

Public Hearing & Possible Work Session: HB 2456
HB 2443
Tapes 20-21 A/B

HOUSE COMMITTEE ON
REVENUE AND SCHOOL FINANCE
SMALL BUSINESS SUBCOMMITTEE

MARCH 10, 1993 9:30 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
Businesses Jerry Hanson, Oregon State Association of County Assessors, and
Association of Oregon Counties Jim Manary, Department of Revenue

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

TAPE 20 SIDE A

006 CHAIR WALDEN called the meeting to order at 10:30.

009 CHAIR WALDEN opened the Public Hearing on HB 2443

010 STEVE BENDER said that in the tax statute there is a law that allows
country assessors to exempt personal property taxes if the value is under
\$2,000. HB 2443 would increase that threshold to \$10,000. He mentioned the
revenue impact, which would be \$1.3 million during one year in those
districts at the Measure 5 level. Of this, \$1.1 million would be in school
taxes, resulting in replacement revenue having to come from the state. In
districts below the Measure 5 limit, there would be an impact of \$930,000
in the non-school area, but would be collected from other properties. He
revealed that another bill, SB 57, would increase the exemption amount of
personal property from \$2000 to \$5000, which would have some revenue impact
also. Under the language of HB 2443, People would still have the
requirement to file a personal property tax

These minutes paraphrase and/or summarize 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.

House Committee on

Revenue and School Finance Small Business Subcommittee March 10, 1993 Page
2

return.

054 JOE GILLIAM favored HB 2443, but related that it wasn't drafted as he
believed it would be. His main focus was to target a "microbusiness" rather
than a "small" business, the difference being that the first has very
little in personal property. He wanted to totally eliminate the filing
requirement if the business was below a certain threshold. He suggested an
amendment to HB 2443 in language: On line 9, change the word "may" to
"shall."

Questions and discussion interspersed

117 JERRY HANSON said the Association of Oregon Counties cannot support the revenue loss that would occur if HB 2443 was enacted, but they do favor streamlining the paper work. The Oregon State Association of County Assessors, however, favored the idea, but wanted members to be aware of the problem with accounts that are not static but go up and down in value of personal property. He gave examples of these fluctuating accounts. He proposed a process to deal with low value returns that required the taxpayer file an initial return, but if they were below the threshold in subsequent years, they would receive a more simple form to fill out. Once the form was returned, assessors could do a cursory audit and would be able to dismiss most accounts. This process would keep track of the small accounts.

Questions and discussion

173 JERRY HANSON said that in some counties almost 50% of accounts are below the proposed \$10,000 threshold in HB 2443.

Questions and discussion

189 JERRY HANSON believed that a \$5,000 level would be better to deal with than a \$10,000, and he explained this position.

Questions and discussion

217 JERRY HANSON gave figures as to how many businesses HB 2443 might effect in various counties.

Questions and discussion

245 JERRY HANSON said about 50% of counties in Oregon are currently using the tax statute that exemptions personal property

-

These minutes paraphrase and/or summarize 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.

House Committee

on

Revenue and School Finance Small Business Subcommittee March 10, 1993 Page

3

taxes below \$2000.

Questions and discussion

309 REP. CARTER asked the CHAIR to direct staff to created amendments that would incorporate JERRY HANSON's suggestion that assessors be mandated to send a simplified form to taxpayers with exempt personal property the second and subsequent years they qualify for the exemption.

Questions and discussion

354 STEVE BENDER gave an estimate for a \$5000 limitation in HB 2443: the loss would be \$700,000, and \$600,000 of this would be from schools and, thus, a state lose.

Questions and discussion interspersed

360 STEVE BENDER said the revenue impact estimates were based on the assumption that all accounts between \$2000 and \$10,000 would be exempted. Those accounts already exempted, under \$2000, are not included in this figure.

Questions and discussion

408 JERRY HANSON estimated that 33% of the accounts fall into the \$10,000 level and 25% fall into the \$5,000 level on a statewide basis. These figures relate to accounts, not dollars. He said there were dollar figures received from 12 counties. Exhibit 1

Questions and discussion with JERRY HANSON.

TAPE 21 SIDE A

002 Questions and discussion with JERRY HANSON continued.

028 CHAIR WALDEN asked JERRY HANSON to provide members with a copy of the proposed amendments to a similar bill, SB 57, which could be used for HB 244 3 and an example of the simplified form he had proposed the counties adopt.

Questions and discussion interspersed

085 JERRY HANSON described the process assessors use with personal

These minutes paraphrase and/or summarize 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.

House Committee

on

Revenue and School Finance Small Business Subcommittee March 10, 1993 Page

4

property accounts under the current \$2000 limit, and what might change in this process if HB 2443 passed.

Questions and
discussion

130 JOE GILLIAM wanted to know what specific language the counties might use on forms related to the personal property exemption.

Discussion

n

155 CHAIR WALDEN requested that the assessor's and the independent business organizations meet and resolve their issues.

170 REP. CARTER expressed concern that businesses will underreport and not pay enough personal property taxes.

Discussion

n

209 CHAIR WALDEN closed the Public Hearing on HB 2443 and conducted administrative business.

217 CHAIR WALDEN opened the Public Hearing on HB 2456, and he read the summary of the bill as printed.

221 STEVE BENDER said the summary on the bill was not correct. He summarized HB 2456, saying it would allow an income tax credit for when businesses purchase certain products. The credit would be up to a certain amount of the price of the product, and he pointed out that members will determine the amount of the credit and insert that figure on page 4, lines 33-40 of HB 2456. The "useful" life of the product enters into the calculation of the credit.

Questions and
discussion

265 STEVE BENDER addressed the question of why HB 2456 was necessary. He said it would make it easier for firms to purchase certain types of equipment.

Questions and discussion
interspersed

315 STEVE BENDER explained HB 2456. Section 1 is just an "addto." Section 2 is a policy statement that relates to the need for modernizing manufacturing facilities and for promoting key industries. Section 3 contains definitions, and there may be problems with these definitions that need to be resolved before HB

These minutes paraphrase and/or summarize 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.

House Committee on
Revenue and School Finance Small Business Subcommittee March 10, 1993 Page
5

245 6 was passed. He mentioned some of these, including the fact that the bill does not exclude the exemption to in-state facilities or to manufacturing facilities. The term "eligible taxpayer" and "productive equipment" were described here. He believed the term "consumer goods" should be defined by the Subcommittee.

396 STEVE BENDER related that Section 4 begins to describe how a business would obtain the credit from HB 2456, and provides for a pre-certification. Also, the method of application is delineated, which involves two different Oregon departments.

TAPE 20 SIDE B

002 STEVE BENDER continued his explanation of Section 4, HB 2456.

012 STEVE BENDER related that Section 5 outlines criteria for qualification, and Section 6 lists those types of businesses that could qualify for the credit. Other limitations would have to be determined by the members.

Questions and discussion

039 REP. CARTER asked that JOE CORTRIGHT (Trade and Economic Development Committee) be invited to testify on HB 2456.

Questions and discussion interspersed about the intent of HB 2456.

064 STEVE BENDER related that Section 8 states when the credit can be eliminated. He asked members to consider whether or not they wanted to have a recapture feature in HB 2456.

Discussion

135 STEVE BENDER said Section 9 relates to circumstances when the equipment can no longer be used but the qualification for the credit can still be obtained.

Questions and discussion

150 STEVE BENDER said the tax credit would be allowed for the "useful life" of the equipment, as defined in Section 7 (from the Internal Revenue Code).
House Committee

on

Revenue and School Finance Small Business Subcommittee March 10, 1993 Page
6

Discussion of the concept "useful life," specifically related to replacement equipment.

220 JOE GILLIAM testified about the issue of replacement equipment in small businesses. He believed businesses should not be penalized on "old" pieces of equipment, by the loss of the credit in HB 2456, when a "new" piece of equipment has to be purchased for modernization or improved technology.

Discussion

346 JIM MANARY provided some general comments on HB 2456. He believed the pre-certification should be done by Economic Development. The Department of Revenue (DOR) prefers that the income tax credit in HB 2456 be as simple as possible. He pointed out that businesses would continue to receive depreciation on equipment, as would the full "basis" benefit.

Questions and discussion

399 JOE GILLIAM also spoke to the issue of complexity in HB 2456. He believed that the best way of creating "family wage jobs" would be to

determine how Oregon businesses can compete with other states rather than by creating changes in tax policy.

TAPE 21 SIDE B

002 JOE GILLIAM continued speaking about the creation of "family wage jobs."

Questions and discussion

014 JOE GILLIAM believed HB 2456 would have as high a priority with small businesses as bills relating to health and labor costs.

Questions and discussion

035 CHAIR WALDEN stated he did not intend to pursue HB 2456 unless it got more support from the business community.

Discussion

046 CHAIR WALDEN closed the Public Hearing on HB 2456 and conducted administrative business.

These minute paraphrase and/or summarize 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.

House Committee on

Revenue and School Finance

Small Business

Subcommittee

March 10, 1993 Page 7

062 CHAIR WALDEN adjourned the meeting at 11:07.

Paula K. McBride, Committee Assistant

Kimberly Taylor, Office Manager

NO EXHIBITS

These minutes paraphrase and/or summarize 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.