

Work Session: HB 2500
Tapes 117-118 A/B

HOUSE COMMITTEE ON
HOUSE REVENUE AND SCHOOL
FINANCE
PROPERTY TAX SUBCOMMITTEE

July 6, 1993 7:30 AM HEARING ROOM A STATE CAPITOL BUILDING

Members Present: Representative Tom Brian, Chair
-Representative Mike Burton
Representative Margaret Carter
Representative Fred Girod
Representative Delna Jones
Representative Jim Whitty (~:55-8::~S absence)

Invited Guests: Representative John Schoon
Representative Ron Adams
Representative Tony Federici
Representative Gail Shibley
Representative Greg Walden

Witnesses Present: Jim Manary, Department of Revenue
Staff: James Scherzinger, Legislative Revenue Officer Steve Bender,
Legislative Revenue Office
Paula McBride, Committee Assistant

TAPE 117 SIDE A

006 CHAIR JONES called the meeting to order at 7:39, and she announced the visitation of the Income Subcommittee. She also conducted administrative business, specifically what she believed needed to be accomplished by both the two subcommittees and the full Committee.

036 STEVE BENDER pointed out material to the members entitled "HB 2500 Outline" which he would use as an outline for members to follow during the exploration of definitions in HB 2500. Exhibit 1

040 CHAIR JONES told members where they needed to be on the staff outline, the purposes of which she explained. Exhibit 1

050 STEVE BENDER related that the members had last discussed

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Finance
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Section 40 in HB 2500, and that he would begin with Section 41 related to "low sales price collection schedule. Exhibit 1

066 STEVE BENDER discussed the category of "General Rules" definitions, which explained how the sales tax would actually work. He referenced sales tax forms in the members books from Kansas and Missouri, and Section 27 in HB 2500, which defined the "use tax." He went through the definition of what would be a "sale" in Section 27. Exhibits 2 and 3

122 CHAIR JONES confirmed there were two parts to a "sale." The first was who was a "retailer," and the second was what was a "sale." Exhibit 1 Discussion

131 STEVE BENDER discussed Section 23 of HB 2500, which defined the term "purchase." He connected the "use tax" to this term.

153 STEVE BENDER explained who might be a "seller," the definition of which was in Section 31 of HB 2500. He pointed out the language in the bill that related to registering as a seller, and he read through the language.

Exhibit 1

Questions and discussion

254 STEVE BENDER talked about the issue of someone having an "occasional sale" and, thus, not being required to register as a "seller." Language about these "casual" or "isolated" sales was in Section 7. He also mentioned a situation where tangible personal property was sold between divisions within a company. No sales tax would be charged in this case.

Questions and discussion

302 STEVE BENDER further reviewed the language in Section 7 of HB 2500 related to "casual" or "isolated" sales.

Questions and discussion

344 STEVE BENDER continued his explanation of "casual" or "isolated" sales, which he believed would not require someone to register as a "seller" (Section 252). He also believed the question of "scope" was not yet addressed in HB 2500.

Questions and discussion

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391 JIM MANARY addressed the issue of "scope," and he believed that even in the case of garage sales, "scope" could become an issue and the person giving these sales could become a "retailer."

Discussion

TAPE 118 SIDE A

002 Questions and discussion of the issue of "scope" of selling activity continued among the members.

032 JIM MANARY explained to members that the Department of Revenue (DOR) would be coming before the Interim Committee with questions of where to draw the lines (the definitions) for the sales tax.

Discussion

042 STEVE BENDER discussed Section 21 of HB 2500, which defined the word "person." Exhibit 1

052 STEVE BENDER related that "business" was defined in Section 21 of HB 2500, and he read this language. Exhibit 1

065 STEVE BENDER talked about the definition in Section 9 of "consumer" as related to "business" in HB 2500. He said members had to decide whether or not they were accept language in HB 2500 that applied the sales tax to both "business purchases" and "nonbusiness purchases."

Questions and discussion

098 STEVE BENDER ventured into the area of what "retailers" would be as defined in HB 2500, Section 26. Exhibit 1
Questions and discussion

146 STEVE BENDER pointed out the last subsection of Section 26 related to what "retailer" does not include.

Questions and discussion returned to the definition of "retailer."

175 STEVE BENDER related that meals were generally taxable, but there were some exemptions. He referenced page, Section of HB 2500 related to this issue.

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186 STEVE BENDER reviewed Section 25, related to how a "retail sale" was defined in HB 2500. HB 2500 had language that such a sale was related to "tangible personal property" only, and not at all to any services. Language would have to be added if the members want to apply the sales tax to services. Exhibit 1

208 STEVE BENDER discussed the subsection of Section 25 related to "delivery" or "redelivery" of goods, as relevant to the proposed sales tax. Questions and discussion

236 STEVE BENDER said Section 33 had the definition of "tangible personal property," which he believed was a very standard definition. Exhibit 1
Questions and discussion

258 STEVE BENDER related that in HB 2500 the terms "tangible personal property" and "article" were synonymous. He went through a number of "articles" that would or would not be subject

to the sales tax in HB 2500. Exhibit 1

Questions and discussion about the purpose of defining something as an "article" and later have an exemption from the sales tax in HB 2500.

322 Members discussed the issue of whether or not natural gas should be exempted in HB 2500.

359 Questions and discussion returned to the concept of "tangible personal property" as defined in HB 2500, and STEVE BENDER provided an example of a court case to the members.

TAPE 117 SIDE B

010 STEVE BENDER continued explanation definitions in HB 2500. In Section 37, the term "use" was defined, that is, when the "use tax" would be applicable.

021 CHAIR JONES recessed the meeting at 8:34 and reconvened at 11:44, and she conducted administrative business.

033 STEVE BENDER reminded members they left off with Section 37.

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038 STEVE BENDER related that the next sections (Sections 15, 34, and 22) on the outline related to one another, because each determine when the sales tax would apply. These sections in HB 2500 describe where and when a sale has to occur to be subject to the sales tax. Exhibit 1

052 STEVE BENDER explained that Section 18 of HB 2500 determined what the sales tax would be based on, specifically either the gross receipts of the retail, or the purchase price or sales price. Exhibit 1

055 STEVE BENDER believed Section 14 was important, defining for retailers what they have to report to base their sales tax on. They will base the tax on their "gross receipts from retail sales," which he explained. Exhibit 1

069 STEVE BENDER discussed Section 47, which presented one example of how "gross receipts" would be calculated. This section related to "bartering" as a sales mechanism. Exhibit 1

Discussion

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106 STEVE BENDER said Section 48 in HB 2500 related to "discounts," another example of how "gross receipts" might be calculated. Exhibit 1

117 STEVE BENDER related that "trade-ins" were dealt with in Section 49, and he read the appropriate language. Exhibit 1

130 STEVE BENDER discussed "returned items" related to "gross receipts" as part of the sales tax. Language describing "returned items" was in Section 50. Exhibit 1

Discussion

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172 STEVE BENDER talked about "defective items" or merchandise, which was described in Section 51 of HB 2500. Exhibit 1

184 Questions and discussion of "discounts" contained in Section 48 of HB 2500.

234 STEVE BENDER explained "warranties" related to the sales and use taxes, as defined in Section 52 of HB 2500. Exhibit 1

Discussion

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334 CHAIR JONES asked for clarification of the language related to "optional warranties" in Section 52 of HB 2500, specifically from those people who would be effected. Exhibit 1

356 STEVE BENDER discussed Section 53, which dealt with the issue of "taxes." The language in Section 53 gave examples of many different taxes which might or might not be effected by the sales tax. On some items, the sales tax would be imposed, and the "tax would be taxed." Exhibit 1

Discussion

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389 STEVE BENDER explained Section 54 that related to "finance charges" as effected by a sales tax. Exhibit 1

Questions and

discussion

TAPE 118 SIDE B

003 STEVE BENDER talked about Section 55, which dealt with the issue of "transportation charges" as impacted by the sales tax in HB 2500. Exhibit 1

018 STEVE BENDER related that the next section, Section 56, related to "goods damaged in transit," which was a "use tax" issue as opposed to a

sales tax issue. Exhibit 1

029 STEVE BENDER deferred return to Section 57, which was related to leases. Exhibit 1

030 STEVE BENDER said Section 59 was about installation costs, which was not included in the sales tax. Exhibit 1

034 STEVE BENDER discussed Section 63 concerning the issue of "repairs" as related to the sales and use taxes. Exhibit 1

Questions and discussion

053 STEVE BENDER related that "maintenance" agreements in Section 64 were treated similarly to "warranties" in Section 52, and he explained the language on "maintenance." Exhibit 1

Questions and discussion

085 STEVE BENDER discussed "accommodation loans" as treated in

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Section 68 of HB 2500. Exhibit 1

Questions and discussion

112 STEVE BENDER talked about how "coupons" would work under the regimen of the proposed sales tax in HB 2500, Section 72. He mentioned the differences between "manufacturer coupons" and "retailer coupons." Exhibit 1

Questions and discussion

138 STEVE BENDER explained the issue of "resale of an item before use" when it was not purchased for resale, which was described in Section 73. Exhibit 1

160 CHAIR JONES conducted administrative business.

175 STEVE BENDER gave a brief description of "worthless accounts" that was covered by Section 74 of HB 2500. Exhibit 1

Discussion

185 STEVE BENDER explained the relationship of "repossessions" as impacted by the sales tax, in Section 75 of HB 2500. Exhibit 1

Discussion

222 STEVE BENDER said that HB 2500 as introduced allowed a "local sales taxes" on a county level of up to .4 of 1%. However, under the language approved by the Committee in W R 10A, the "local sales tax" would not be allowed, and the relevant sections in HB 2500 would have to be appealed. There were amendments drafted to accomplish this. Exhibit 1

Questions and discussion

221 CHAIR JONES asked members to get questions to STEVE BENDER related to the sales tax in HB 2500.

228 CHAIR JONES discussed the schedule for the remainder of the day.

259 CHAIR JONES recessed the meeting at 12:28.

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recording.

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PLEASE NOTE THAT THE AFTERNOON SESSION IS CONTAINED D ANOTHER SET OF MINUTES AND WAS RECORDED WITH ANOTHER SET OF TAPES. TH8RE IS A THIRD SET OF MINUTES AND TAPES FOR THE EVENING SESSION OF THE SAME DATE.

Paula K.McBride, Committee Assistant

Kimberly Taylor James, Office Manager

EXHIBIT SUMMARY

1. HB 2500 Outline, Steve Bender, Legislative Revenue Office.

2. Kansas Department of Revenue, State and Local Retailer's

Sales Tax Return, Steve Bender, Legislative Revenue Office. 3. Sales Tax Return, Missouri Department of Revenue, Steve Bender, Legislative Revenue Office.

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Work Session:
B2500
Sales Tax
Elements of Tax Package
Tapes 119-120 yB
121 A

HOUSE COMMITTEE ON
REVENUE AND SCHOOL
FINANCE
PROPERTY TAX SUBCOMMITTEE

JULY 6, 1993 1:30 PM HEARING ROOM A STATE CAPITOL BUILDING

Members Present: Representative Tom Brian, Chair
Representative Mike Burton,
Representative Margaret Carter
Representative Fred Girod
Representative Jim Whitty,

Witnesses Present: Ed Patterson, Oregon Association of Hospitals
Lana Butterfield, Northwest Propane Gas Association
Brian Amspoker, Propane Dealer
Tom Gallagher, Gunderson
Don Miner, Oregon Manufactured Housing Assoc. Fred VanNatta, Oregon Home
Builders Assoc.
Gary Carlson, Associated Oregon Industries
Linc Cannon, Oregon Forest Industries Council Mike Bean, Precision
Castparts Corp.
Rob Douglas, Oregon Academy of Ophthalmology, Oregon Soft Drink Assoc., and
The House of Seagrams

Staff: James Schersinger, Legislative Revenue Officer
Steve Bender, Legislative Revenue Office
Mary Gottlieb, Committee Assistant

(Continued from morning meeting, Tapes 117 and 118)

TAPE 119 SIDE A

004 CHAIR BRIAN reconvened the meeting at 1:46.

010 STEVE BENDER directed the members' attention to Exhibit 1, Sales Tax
Policy Issues, Exemptions. He commented on Sections 176 to 186 of the bill
which describe the food for home consumption exemption. HB 2500-16
amendment, Exhibit 2, requests that the food exemption be extended to food
sold in vending machines. As the bill was drafted, the exemption for home
consumption does not

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include vending machines food. HB 2500-16 would provide a particular
exemption for food sold through vending machines.

Discussion with regard to the definition of "food."

100 STEVE BENDER presented the prescription medicine and devices exemption.
Under Sections 187-201, the definition of this exemption applies to
medicines or other devices being purchased by a licensed physician or
dentist. Three amendments that deal with this exemption are: 1) HB 2500-10

(Exhibit 3), which expands the definition of durable medical equipment in the sales tax bill to include items would not qualify under bill, 2) Exhibit 4, HB 250012 amends the sale of vehicles to a disabled person or the modification of that vehicle, and 3) HB 2500-26 was designed to exempt oral devices from sales tax, Exhibit 5, and corrects Section 195.

183 STEVE BENDER introduced the next category of exemptions utilities. HB 2500-17, Exhibit 6, amendment would exempt sales of liquid petroleum fuel when delivered by a tank truck or tank trailer. HB 2500-25, Exhibit 7, amends the bill with respect to the sale of coal.

Discussion concerning fuel exemptions.

225 STEVE BENDER returned to the Sales Tax Policy Issues list, agriculture exemptions.

257 STEVE BENDER stated that the production exemption remains an issue. The sale of machinery and other equipment used to produce items is exempt. This exemption extends to agriculture, manufacturing, mining, and other types of production processes.

280 STEVE BENDER continued with fuel exemptions, which includes fuels used to propel vehicles on highways and provides for a permanent exemption for these fuels. Other types of fuels for offhighway use are exempt but have a sunset date after the next biennium. Section 235 deals with specific off-highway and aircraft uses and some of these are sunsetted. Newspapers and periodicals are now exempt, plus commercial fuels for interstate travel.

319 STEVE BENDER returned to the HB 2500-17 amendment which would exempt propane used as fuel for utilities or fuel for propelling.

365 STEVE BENDER introduced Exhibit 8 the HB 2500-2 amendment which would expand an existing exemption for cargo containers used for

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interstate commerce. HB 2500-2 expands that exemption to include rack systems to hold items that are shipped in cargo containers.

Discussion and comments concerning exemptions.

TAPE 120 SIDE A

001 Discussion continued with regard to exemptions.

021 STEVE BENDER continued his explanation of exemptions and the HB 2500-7, Exhibit 9, which provides an exemption for meals served on aircrafts in interstate commerce. However, the airlines would also be exempt when purchasing the food for their passengers.

Discussion concerning food exemption.

061 STEVE BENDER continued with Exhibit 10, HB 2500-20, which deals with an exemption that exists for the sale of trucks and trailers used for interstate commerce. There is concern that the language concerning trucks is too narrow and this amendment would expand that exemption.

085 STEVE BENDER stated that another commercial amendment would be the HB 2500-23, which deals with the question of leasing, Exhibit 11. Generally, when items are leased, there is a sales tax applied. This amendment would allow an exemption for the lease of dry docks that are used for repairing water craft. The Port of Portland rents or leases the dry docks to operators who repair water craft.

112 STEVE BENDER continued with government exemptions for purchases by state and local governments, which would include school districts.

Purchases by state and local government that remain taxable are purchases

of motor vehicles and materials for construction.

136 STEVE BENDER continued with Exhibit 12, HB 2500-6, which also involves government exemptions. When a government enterprise is operating as a business and any of its functions includes selling items to consumers in competition with private industry, then that activity is not eligible for exemption under the bill. Certain government activities are going to have everything exempt, except cars and construction materials.
Discussion and comments.

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179 STEVE BENDER related that the HB 2500-21 amendment, which deals with state instrumentalities such as banks, credit unions, etc., suggests that these instrumentalities have the same exemption as federal instrumentalities. Under exemptions for the U. S. Government, the state cannot impose a sales tax on purchases made by a federal instrumentality; such as, federal reserve banks, federal credit unions. Exhibit 13.

250 CHAIR BRIAN conducted administrative business.

275 ED PATTERSON stated that his organization supports tax reform and HJR 10. However, he believes that nonprofit and publicly owned hospitals should not be subject to a sales tax on goods purchased or sold in the course of direct patient care. He stated that a sales tax on hospitals would be counterproductive to long-term healthcare reform efforts. He feels that levying a sales tax on hospitals will simply increase the cost of healthcare, which in turn will raise the amount of money required to fund the Oregon Health Plan and other state healthcare purchases.

TAPE 119 SIDE B

001 ED PATTERSON continued his testimony.

Discussion concerning exemptions to hospitals.

134 STEVE BENDER clarified Section 216 which exempts hospitals from charitable exemptions; such as beds. If Section 216 were eliminated, those types of things, as well as various types of equipment, would be exempt. Items directly provided to patients are not effected by Section 216. He suggested that the members ensure that items charged to a patient as tangible personal property are being provided to a patient. The language in Section 216 does not eliminate those exemptions.

Discussion with regard to hospital exemptions.

191 LANA BUTTERFIELD (with BRIAN AMSPOKER) stated that liquid petroleum gas or propane is very much like natural gas. In fact, the uses are almost identical. The only difference between natural gas and propane is that the tank is closer to the consumer. For home, propane is used for space heating, water heaters, ranges, clothes dryers, ovens, and lighting. Other uses are industrial, commercial, and agricultural. Anywhere natural gas can be used propane can be used, because propane comes from natural gas or oil.

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The City of Glendale, Oregon, feeds off a tank filled with propane. She requested that propane be given the same exemption as natural gas.
Discussion with regard to propane.

283 BRIAN AMSPOKER testified in favor of a sales tax for the support of state education.

394 TOM GALLAGHER distributed pictures of autostacks, Exhibits 17 and 18.
TAPE 120 SIDE B

001 TOM GALLAGHER testified that the autostacks consist of a loader and a rack and would meet the definition of a cargo container. Because the rack is designed to be used inside or outside a container and it is used in interstate transportation exclusively, he requested that the committee extend the container exemption to autostacks.

097 DON MINER testified that manufactured homes would suffer a tax disadvantage, when compared to the site built homes, if a sales tax were imposed on materials. He requested that the tax on manufactured housing be modified as follows: 1) exempt transportation costs of homes, 2) exempt costs of providing energy efficiency options pursuant to the Bonneville Power Administration (BPA) agreement, and 3) exempt costs of machinery used to produce homes in the plant.

170 FRED VAN NATTA suggested that materials used in building construction of residential dwellings be exempt. Since the basic necessities of food and medicine are exempt, he believes that shelter and housing should be in the same category. A sales tax on materials would cause a sharp rise in the cost of new homes and apartments. He does not want to see a builder become a retailer of goods.

Discussion and questions.

270 STEVE BENDER explained the issue of leasing tangible property using laundry for an example. An individual has a laundry business wash his laundry; it is not taxed because this is a service. But if the individual goes to a laundromat and uses the washers and dryers to wash the laundry, this is taxed because the individual is in effect leasing tangible property.

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331 GARY CARLSON (with LINC CANNON and MIKE BEAN) stated that he has received the latest versions their amendments and would discuss them with the committee at a later date.

390 MIKE BEAN testified regarding the consumables exemption and why he feels HB 2500 should be amended to include certain other materials used in the metals casting process. His company needs to have a sales and use tax exemption on these materials in order to be competitive. He also supports AOI sponsored amendments for the exemption of machinery and equipment used in manufacturing.

TAPE 121 SIDE

A

001 MIKE BEAN continued his testimony.

054 MIKE MEREDITH stated that the trucking industry would like the exemptions in HB 2500-20. Suppliers would be devastated if changes are not

made to HB 2500. In Washington and California, if a common carrier with an Interstate Commerce Commission (ICC) permit goes across the border to purchase a truck or trailer and as long as that person puts the vehicle into interstate commerce, he or she is exempt from the sales tax. If Oregon does not have this same treatment, the motor carriers will be purchasing trucks and trailers across the border exclusively. Suppliers also need to be treated in the same fashion as other means of transportation. HB 2500-20 repeals the sunset date and adds a better definition to the words "substantial operations." He feels that the holder of an ICC permit should be exempt from all taxes if the trucker uses the truck or trailer for interstate commerce. For hire and private carriers, should be treated the same. He would also like this exemption expanded to include rental trucks and trailers.

Discussion concerning the "lease" trucks and trailers and the connection to interstate commerce.

200 REP. BURTON discussed the reason for the repeal of the sunset dates. HB 2500 was copied from the 1985 sales tax proposal which included the sunset dates. He also believes that carriers and suppliers should be treated equally.

236 ROB DOUGLAS testified that he would like the consumer exemption for opticians extended to leases and eyeglasses prescribed by ophthalmologists. He encouraged the committee, when defining food for home consumption, to reference the federal Food Stamp Program. He introduced the official list for the Food Stamp Program, Exhibit 21. He also stated that in Oregon the mark up on

The "verbatim" paraphrase and verbatim statements made during this meeting. Text enclosed in quotation marks reports the speaker's exact words. For complete context of proceedings, please refer to the tape recording.

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liquor is 104 percent. Other liquor control states do not add a sales tax to liquor, believing the mark up is adequate.

Discussion with regard to taxing liquor.

374 CHAIR BRIAN recessed that meeting at 4:02.

Mary Gottlieb, Committee Assistant

Kimberly Taylor James, Office Manager
SUMMARY EXHIBIT

1. Sales Tax Policy Issues, Steve Bender, Legislative Revenue Office.
2. Proposed Amendments to HB 2500-16, Steve Bender, Legislative Revenue Office.
3. Proposed Amendments to HB 2500-10, Steve Bender, Legislative Revenue Office.
4. Proposed Amendments to HB 2500-12, Steve Bender, Legislative Revenue Office.
5. Proposed Amendments to HB 2500-26, Steve Bender, Legislative Revenue Office.
6. Proposed Amendments to HB 2500-17, Steve Bender, Legislative Revenue Office.
7. Proposed Amendments to HB 2500-25, Steve Bender, Legislative Revenue Office.
8. Proposed Amendments to HB 2500-2, Steve Bender, Legislative Revenue Office.

Office.

9. Proposed Amendments to HB 2500-7, Steve Bender, Legislative Revenue Office.

10. Proposed Amendments to HB 2500-20, Steve Bender, Legislative Revenue Office.

11. Proposed Amendments to HB 2500-23, Steve Bender, Legislative Revenue Office.

12. Proposed Amendments to HB 2500-6, Steve Bender, Legislative Revenue Office.

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13. Proposed Amendments to HB 2500-21, Steve Bender, Legislative Revenue Office.

14. Oregon Association of Hospitals Proposed Amendments to HB 2500, Ed Patterson, Oregon Association of Hospitals.

15. Letter to Delna Jones, Ed Patterson, Oregon Association of Hospitals. (HB 2500)

16. LC1097, Lana Butterfield, Oregon Propane Gas Association.

17. The Autostack System, Tom Gallagher, Gundersons.

18. Marketpace, Tom Gallagher, Gundersons.

19. HB 2500, Testimony Before the House Revenue and School Finance Committee, Don Miner, Oregon Manufactured Housing Association.

20. Proposed Amendments to HB 2500: Section 212a "Metal Casting Metals," Mike Bean, Precision Castparts Corp.

21. Food Stamp Program: Official Food List, Rob Douglas, Oregon Academy of Ophthalmology, Oregon Soft Drinks Assoc., and the House of Seagrams.

Work Session HB 2500
Tapes 122 - 123 A/B

HOUSE COMMITTEE ON
REVENUE AND SCHOOL FINANCE
SUBCOMMITTEE ON PROPERTY
TAXATION

JULY 6, 1993 6:00 P.M. HEARING ROOM A STATE CAPITOL
BUILDING

Members Present: Representative Tom Brian, Chair

Representative Mike Burton

Representative Margaret Carter

Representative Fred Girod

Representative Delna Jones

Representative Jim Whitty

Witnesses Present: Denise McPhail, Portland

General Electric

Sandy Flicker, Oregon Electric Cooperative

Association

Mike McCallum, Oregon Restaurants Association

Tom O' Conner, Oregon Municipal Electric

Utilities

Ed Hughes, Oregon Durable Medical Equipment

Association

Jane Meyers, Oregon Dental Association

B. J. Smith, League of Oregon Cities

Dave Nelson, Portland Meadows Race Course

Don Schellenberg, Oregon Farm Bureau

Bob Cantine, Association of Oregon Counties

Staff: Steve Bender, Legislative Revenue Office

Joan Green, Committee Assistant

Julie Muniz, Committee Assistant

TAPE122.SIDE A

WORK SESSION

HB 2500

001 CHAIR BRIAN reconvened the meeting at 6:10 p.m.

020 DENISE MCPHAIL, PORTLAND GENERAL ELECTRIC: Speaks to two proposed
amendments to the bill, Exhibit A.

034 REP. WHITTY: What does coal eventually become?

038 MCPHAIL: Electricity.

039 REP. WHITTY: What happens if coal is left in the ground? Doesn't it
become some sort of fuel?

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040 MCPHAIL: I don't know. Continues with testimony, Exhibit A.

069 REP. WHITTY: References Public Utility Districts (PUD) and natural gas
and how they impact his district.

078 MCPHAIL: Responds.

089 JANE MEYERS, OREGON DENTAL ASSOCIATION: Speaks to the dash 26
amendments. Denture is defined broadly in this amendment. References §200,
pg. 71 and the x-ray portion of the bill; requests this section be expanded
to include dentists who use x-ray for diagnostic purposes.

118 CHAIR BRIAN: Requests that the amendment be in Legislative Counsel
draft form.

125 B. J. SMITH, LEAGUE OF OREGON CITIES: Distributes Exhibit B. Speaks to three general pieces of the dash 22 amendments: 1) defines and speaks to certain enterprise funded activities, and requests exemptions for these activities, as defined in the amendment; 2) speaks to concern with the taxation of capitol construction materials that are paid for under a construction contract.

228 STEVE BENDER, LEGISLATIVE REVENUE OFFICE: The amendments, as they appear, are not correct? You would want (2) deleted from the amendments?

232 SMITH: Concurr.

242 REP. GIROD: Does the estimate prepared by staff indicate how much money would be raised if these amendments were included in that estimate?

243 BENDER: No. I'm estimating about \$60 million. Gives a listing of things that are not exempt that this amendment would cover. These amendments go in a separate direction from the Portland General Electric (POE) amendments.

254 REP. WHITTY: Refers to ports and their enterprise activities. Are we going to tax those activities or not?

257 BENDER: Under HB 2500, as introduced, the purchases that these ports are making of attachable personal property would not be exempt; that does not refer to the activities they provide. The dash 22 amendments would exempt purchases.

303 REP. BRIAN: What about sales by local government, (i.e. lost and found, confiscation, forfeiture, etc.)?

312 SMITH: That language was deleted when the amendments were drafted. We had requested "or sales by local government". Continues with testimony on capital construction materials. The last exemption addressed by the dash 22 amendments is the purchase of vehicles, motor craft and
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airplanes by government agencies. The \$60 million is all encompassing; including the state government cost, local government cost and school construction cost. Speaks to the issue of exempting sales by local government. This was inadvertently deleted from the language in the amendments.

397 REP. CARTER: How do local governments expend the dollars from retrieved or forfeited items?

404 SMITH: I believe there are dedications of those funds for certain purposes.

409 REP. CARTER: I have no problem with local government paying sales tax on forfeited items. References Multnomah County's income from forfeited items, as recently reported.

TAPE 123. SIDE A

015 REP. WHITTY: Speaks to Rep. Carter's comment and discusses the money expended in getting abandoned vehicles cleaned up for resale. Why aren't California or Washington in the government exemption sheet, Exhibit B?

027 SMITH: Washington has a broad taxation of local government and California did not return our calls.

031 REP. WHITTY: Those would be the two states I would immediately look for.

034 REP. D. JONES: Staff should have information regarding those two states. If the private sector would be paying a sales tax, doing what you are doing, then I believe local government should be expected to do the same.

049 BOB CANTINE, ASSOCIATION OF OREGON COUNTIES: Are occasional sales exempt? If I were to have a garage sale once a year would that be taxable?

054 BENDER: There is an exemption for casual and isolated sales that would also apply to governments, if that is all that they were selling.

055 REP. D. JONES: I would make the point that with all the things you do sell your sale would probably not be casual or occasional.

060 CANTINE: The exemption is based both on occasional and scope? Concur with Ms. Smith's comments.

103 DON SCHELLENBERG, OREGON FARM BUREAU: Submits and reviews proposed amendments, Exhibit C.

130 BENDER: Section 205 of the bill exempts feed, it does not restrict the exemption of feed to food animals only, could you please clarify?
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135 SCHELLENBERG: It does not provide feed for working animals. Continues presentation of amendments, Exhibit C.

165 CHAIR BRIAN: What do you thing the net difference is in this approach versus HB 2500?

167 BENDER: This is a small part of the entire exemption process where retailers determine which sales are taxable and which are not. You might want to come back to this after you've looked at the administrative procedures to test your comfort level.

190 CHAIR BRIAN: Does this add any exemptions that are not in HB 2500?

192 BENDER: It's not clear. Discussion on how the tax would affect the farmers.

215 SCHELLENBERG: Our intent was that the State would not have to make the recommendation, the Internal Revenue Service (IRS) would. This does expand the exemption to include all farm expenses.

248 REP. D. JONES: All farm expenses wouldn't be sales taxed?

250 SCHELLENBERG: The way this is stated it applies to those not currently exempted under HB 2500.

254 REP. D. JONES: Do farmers like this?

256 SCHELLENBERG: I've only spoken with other agricultural lobbyists.

257 REP. D. JONES: What parts of your proposal might be included, as compared to normal exemptions we have looked at?

250 SCHELLENBERG: Gives example of exemptions (things purchased to repair equipment) affected by Exhibit C.

270 DAVE NELSON, PORTLAND MEADOWS RACE COURSE: Requests exemptions to apply to the breeding, sale and claiming of racehorses. Responds to questions regarding the claiming of racehorses.

355 SANDY FLICKER, OREGON ELECTRIC COOPERATIVE ASSOCIATION: Submits and summarizes written testimony, Exhibit D.

TAPE 122, SIDE B

025 BENDER: This would go on pg. 78 of the bill, §215. The dash 6 amendments, which have been presented, would appear to be satisfactory.
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040 UNIDENTIFIED: If given a preference we would request an exemption as co-ops, similar to the exemption in HB 2500 for the utilities.

057 TOM O'CONNOR, OREGON MUNICIPAL ELECTRIC UTILITIES: We're not proposing any exemption and would oppose the dash 6 amendments, but will not provide testimony at this time.

060 ED HUGHES, OREGON DURABLE MEDICAL EQUIPMENT ASSOCIATION: Discusses durable medical equipment. "Hospital beds" should be included in the dash 10 amendments.

100 REP. D. JONES: Should these kinds of devices be prescribed by a physician?

102 HUGHES: Yes, but the wording should be "directed by a practitioner" rather than "prescribed by".

125 Discussion on the direction the committee should take.

126 REP. CARTER: When will the people from the service industries be testifying?

127 Discussion on Rep. Carter's question.

131 REP. BURTON: Should we give you our proposals if we wanted to add services?

160 REP. GIROD: How are we going to clarify "take out" food?

180 BENDER: Opens discussion on types of "food for human consumption".

202 REP. D. JONES: Does this mirror the list on what can be purchased by food stamps? What kinds of things would this tax?

213 BENDER: No. Soft drinks are not defined as "food" and would not be exempted. Any purchases made with food stamps cannot be taxed.

233 REP. D. JONES: What kind of guidelines did the 1985 bill use?

237 BENDER: They started with California's bill. This is very similar to that. Discusses California's tax on snack foods.

254 REP. D. JONES: Questions the logic of taxing certain things depending on the tender used (food stamps vs. cash).

267 REP. BURTON: Is soda considered food and what percent would soda purchases be?

270 BENDER: I will make an estimate on the cost of soft drinks.

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281 REP. WHITTY: When does something become food? Is cattle on the hoof considered food, if it is purchased as a side of beef?

285 BENDER: Buying the beef in the market is considered food, exempt under §177. A live animal is exempted in §204. Discusses things that would be taxed that might be considered food, such as beer, wine or carbonated beverage.

333 REP. D. JONES: What about carbonated juice?

336 BENDER: That would not be exempt. Medicine and tonics are not food

(i.e. cough drops) and are taxable. Prescription medicines are exempted. The line between what is food and what is not is varied.

TAPE 123. SIDE B

029 REP. WHITTY: What is the difference between coffee and carbonated beverages?

050 CHAIR BRIAN: Recaps what exceptions to the food exemptions would be.

060 REP. D. JONES: Asks about medications that are not prescribed. Would like to see dollar amounts related to these.

070 CHAIR BRIAN: Suggests that ingested food not be taxed.

094 REP. D. JONES: You need to be aware of how changes affect revenue. If we used the food stamp approach what would the difference be?

105 CHAIR BRIAN: Begins discussion on "for home consumption". ~

117 MIKE MCCALLUM, OREGON RESTAURANTS ASSOCIATION: If we sell a product that is taxed then it should be taxed if it's sold by someone else. That gets tricky. I can bring you language we would be comfortable with. It would be "food that is prepared on site".

158 REP. D. JONES: Grocery stores have become more customer-driven by preparing foods such as slicing melon. That would be prepared?

160 MCCALLUM: Yes.

184 BENDER: Certain prepared items would still be considered food. Under this language that

would be tax exempt as food. The language would need to be changed.

202 REP. BURTON: Discusses the purchase of sliced salami and whether it would be taxable or not.

230 MCCALLUM: I think we could address that issue by saying "sliced meats and cheeses are not
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prepared on site". The bakery language is typically "amounts over a dozen are not taxed, amounts under a dozen are".

240 CHAIR BRIAN: Adjourns meeting at 7:53 p.m.

Joan Green, Comitee Assistant

Julie Muniz, Committee Assistant
Kimberly Taylor James, Office Manager
EXHTBIT LOG

A - Testimony on HB 2500 - PGE - 2 pages
B - Chart on HB 2500 - LOC - 2 pages
C - Testimony on HB 2500 - Schellenberg - 1 page
D - Testimony on HB 2500 - ORECA - 1 page

These minutes present and/or summarize statements made during this meeting. Text enclosed in quotes shall be the exact words. For complete context of proceedings, please refer to the tape recording.