

Work Session HB 3387
HB 3451
HB 2911
Tapes 106-107 A/B

HOUSE COMMITTEE ON
REVENUE AND SCHOOL FINANCE
SUBCOMMITTEE ON INCOME TAXATION

MAY 5, 1993 8:30 AM HEARING ROOM E 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: Peggy Anet, League of Oregon Cities' Employee Benefits
Services Trust
Representative Dave McTeague, District 25 Gary Lorenz, Employment Division
Sharon Kidder, Employment Division

Staff: Richard Yates, Legislative Revenue Office
Mary Gottlieb, Committee Assistant
TAPE 096 SIDE A

005 CHAIR SCHOON called the meeting to order at 8:34.

007 CHAIR SCHOON opened the work session on HB 2911, which allows deduction
for purposes of personal income tax for medical expenses paid by adoptive
parents on behalf of the biological mother of the adopted child.

010 DICK YATES offered an overview of the bill. He explained that
approximately 580 individuals per year in Oregon would qualify to take this
credit.

Discussion and questions.

065 PEGGY ANET testified that several employers are offering these medical
spending arrangements allowed under the Internal Revenue Code (IRC).
Nationally, 35 to 40 percent of employers are allowing medical
reimbursement accounts.

Discussion and questions.

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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092 PEGGY ANET had not heard of any employers extending a benefit to cover
the health care costs associated with the child prior to adoption.
Employers usually check if these expenses can be deducted as a business
expense.

Discussion and questions.

137 DICK YATES stated that there is nothing to prevent the state from divorcing their medical expenses from the federal medical deductions.

Discussion and questions.

206 CHAIR SCHOON closed the work session on HB 2911.

211 CHAIR SCHOON opened the work session on HB 3387.

216 DICK YATES introduced the amendment HB 3387-1, Exhibit 1, and provided an explanation of the amendment as it relates to the bill.

264 PEGGY ANET explained that the proposed program would not be bound by some of the IRC requirements which stipulate that claims must be paid with funds deposited in the same year that claims are incurred and any amount an individual does not use will not be refunded to the individual. The IRC already allows employers to set up programs for employees to set aside wages to pay for outofpocket medical expenses. This is called "medical spending arrangements." She sees the medical IRA as a compliment to this program.

Discussion and questions.

TAPE 107 SIDE A

001 Discussion continued with PEGGY ANET and medical IRAs.

029 PEGGY ANET explained that to encourage employers to provide health insurance, the IRC made this an allowable business expense and deducted the employees portion from taxable income. The 125Plans allow the employees to set aside a certain amount of wages to make them allowable health care expenses and become employer paid. Anything under a 125-Plan is also a deductible expense for the employer. It is treated the same as any health care paid by the employers. She explained that congress sees these 125-Plans as revenue losers, and IRC wants to put a limit on these medical

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plans. Previously, the employer had to pay only the amount in the account. Now employers have to operate like insurance companies and pay claims immediately.

Discussion and questions.

113 DICK YATES related the purpose of Amendment 1. He stated that there is a difference between the individual medical accounts, which do not receive any preferential federal tax treatment, and flexible spending accounts, which do. This bill speaks to the individual medical accounts.

190 MOTION REP. SHIBLEY moved that the language in
HB 3387-1 amendment be included on page 1

of

the amendments and that paragraph 3a be
rewritten.

208 ORDER CHAIR SCHOON, hearing no objections, so
ordered.

219 MOTION CHAIR SCHOON moved conceptually that on

page 2

of the amendment (3b), the report would
include a recommendation whether or not a
federal waiver of one or more provisions

be

requested.

220 ORDER CHAIR SCHOON, hearing no objections, so ordered.

230 CHAIR SCHOON closed the work session on HB 3387 and opened the work session on HB 3451, which allows state income tax credit based upon wages paid to employ youth from disadvantaged families having income 70 percent or less of Bureau of Labor Statistics lower living standard.

270 REP. MCTEAGUE introduced HB 3451-3, Exhibit 4, and explained the amendment, which sections would stay and which would be dropped. The amendment would insure that employers taking advantage of this targeted credit were gang affected, gang involved, or at risk of being gang involved.

TAPE 106 SIDE B

001 Discussion continued with REP. MCTEAGUE and HB 3451.

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011 GARY LORENZ commented that 16 and 17 year olds are under the target group. There are no age restrictions for people who are recipients of Aid to Dependent Children (ADC) and the ex-felon. They are also be acceptable for the federal program.

Discussion and questions.

043 SHARON KIDDER related that she has concerns on how the Employment Division will identify businesses that are gang affected, involved, or at risk of being gang involved.

063 REP. MCTEAGUE introduced Exhibit 5, Definition of Gang Involved/Affected. Gang involved is any youth who is involved in gang activities or crimes, and gang affected is any youth identified with gangs but not involved.

Discussion and questions.

190 REP. MCTEAGUE sees this an incentive to engage a hard-to-employ youth. The Youth Empowerment and Coalition Program provides a social-services backup to the employer as someone to call if the youth misbehaves on the job. He thinks that this plan will target the gang issues and keep costs under control. At a time when the legislature is looking for ways to eliminate tax credits, he is urging the acceptance of this tax credit because the benefits outweigh the costs.

Discussion and questions.

275 SHARON KIDDER responded to a question by REP. ADAMS by stating that this could be used as a tool for many organizations. Employment Division has a youth program, as do many other state agencies. However, this would not be a Pick Program.

Discussion and questions.

333 REP. MCTEAGUE explained that in the first bill, the lottery was involved in funding a youth program but for this bill, the lottery will be dropped.

364 MOTION REP. SHIBLEY moved to adopt the HB 3451-3 amendment.

368 ORDER CHAIR SCHOON, hearing no objections, so ordered.

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370 MOTION REP. SHIBLEY moved to delete Section 5 of HB 3451-3. Motion includes the deletion of the words, "and declaring an emergency" on line 2.

DISCUSSION

387 ORDER CHAIR SCHOON, hearing no objection, so ordered.

391 MOTION REP. SHIBLEY made a conceptual motion to include youths ages 16 and 17.

DISCUSSION

TAPE 107 SIDE B

001 Discussion continued on the motion by REP. SHIBLEY.

015 MOTION REP. SHIBLEY added to her motion that ages should be changed and include on lines 15 and 16 of page 2, ages 14-16.

026 ORDER CHAIR SCHOON, hearing no objections, so ordered.

036 MOTION REP. SHIBLEY moved that on page 2, line 20, after the word "than" insert "a total of."

041 ORDER CHAIR SCHOON, hearing no objections, so ordered.

Discussion and questions.

089 CHAIR SCHOON closed the work session on HB 3451.

093 CHAIR SCHOON adjourned the meeting at 10:02.

Mary Gottlieb, Committee Assistant

Kimberly Taylor James, Office Manager

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EXHIBIT SUMMARY

1. Proposed Amendments to HB 3387-1, Dick Yates, Legislative Revenue Office.
2. HB 3387-1 Amendment, Peggy Anet, League of Oregon Cities' Employee Benefits Services Trust.
3. EBS, Employee Benefits Services Trust, Peggy Anet, League of Oregon Cities' Employee Benefits Services Trust.
4. Proposed Amendments to HB 3451-3, Rep. Dave McTeague, District 25.
5. Definition of Gang Involved/Affected, Rep. Dave McTeague, District 25.

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