

HOUSE COMMITTEE ON
REVENUE AND SCHOOL FINANCE
SUBCOMMITTEE ON INCOME TAXATION

APRIL 28, 1993 8:00 AM HEARING ROOM E STATE CAPITOL
BUILDING

Members Present: Representative John Schoon, Chair (11:03 arrival)
Representative Ron Adams
Representative Tony Federici
Representative Delna Jones, Ex Officio
Representative Gail Shibley (11:00 arrival)
Representative Greg Walden (11:16 arrival)

Witnesses Present: Frank Brawner, Oregon Bankers' Assoc. (OBA)
Lynn Schoessler, Department of Human Resources
Representative Cynthia Wooten, District 41
John Van Landingham, Lane County/Eugene Housing Authority
Peter Grundfossen, Assoc. of Oregon Housing Authorities
Representative Fred Girod, District 30
Ron Chastain, Economist
Irvin Fletcher, AFL/CID
John Danielson, Oregon Education Assoc.
Representative Dave McTeague, District 25
Jerry Lorenz, Employment Division

Staff: Richard Yates, Legislative Revenue Office
Mary Gottlieb, Committee Assistant

TAPE 103 SIDE A

006 CHAIR SCHOON called the meeting to order at 10:32.

017 REP. ADAMS, Acting Chair, opened the public hearing on HB 2827, which modifies standards under which the Housing and Community Services Department may certify loans made to finance low-income housing for purposes of tax credits for lending institutions, and HB 2869, which would increase the limit of available money and creates a greater regional distribution.

020 DICK YATES provided an explanation of HB 2827 by stating that this tax credit was created as an incentive for financial institutions to invest in low-income housing. The credit is the difference between the rate charged by the institution and the rate

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charged on similar loans at the market rate. The only change in this bill is to remove the cap which currently limits the amount of loans that are eligible for the credit.

042 FRANK BRAWNER testified that his organization requested HB 2827 because of the great need for affordable housing. He believes that this law would be successful. The 4 percent lender's tax credit is mandatorily passed along to the borrower and the renter. He also recommends HB 2869. He believes that the cap should be increased.

Discussion and questions.

111 LYNN SCHOESSLER added that last October, they had fully committed the \$37.5 million cap. The process has two stages: 1) initial application, and 2) the bank gets a firm commitment.

150 DICK YATES suggested that the bill be dependent on the federal credit.

195 REP. WOOTEN (with JOHN VAN LANDINGHAM and LYNN SCHOESSLER) testified in support of HB 2869. The Oregon Lender's Tax Credit Program was established in 1989 and is now reaching the cap of the tax credit to Oregon lenders at 37.5 million dollars. The bill contains a provision for fair and equal dispersal of the tax credits throughout Oregon. HB 2869 makes sure that if a particular region of the state does not use their allocation, the tax credits will be reassigned to a reserve pool and used in other communities demonstrating pending projects in need of the credits.

308 JOHN VAN LANDINGHAM testified that HB 2869 would direct the Oregon Housing and Community Services Department (OHCS), allocate the credits, and attempt to distribute the credits statewide, while also concentrating the credits in the areas of greatest need. Also, the bill corrects a 1991 drafting error, clarifies that the full savings from the reduced interest rates be passed through to the rents, and clarifies that OHCS can grant credits for less than the maximum 20-year period.

TAPE 104 SIDE

A

001 JOHN VAN LANDINGHAM continued his testimony.

050 LYNN SCHOESSLER added that the allocation plan already shows the success of getting projects throughout the state. There is already a demand for \$18 million of tax credits then the present cap.

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Discussion and questions.

130 PETER GRUNDFOSSEN stated that several organizations have used the tax credit in the past year. The housing lobby coalition is interested in continuing this bill. Affordable housing is foundational for the welfare of all citizens. The homeless population increases every year and 50 percent of low-income families' income goes to housing. He explained the difference between HB 2827 and HB 2869.

Discussion and questions.

270 REP. ADAMS, Acting Chair, closed the public hearing on HB 2869 and HB 2827.

Discussion regarding a gang-related problems meeting.

314 CHAIR SCHOON opened the work session on HB 3387.

323 REP. GIROD testified in support of HB 3387 and stated that the medical problems facing the public today are access and cost containment. Medical IRAs are the only avenues available for cost containment. If we increase access with no price containment, costs will continue to rise. The Oregon Health Care program goes a long way in defining the problems facing the state. However, if the state were to implement this plan without IRAs in place, medical prices could go through the roof.

Discussion and questions.

TAPE 103 SIDE B

001 Discussion continued with REP. GIROD.

069 CHAIR SCHOON closed the work session on HB 3387 and opened the work session on HB 2438.

080 RON CHASTAIN (with JOHN DANIELSON and IRVIN FLETCHER) testified and introduced Exhibit 3, which indicated reasons to further amend HB 2438. He stated that timber severance taxes have already been significantly reduced. For this reason, the Oregon Forest Industries Council (OFIC) study needs

Careful, independent analysis.
Discussion and questions.

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176 JOHN DANIELSON stated that he has been a long time follower of the timber tax situation in the state. He looked at the equity of the situation and the intervention of Measure 5. He added that timber tax revenues do have a significant effect on schools. Individual school districts levy the property tax or ad valorem tax, receive a timber tax and other dollars, and then the state works out a formula, which is based on the types of students and the size of the state appropriation. This formula determines how much money each school district receives. From that amount, the timber severance tax and ad valorem tax is offset. In the past, districts like Portland were not effected but now they are. Basically, the move was wise at the time. However, evidence proves that timber owners do not pay as much in severance tax as in ad valorem tax, and he believes that the timber industry is getting a big break. Many states charge a severance tax on public lands as well as private lands.

Discussion and questions.

389 JOHN DANIELSON believes that Measure S should not control timber taxes. The general public was not aware that Measure 5 would effect taxes other than their property taxes.

TAPE 104 SIDE B

001 CHAIR SCHOON closed the work session on HB 2438 and opened the work session on HB 3451.

006 REP. MCTEAGUE testified that over 3,000 youth benefitted from the federal tax credit last year, and he estimates that approximately 1,500 youths in Oregon would participate in HB 3451 this biennium.

060 GARY LORENZ stated that certification for this program is done through the Employment Division working with qualified agencies and providers. This area could be expanded in both the federal program and the state program if more outreach were available.

Discussion and questions.

130 CHAIR SCHOON closed the work session on HB 3541.

131 CHAIR SCHOON adjourned the meeting at 12:03.

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Mary Gottlieb, Committee Assistant

Kimberly Taylor James, Office Manager

EXHIBIT SUMMARY

1. Testimony of Representative Cynthia Wooten, Rep. Cynthia Wooten.
2. HB 2869A: Oregon Lenders Tax Credit, John Van Landingham, Lane County Legal Aid Services.
3. Reasons To Further Amend HB 2438, Ron Chastain, Chastain Economic Consulting.
4. Proposed Amendments to HB 2438-10, Dick Yates, Legislative Revenue Office.
5. Forest Land: Revenue Impact of HB 2438, Dick Yates, Legislative Revenue Office.
6. Fiscal Analysis of Proposed Legislation, HB 2438, Legislative Fiscal Office.
7. HB 2438, Irvin Fletcher, Oregon AFL/CID.
8. Need for Oregon Targeted Tax Credit to Fight Gangs (HB 3451), Rep. Dave McTeague, District 25.
9. Amendments to HB 3451-2, Rep. Dave McTeague, District 25.
10. Proposed Amendments to HB 3451-2, Rep. Dave McTeague, District 25.

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