: Representative John Schoon, Chair)
Representative Ron Adams
Representative Tony Federici
Representative Delna Jones, Ex Officio
Representative Gail Shibley
Representative Greg Walden
Witnesses Present: Jane Myers, Oregon Dental Association (ODA)
John Powell, North Pacific Oregon Auto Insurance Companies
Ray Ramsey, Oregon Housing
Frank Brawner, Oregon Bankers' Association (OBA)
Lynn Schoessler, Housing and Community Services.
Sandy McLernan, Department of Revenue (DOR)
Mike Sims, Hanneman and Associates
Jerry Fisher, American Electronics Association (AEA)
Karen Whitaker, Office of Rural Health
Staff: Richard Yates, Legislative Revenue Office
Mary Gottlieb, Committee Assistant

TAPE 092 SIDE A

001 CHAIR SCHOON called the meeting to order at 8:02.
007 CHAIR SCHOON opened the public hearing on HB 3592, which grants income
tax credit to dentists locating in small towns and rural areas of counties
having low population of dentists.
010 JANE MYERS testified in support of HB 3592. Dentists face a hurdle in
setting up a rural practice because they must purchase a large variety of
equipment for the dental office. ODA asks that this subcommittee keep
dentists in mind as primary care providers when looking at tax credits for
rural practitioners.

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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Questions and discussion.

162 CHAIR SCHOON closed the public hearing on HB 3592.
167 JOHN POWELL testified that ORS 317.122 provides an offset of fire
insurance premium taxes for domestic insurers. This preference is given
domestic insurers because of the benefits these companies bring to the
state. Insurance companies contribute a great deal of money to the state in
the form of property taxes, Tri-Met taxes, an Oregon payroll of \$8.8
million, and corporate excise taxes. Insurance companies are considered
"clean" because of the fact that they cause no pollution or environmental
problems.

Discussion and questions.

229 DICK YATES explained that foreign insurers pay a premium tax while domestic insurers pay the corporate excise tax. In some cases, domestic insurers are subject to a premium tax; such as, the premium taxes on fire insurance used to fund the Office of the State Fire Marshall.

Discussion and

questions.

TAPE 093 SIDE A

001 Discussion continues with JOHN POWELL with regard to domestic insurers.

070 CHAIR SCHOON closed the hearing on domestic insurers.

081 DICK YATES explained the tax credit on low income housing. This credit plus federal credits have engaged the private financial community into financing low income housing.

090 RAY RAMSEY (with LYNN SCHOESSLER and FRANK BRAUNER) testified for low income housing HB 2869, which deals with the Oregon Lenders Tax Credit. This tax credit allows the lending institutions in this state the ability to lend monies to nonprofit or governmental organizations; such as, housing authorities for acquisition, rehab, or new construction of affordable housing. This credit allows low income families to obtain loans from banks and in return the banks receive tax credits. Renters also benefit because the banks can pass the savings onto the tenants.

Discussion and questions.

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162 FRANK BRAUNER stated that banks find the credit needs of their communities and respond to these needs. He distributed a Summary of Approved Loan Orchards Apartments LP, Exhibit 4, from Network for Oregon Affordable Housing (NOAH) to illustrate projects that have been helped by Oregon Lender's Tax Credit.

Discussion and questions.

309 RAY RAMSEY stated that the banking industry needs a tool for long term financing. Bonds are difficult to use these days; even tax exempt bonds have a high interest.

Discussion continues on low income housing loans.

TAPE 092 SIDE B

001 Discussion continues with RAY RAMSEY, FRANK BRAUNER, and LYNN SCHOESSLER.

005 FRANK BRAUNER stated that several concerns facing OBA are allocations and delays in projects. It is important to serve the entire state with the lenders tax credit. If money is to go to a project in Portland, but a need arises in Pendleton, then the money should go to Pendleton.

026 LYNN SCHOESSLER spoke to the committee with regard to the present activities, which have been new construction projects and a few northeast Portland rehabilitation programs. Eighty five percent of the funding goes for new construction because of the need for affordable housing.

Discussion and questions.

147 RAY RAMSEY stated that the property tax exemptions apply to the Housing Authority sponsored projects. There is no automatic exemption for nonprofit organizations; most of these organizations are paying taxes.

174 CHAIR SCHOON closed informational meeting on low income loans.

180 SANDY MCLERNAN provided information on the sale of personal residences tax credit. She stated that this credit is similar to the credits for mutually taxed income but includes all taxes imposed by foreign countries.

Discussion and questions.

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269 DICK YATES referred the committee to fish gleaning and ORS 316.098 which refers to fish gleaning and sunsets at the end of 1993.

308 MIKE SIMS testified in support of fish gleaning and stated that this tax credit helps commercial fisheries and Oregon Food Bank make use of fish that cannot be sold on the open market. This credit is a two-way benefit for Oregonians.

Discussion and questions.

TAPE 093 SIDE B

001 Discussion continued with MIKE SIMS and fish gleaning.

098 CHAIR SCHOON directed staff to contact representatives from coastal districts to find out if there is any interest in fish gleaning.

123 CHAIR SCHOON closed the informational meeting on fish gleaning.

130 CHAIR SCHOON opened the discussion on qualified research activities.

138 JERRY FISHER testified for the research and development tax credit. The electronics industry is Oregon's second largest manufacturing sector after the wood products industry. He believes the state should increase the limit of research and development tax credits for qualified research expenses and basic research payments.

Discussion and questions.

230 JERRY FISHER added that many states and foreign countries have recognized that additional incentives are necessary if they are going to attract research facilities. Such industries receive the benefits of a broad range of tax exemptions, subsidized government loans, tax-exempt financing, special tax credits and allowances, and collaborative research with state funded universities.

340 JERRY FISHER continued to say that the growth of the state's high technology industry will attract and encourage more research and development investment.

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TAPE 094 SIDE

A

001 Discussion continued with JERRY FISHER and the research activity tax credit.

057 JERRY FISHER spoke of computer donations which is related to the research and development tax credit because this encourages donation of computers and electronic equipment to colleges and universities. The industry sales are worldwide and Oregon is a small section of these sales.

110 DICK YATES distributed a graph showing the Research Credit Alternative, Exhibit 9.

Discussion and questions.

181 REP. SHIBLEY, Acting Chair, closed the informational hearing on research alternatives and opened the hearing on computer donations.

194 JERRY FISHER stated that the computer donations tax credit encourages donations of computers and electronics equipment to colleges and universities. The credit is usually the suggested retail price. His company donates between \$1 and \$2 million of equipment per year.

267 REP. SHIBLEY, Acting Chair, closed the informational meeting on computer donations and opened the meeting on Rural Medical Practice tax credit.

280 KAREN WHITAKER spoke in support of the Rural Medical Practice tax credit, which encourages the continuation of or establishment of medical practice in rural areas. The Office of Rural Health administers this program, including writing and enforcing administrative rules, notifying practitioners of their eligibility, processing and reviewing applications, sending notarized certificates annually and maintaining a comprehensive data base. She provided information showing the number of recipients in the state. Exhibit 12.

TAPE 095 SIDE

A

001 Discussion continued with KAREN WHITAKER and the rural medical practice tax credit.

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065 KAREN WHITAKER responded to a question by REP. SHIBLEY by stating that the one request most asked is, "Is there a loan repayment program." The initiative that addresses this problem and other rural health initiatives is in HB 2018.

Discussion and questions.

155 KAREN WHITAKER stated that another problem is that rural hospitals are closing, and the practitioners are forced to use facilities in larger cities. These doctors then lose their eligibility.

Discussion and questions.

249 DICK YATES stated that doctors enter the rural health programs expecting to receive the credit for ten years.

260 REP. SHIBLEY closed the rural tax credit discussion.

267 REP. SHIBLEY conducted administrative business.

273 REP. SHIBLEY, Acting Chair, adjourned the meeting at 10:43.

Mary Gottlieb, Committee Assistant

Kimberly Taylor, Office Manager

EXHIBIT SUMMARY

1. Testimony to Subcommittee on Income Taxation on HB 3592, Jane Myers, Oregon Dental Association.
2. ORS 317.133, Fish Habitat Improvement, Dick Yates, Legislative Revenue Office.
3. ORS317.097, Lending Institution Loans for Housing, Dick Yates,

Legislative Revenue Office.

4. Summary of Approved Loan, Frank Brawner, Oregon Bankers' Association.
5. ORS 316.116, Credit for Energy Yield of Alternative Energy Device, Dick Yates, Legislative Revenue Office.
6. Tax Credits, Mike Sims, Hanneman and Associates.

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7. ORS 316.098, Credit for Gleaning Fish, Dick Yates, Legislative Revenue Office.
8. Testimony by Jerry Fisher, Jerry Fisher, American Electronics Association.
9. Research Credit Alternative, Dick Yates, Legislative Revenue Office.
10. Internal Revenue Code, Section 41(a), Dick Yates, Legislative Revenue Office.
11. ORS 317.151, Contributions of Computers or Scientific Equipment for Research to Educational Organizations, Dick Yates, Legislative Revenue Office.
12. Fact Sheet on Rural Practitioner Tax Credit, Karen Whitaker, Office of Rural Health.

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