

Tapes 125 - 128 A/B
HOUSE COMMITTEE ON
REVENUE AND SCHOOL FINANCE
SUBCOMMITTEE ON INCOME TAXATION

July 7, 1993 7:30 AM HEARING ROOM D STATE CAPITOL BUILDING

Members Present: Representative John Schoon, Chair
Representative Ron Adams
Representative Tony Federici
Representative Gail Shibley
Representative Greg Walden
Members Excused: Representative Delna Jones, Ex Officio
Staff: Jim Scherzinger, Legislative Revenue Office
Richard Yates, Legislative Revenue Office
Rick Gaupo, Committee Assistant
Ed Waggoner, Committee Messenger

TAPE 125 SIDE A

WORK SESSION ON HB 2500

001 Chair Schoon calls the meeting to order at 7:40 a.m.
013 Chair Schoon begins the session discussing tax plan options
> Discussion of whether to offer income tax relief or property tax relief
030 > Rep. Federici: I'm not against income tax relief but I believe
property tax
is the better sale for HJR 10
050 > Rep. Shibley: Before figuring out what we want to deduct we need to
know
how much money we have and what programs we want to fund
> Rep. Adams: We should provide a wish list of our priorities
1) 115 Dick Yates describes the Personal Income Tax Proposals (1995) - (Exhibit
rates
> Rep. Shibley: In your discussion please include other states' tax bracket
> Current law explanation
> Rep. Federici: Do we have a head of household deduction? Yes, but a
person needs dependents living with them
160 > Chair Schoon: What is the difference between handicap and disability?
Handicap is children, disability denotes taxpayers
> Chair Schoon asks for a copy of the tax forms
219 > Rep. Adams asks about the scenario of a couple earning \$10,000
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Personal Income Tax Proposals (1995) continued

284 > 1995 tax year: Options for House Revenue
> Chair Schoon: Do you have the figures necessary that would adjust
Oregon's tax threshold to be similar to the federal tax threshold. Yes,
option 3 on the first page
> Chair Schoon: We would still have the same 5, 7, and 9% rate brackets.
Yes, but we would have a higher standard deduction
> Rep. Federici: There is more bang for the buck by increasing the
standard deduction
> Rep. Adams: There is more assistance for low-income families with the
standard deduction
> Jim Scherzinger: Low-income people would more likely take advantage
of standard deductions, while high-income people are more apt to
itemize

TAPE 126, SIDE B

Personal Income Tax Proposals (1995) continued
044 > Discussion of whether to reduce by 1 percent or change the brackets
> Rep. Shibley: We have to either do the right thing or do that which will
make this bill pass - either we give low-income people assistance or we
make
higher-income people persuaded to follow along

> Rep. Federici, Chair Schoon and Rep. Adams comment on what the
right thing is
127 > Rep. Adams: What if we raise the standard deduction, raise low-income
tax credit, and change the rate to 4,6, and 9%
160 > Chair Schoon asks for the cost of including an increase in standard
deductions
> Rep. Shibley asks for figures of recapturing deductions
248 > Discussion of priorities
> Goals of HB 2004: Head Start and Healthy Start
> Discussion of the meaning of "The needs of Oregon's children" found in
HJR 10
> Rep. Adams: We should not make lottery money fund continuous
programs
400 > Rep. Shibley discusses cost of children's needs

TAPE 12S, SIDE B

047 > Discussion of cost of children's needs continues

063 Rep. Adams calls recess at 8:40 a.m.

Chair Schoon reconvenes at 9:15 a.m.

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Personal Income Tax Proposals (1995) continued

070 > Discussion of priorities continues
099 > Implementation of HB 3565
> Rep. Shibley suggests \$2 per \$1,000 for local cost of HB 3565
140 > Jim Scherzinger describes the cost associated with HB 3565
> Rep. Shibley discusses the factors that increase school needs
190 > Rep. Federici: Counties are looking for replacement revenue for
measure

5

225 > Rep. Adams: Need income tax reform in order to pass

244 List of Priorities 1) Lottery backfill

> Jim Scherzinger describes the difficulty of calculating the cost of
lottery backfill. Half of lottery funds will go to education, leaving only
half of lottery monies for economic development

> Rep. Adams: In a sense lottery money is a general fund if it is not used
for tax relief

350 2) Health Plan 3) Low-income tax relief 4) Personal property tax relief
5) Needs of Oregon children

400 6) Local government replacement funds > Discussion of list

> Discussion of HB 3565 and lottery backfill

> Rep. Shibley suggests using half the lottery money for HB 3565

TAPE 126. SIDE B

043 > Discussion of lottery backfill continues > Chair Schoon: Lottery fund
should be used for one-time cost

100 Discussion of the desired amount of money for each priority based on an
\$869 million fund > Rep. Shibley suggests using several versions of cost

128 > Chair Schoon: Let's start to put money down on our priorities

165 > Rep. Federici and Rep. Adams state that it is more important for some
programs

to get adequate funding than all programs to get some funding

191 (Rep. Walden joins the committee at 9:55 a.m. and goes in and out
periodically through the rest of the meeting)

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273 Discussion of cost of the priorities

> Rep. Walden gives cost for health plan

290 > Jim Scherzinger describes cost of lottery backfill

320 > Jim Scherzinger: My department will work on figures for income and property tax relief
 358 > Rep. Shibley begins discussion on cost of children's needs
 384 > Rep. Federici gives numbers for local government relief

TAPE 127, SIDE A

046 > Chair Schoon asks about minimum for personal income relief
 > Chair Schoon suggests using the third option of rate structure changes for the middle number on the personal income tax relief
 080 > Rep. Adams suggests using \$491 million for the low. Chair Schoon: That's more of a middle figure. Rep. Adams: Income tax relief should be the greatest in order to sell the package
 145 > Rep. Adams: What is the projected personal income revenue? Roughly \$6 billion
 (Ed Waggoner writes the priorities and their associated monies on the board the numbers on the board were as follows)

| | High | Medium | Low | | |
|------------------------------|------|--------|-----|-----|---------|
| Lottery | 150 | 125 | 100 | | |
| Health plan | | 200 | 150 | 100 | |
| Income tax relief | | | | 491 | 490 |
| Personal property tax relief | | | | | |
| Children's needs | | | | | |
| local government relief | | | | 150 | P.P.T.R |

242 Chair Schoon: Let's start talking about Statutory (HB 2500) Issues - (F.xhibit 2)
 > Rep. Shibley states that if we increase corporate tax costs this bill will not pass
 > Rep. Federici: Corporate tax increases should be included in this bill
 316 > Chair Schoon explains the factors of choosing to increase the corporate tax or not
 > Rep. Adams asks about personal income tax related to corporate tax. Dick Yates: I will have to get back to you
 > Rep. Adams: I am all for increasing the corporate tax rate if it is currently lower than the personal tax credit
 > Jim Scherzinger uses Oregon Tax Ranking to compare corporate tax rate (Exhibit 3)
 440 > Rep. Walden: If we are taxing corporatations, then tax profits instead of gross receipts

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053 Chair Schoon calls recess until after the afternoon floor session
 Submitted By Reviewed By

Rick Gaupo Kimberly Taylor James
 Committee Clerk Office Manager

Exhibit Log:

- 1 - HB 2500, Staff, Personal Income Tax Proposals (1995), 10 pages
- 2 - HB 2500, Staff, Statutory (HB 2500) Issues, 1 page
- 3 - HB 2500, Staff, Oregon Tax Rankings, 1 page

HOUSE COMMITTEE ON
REVENUE AND SCHOOL FINANCE
SUBCOMMITTEE ON INCOME TAXATION

—
JULY 7, 1993 1:30 PM HEARING ROOM D STATE CAPITOL BUILDING
—

Members Present: Representative John Schoon, Chair
Representative Ron Adams
Representative Tony Federici
Representative Delna Jones, Ex Officio
Representative Gail Shibley

Members Excused: Rep. Greg Walden

Witnesses Present: Dick Townsend, League of Oregon Cities
Bob Cantine, Association of Oregon Counties

Staff: Richard Yates, Legislative Revenue Office
Katy Yetter, Committee Assistant

TAPE 129 SIDE A

003 CHAIR SCHOON calls the meeting to order at 2:00 p.m.
-Topics will be education and children's services.

027 REP. FEDERICI: States that there is the topic of mental
health in the health plan under discussion.

034 REP. SCHOON: 100 million will be the net fund to health
plan.
-Local government relief will be discussed subsequently.

063 SCHERZINGER: 3% based on 93-95 income tax selections. next
biennium will possibly be below this rate.

079 BOB CANTINE, ASSOCIATION OF OREGON COUNTIES: Discusses how
taxes effect local government finances.
-timber, property tax, SAIF reimbursement.
-Counties in a crisis due to unprotected funds.
-Proposes 75 million to go to 36 counties (their allotted
5%), considering a portion of this for loss of receipts and
finances.
-Much discussion still on off-setting property taxes.

174 DICK TOWNSEND, LEAGUE OF OREGON CITIES: Explains Ballot
Measure 5 and the 35 dollar decrease in property taxes.
-Of 79 cities, a reduction of 14% in funds for first year.
-Growth and ability of communities to accommodate growth of
economy. Wants local government to have input on this.
-Communities need to prosper.

- 243 REP. SHIBLEY: Asks Townsend if there is uniform consensus on distribution from Counties and Cities.
- 246 CANTINE: There is agreement between Counties and Cities regarding the distribution of funds.
-Some portion of the proceeds to go toward revenue lost due to Ballot Measure 5 and revenue receipts.
- 280 REP. SHIBLEY: Lane county could have a low rate of because budget was made up by ONC revenues.
-Is there any discussion among the counties recognizing the local funding replacing previous ONC revenues?
- 300 CANTINE: They have sought local funding. Local counties have a small proportion of private land and a high proportion of public non-taxable land.
- 320 REP. SHIBLEY: Comments on Lane County and their property taxes.
-150 million requested by the Counties.
-How will counties feel about a funding reduction and what would be the medium asked amount?
- 377 CANTINE: County assessors feel as if personal property tax collection is a headache, particularly if this is not the centrally assessed taxes.

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- 002 CANTINE: Continues discussion on county revenue.
-If the full losses were replaced, there would be a savings to the counties.
- 038 TOWNSEND: The cities would like to continue to work with the legislature.
-Distribution to the cities--by population was equitable for determining distribution. For example, Bandon had no reduction under the cap which seemed inappropriate to do just the income.
- 050 REP. SHIBLEY: Asks the witnesses what a fair tax system would be.
- 060 CANTINE: Would balance the burden to equilibrate the consumption and decrease the focus from a single tax. Balance returned to replace property tax control. Would take a broad tax base and fit it to the proposal.
- 098 REP. FEDERICI: If personal property tax revenues take away from counties, should the replacement be done in local government?
-Also, 150 mil should be median number for counties. Additional money should include property tax money that was taken away.
-Refers to distribution formula.
- 160 TOWNSEND: A number of cities almost under compression i.e., suffering from Ballot Measure 5 limitations.
-Oregon's two largest cities are currently under

compression.

170 REP. ADAMS: Asks if there is still a 6% limitation on assessed value for tax base.

204 TOWNSEND: The 6% tax base remains intact. As assessed value goes up, rate goes down.

224 REP. ADAMS: Bigger problem of measure 5 is the rate. Question on Douglas county loss.
-An assessed value limitation has been imposed upon another limitation, and the two are not compatible.

330 CANTINE: Some counties were not able to tax certain lands. Federal Government made payments in lieu of these funds.
-Most big counties face higher unemployment rates and cannot make a rapid transition to a shift in taxes.

370 REP. ADAMS: Reviews the committee's actions of the day.
-Reduction of property taxes and various values for relief.

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010 YATES: 62 million dollars represents schools and 83 million is schools plus local government (personal property tax) that effects districts under compression.

030 SCHERZINGER: Discusses local government versus assessed property.

040 STEVE MEYER, LEGISLATIVE REVENUE: Reviews Personal Property Tax Exemption (EXHIBIT A).

064 SCHERZINGER: Value excludes centrally assessed utility and business personal property.

073 MEYER: Rates will be for two years, and the tax would be 41 million. Here is a combination of shifts due to Measure 5. On the ten dollar limit, there are only a few who are included. Here the loss is smaller and about 25%.
-The taxes of 8 million would be shifted.

090 SCHERZINGER: About 25% of value in statute is at \$10 limitation. May depend on where property is, too. If there was more personal property, the impact would be somewhat higher.

114 MEYER: Refers to list of schools and (EXHIBIT B).

148 REP. ADAMS: We expect businesses to pay property tax. However, the shift of half of the reduction would go to both individuals and business.

167 MEYER: Comments on the tax shift.
-Points out that utilities amounts to 7 billion for 92-93 tax year. There's a personal property listing by industry on this.
-Adding the exemption of personal utility property would double the personal property that could be exempt if utility personal property was included.

224 SCHERZINGER: The ratio of 4-6 billion causes a 2/3 increase on value.

-Other types of property (railroad) -- railroads are exempt under appeal from supreme court.

-If personal property is exempt for regular businesses, railroads would have an equivalent exemption.

266 REP. SCHOON: Railroads are entitled under Federal law to the lowest property rates.

270 SCHERZINGER: The courts have interpreted Federal law to mean the best tax treatment given to anyone else must be given to the railroads as well.

-Airlines have a similar law.

310 MEYER: Refers to EXHIBIT B to discuss real property.

381 SCHERZINGER: Value on airplanes was a portion of value of airline to the state according to how often the planes were in the airport.

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001 SCHERZINGER: Continues discussion of airplanes.

-Eligibility requirements.

-Value for each industry.

040 REP. FEDERICI: Suggests not exempting those industries that are not considered utilities.

047 REP. SCHOON: States that the items that were considered real property would be close to Federici's idea.

056 REP. FEDERICI: Asks about personal property tax relief on air and rail.

069 CHAIR SCHOON: Responds by stating that in regard to these industries, if there were exemptions elsewhere, Federal law would require these to be exempted as well.

070 SCHERZINGER: If there is a heavy concentration of personal property in a single area, there will be a disproportionate amount of impact.

075 REP. ADAMS: Comments on gas pipelines.

-Did property tax go through personal property tax prices thoroughly?

093 REP. SCHOON: Yes, but not on the same basis.

102 MEYER: The other subcommittee put together a different proposal on the level of personal property.

-Leave statewide or at the option of the county assessor.

134 REP. SCHOON: Refers to Tax Plans Options (EXHIBIT C).

149 SCHERZINGER: Speaks about the Tax Plans Options

-Revenue lost in the school system.

204 CHAIR SCHOON: Adjourns the meeting at 4:00 p.m.

Submitted by:

Reviewed by:

Katy Yetter
Committee Clerk

Kimberly James
Office Manager

EXHIBIT LOG (SUBMITTED BY STAFF)

- A - Personal Property Tax Exemption - 1 page
- B - Utility Values: Total and Estimated Personal Property - 1 page
- C - Tax Plan Options - 1 page
- D - Personal Income Tax Proposals (1995) - 2 pages
- E - Why the Tax Plan Must Provide Local Help - 4 pages
- F - Table 25 - 5 pages
- G - Table 22 - 5 pages