

Work Session: HB 2447 Tapes 15 A/B 16 A

HOUSE COMMITTEE ON
REVENUE AND SCHOOL FINANCE
SMALL BUSINESS SUBCOMMITTEE
FEBRUARY 15, 1993 10:00 AM HEARING ROOM A STATE CAPITOL BUILDING

Members Present: Representative Greg Walden, Chair
Representative Ron Adams,
Representative Margaret Carter
Representative Delna Jones
Witnesses Present: Joe Gilliam, National Federation of
Independent Business

Don Schellenberg, Oregon Farm Bureau

Staff: James Scherzinger, Legislative Revenue Officer
Steve Bender, Legislative Revenue Office
Paula McBride, Committee Assistant

TAPE 15 SIDE A

012 CHAIR WALDEN called the meeting to order at 10:06:

012 CHAIR WALDEN opened the Work Session on HB 2447.

015 STEVE BENDER introduced a table entitled "HB 2447: Self Employed Health Insurance Premium Deductions," which outlines some costs of different options in HB 2447. Some of the options are based on a limitation of the premium amount, and some have an unlimited premium. HB 2447 relates to health premiums for self employed tax payers, specifically increasing the deduction for health insurance costs from 25% currently to 100%. He also discussed "monthly premium limitations," derived from 1990 insurance information. Exhibit 1

148 JOE GILLIAM said the purpose of HB 2447 was to create equity between small business (specifically the self-employed) and corporations, which already get 100% deductibility on health insurance for employees. He was against limiting premiums, and against creating a complex formula.

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175 STEVE BENDER clarified that if premiums are limited that qualify for the exemption, different types of taxpayers will face different costs for insuring their families.

Questions and discussion

210 DON SCHELLENBERG did not support premium limitation; rather, he wanted to keep the issue simple by implementing a percentage. He also wanted to have some assurance that all people were treated equally under HB 2447.

Questions and discussion about the intent of HB 2447 with JOE GILLIAM and DON SCHELLENBERG.

383 STEVE BENDER explained how the Federal Government treats medical expense deductibility.

Questions and discussion

TAPE 16 SIDE A

002 Questions and discussion continued with JOE GILLIAM and DON SCHELLENBERG concerning HB 2447.

047 STEVE BENDER discussed a letter written to REP. WALDEN, from Richard Elmyer, which suggested that a treatment be allowed whereby 100% of up to \$1000 of medical expenses per year, per employee be eligible for deduction from income. The same treatment would also be extended to self-employed individuals for their own health insurance premiums. (NOTE: A copy of this letter was never received by the committee and, thus, cannot be included in the Exhibit Summary.)

Questions and discussion with JOE GILLIAM and DON SCHELLENBERG.

181 STEVE BENDER gave statistics on Oregon 1991 tax returns (1990 tax year), which indicated 41,856 filers who took advantage of the 25% medical expenses deduction.

Discussion continued about the intent of HB 2447.

240 JOE GILLIAM outlined reasons why the provision in HB 2447 should be based on a percentage of medical expenses, rather than premium limitation.

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Questions and
discussion

289 CHAIR WALDEN suggested putting into HB 2447 a ramping up of the percentage of deductible medical expenses, which would give future legislators a chance to review the deduction.

Questions and discussion
interspersed

TAPE 15 SIDE B

002 Discussion continued about CHAIR WALDEN's suggestion to ramp up the percentage in HB 2447.

010 CHAIR WALDEN asked staff to draw up amendments to HB 2447, with Fiscal and Revenue analyses, that implement a procedure that ramps up the percentage of medical deduction, based on the 25% currently in effect, as follows: 30% in 1993, 40% in 1994, 50% in 1995, 60% in 1996, 70% in 1997, 80% in 1998, and 90% in 1999, and 100% in 2000 and thereafter.

018 DICK YATES advised that the 1990 date be maintained in the reconnect bill, because the 1992 Federal provisions there are rules for apportioning the six month of the credit that it allowed. This creates problems for deciding what is eligible and what isn't.

Questions and
discussion

062 DICK YATES said the earliest the Subcommittee would want to begin ramping the health insurance exemption, from 25% to 35%, would be 1993 tax year

089 CHAIR WALDEN closed the Work Session on HB 2447.

091 CHAIR WALDEN began a discussion on HB 2457.

089 STEVE BENDER explained that HB 2457 was designed to provide a tax credit for businesses that provide employee training or education. He did not yet have a Revenue Impact Analysis, but he had information concerning training and education programs. He believed most businesses were spending about 3/4 of 1% of their payroll on average for employee training. In Japan, 3 to 4% currently is spent on employer education. He discussed what figure might be used on page 2, Section 3, which proposes limitations on the amount of exemption of HB 2457.

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Questions and
discussion

185 CHAIR WALDEN introduced guests in the audience.

205 STEVE BENDER urged the members to consider whether a limitation should be added to HB 2457 on in-house employee training. In-house training could increase the revenue impact of HB 2457 dramatically.

213 REP. CARTER stressed that administration costs of HB 2457 also have to be examined.

Questions and
discussion

219 STEVE BENDER pointed out that on page 1, line 11 of HB 2457 had language that stipulated employees must be working at least 90 days for the company. Another issue is whether or not to extend the training to new employees.

Questions and
discussion

228 CHAIR WALDEN brought up the issue of restricting HB 2457 to Oregon employers.

271 JOE GILLIAM supported the issues raised by members concerning HB 2457. He suggested he might have amendments to submit, specifically to make sure the it was an Oregon employers and employee program, and eliminating unnecessary complications in the administration.

Questions and
discussion

321 JOE GILLIAM believed that the only thing needed to verify an education credit would be that the institution be accredited. Other kinds of stipulated verification would only increase the overhead of the tax credit unnecessarily.

Discussion

415 CHAIR WALDEN conducted administrative business.

423 CHAIR WALDEN adjourned the meeting at 11:26.

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Paula K. McBride, Committee

Assistant

Kimberly Taylor, Office Manager

EXHIBIT SUMMARY

1. HB 2447: Self-Employed Health Insurance Premium Deduction: Cost in Millions, Steve Bender, Legislative Revenue Office, 2/15/93.

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