

HOUSE COMMITTEE ON REVENUE AND SCHOOL FINANCE

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

Members Present: Representative Delna Jones, Chair Representative John Schoon, Vice Chair Representative Ron Adams Representative Tom Brian Representative Margaret Carter Representative Tony Federici Representative Fred Girod Representative Gail Shibley Representative Jim Whitty Members Excused: Representative Mike Burton Representative Greg Walden Witnesses Present: Jerry Fisher, Hewlett-Packard Jim Manary, Department of Revenue --Jon Jaqua, Assistant Director, Oregon Economic Development Department Bob Cantine, Association of Oregon Counties Staff: James Scherzinger, Legislative Revenue Officer Steve Meyer, Legislative Revenue Office Richard Yates, Legislative Revenue Office Paula McBride, Committee Assistant TAPE 218 SIDE A 004 CHAIR JONES called the meeting to order at 4:12. 007 CHAIR JONES opened the Work Session on HB 2443, and she asked members to look at the amendments HB 2443-5. Exhibit 1 016 DICK YATES pointed out the "Revenue Analysis" for HB 2443 in the members' books. Exhibit 2 023 CHAIR JONES characterized HB 2443 as a "potpourri of tax credits," and she invited testimony.

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 July 30, 1993  
Page 2

030 DICK YATES went through the amendments HB 2443-5, using the "Revenue Analysis." The first provision related to the original bill and to personal property taxes. Exhibits 1 and 2 Questions and discussion 065 DICK YATES discussed the revenue impact of the provision of HB 2443-5 that would require assessors to excuse property taxes on personal property valued less than \$3000 in value. Exhibit 1 Questions and discussion 144 STEVE MEYER believed, from previous testimony before the Subcommittee on Small Business, that personal property accounts represented by accounts under \$3000, was about 25% of the total. Exhibit 1 Questions and discussion 160 DICK YATES explained Section 2 of HB 2443-5, which related to additional to personal property taxes and the payment of these taxes by a person leasing. Exhibit 1 174 DICK YATES explained what happened to Section 3 from the original bill. Questions and discussion 188. DICK YATES said Section 4 in HB 2443-5 was a proposal by the Department of Revenue (DOR) in relationship to the "throwback rule" for businesses who have activities in more than one state. He explained this provision, specifically as related to the sales factor in the Corporate Income Tax of Oregon. Exhibit 1 Discussion 221 DICK YATES continued his explanation of the factors involved with the Corporate Income Tax, related to out-ofstate sales. He mentioned decisions made by the Multistate Tax Commission related to the "apportionment formula" used to determine the taxation of companies that have sales in multiple states. Exhibit 1 Questions and discussion 309 DICK YATES gave an example of a business transaction that demonstrated the way the apportionment formula could determine

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 July 30, 1993  
Page 3 taxable income. Discussion 344 JERRY FISHER informed that a bill  
introduced to the House Revenue Committee earlier in the year had  
addressed two issues: the sales to the U.S. Government and international  
sales, and also sales within the U.S. by a company that didn't have  
"nexus." He clarified that HB 24435 dealt only with "the sales to the  
U.S. Government that were thrown back." He believed the relevant issue  
was double taxation and related to competition. Questions and discussion  
373 JIM MANARY discussed the "theory of apportionment," using various  
examples of business transactions of businesses that have sales in more  
than one state. Discussion

TAPE 219 SIDE A 002 Discussion of the "theory of apportionment"  
continued among members, -specifically related to the issue of fairly  
taxing businesses that have sales in more than one state. 015 DICK  
YATES explained that Section 5 of HB 2443-5 contained the application  
date for the change in the throwback rule. Exhibit 1 017 DICK YATES  
said Section 6 incorporated changes made in SB 565, related to a  
Personal Income Tax credit for children that have specific  
"handicapping" conditions. Exhibit 1 Questions and discussion 036 DICK  
YATES related that Section 7 of HB 2443-5 had the effective date for the  
provisions of Section 6. Section 8 incorporated amendments from HB 286 2  
related to the "lender credit" for low income housing, and he explained  
this credit to the members. The cap was extended on this credit. Exhibit  
1 Questions and discussion 084 DICK YATES explained to members that  
Section 8 did not grant an exemption from property tax but was a credit  
that was intended

These minuees paraphrase and/or summarize seatemenes made during ehis  
meeeing. Texe enclosed in quotation marks repores ehe speaker's exact  
words. For complete context of proceedings, please refer to the tape  
recording. House Committee on Revenue and School Finance July 30, 1993  
Page 4

to encourage the development of more low income housing. That was why  
the definition of "low income housing" in HB 2443-5 was slightly  
different than that described in property tax statutes. Questions and  
discussion 102 DICK YATES briefly discussed previous legislation  
related to the tax credit for low income housing. 111 DICK YATES  
discussed the language in HB 2443-5 centered on the interest rate for  
the low income housing tax credit. 122 DICK YATES reviewed the  
"research tax credit" in HB 2443-5, Section 10, and the connection of  
this language to the "reconnect" bill (still currently in the Senate  
House Revenue and School Finance Committee). In HB 244 3-5, the tax  
credit would increase from \$50,000 to \$500,000 per individual per year,  
under the guidance of specific criteria. He mentioned that the research  
tax credit was extended to research done on "composites and plastics.  
Questions and discussion 181 DICK YATES related that the last provision  
of HB 2443-5 related to the "rural medical credit" and would apply to  
health practitioners who worked in rural Oregon areas. He explained new  
language that related to students who got loans from the state for  
medical educations and who could work off these loans while still  
getting a credit on their Personal Income Tax. Questions and discussion  
225 DICK YATES compared SB 81 with HB 2443-5. Questions and discussion  
300 MOTION REP. SCHOON moved to adopt the amendments HB 2443-5 to HB  
2443. NO DISCUSSION 304 VOTE The motion passed 11-0. Ayes: REPS.  
WALDEN, WHITTY, ADAMS, BRIAN, BURTON, CARTER, GIROD, SHIBLEY, SCHOON,  
and CHAIR JONES. Nays: REP. FEDERICI.

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 July 30, 1993  
Page 5

322 MOTION REP. SCHOON moved HB 2443 as amended to the House Floor with a do-pass recommendation. DISCUSSION 361 VOTE The motion passed 11-0. Ayes: REPS. WHITTY, ADAMS, BRIAN, BURTON, CARTER, FEDERICI, GIROD, SHIBLEY, WALDEN, SCHOON, and CHAIR JONES. 392 CHAIR JONES closed the Work Session on HB 2443 and opened the Work Session on HB 3686. 399 REP. SCHOON asked members to go through the amendments HB 36862, which he thought were not yet complete. He began by explaining language in Sections 2 and 3. Exhibit 3 419 REP. SCHOON reviewed Section 5 of HB 3686-2, related to action by the county. Language about the length of repayment time was changed in this section. Exhibit 3

TAPE 218 SIDE B 017 REP. SCHOON discussed Section 6 of HB 3686-2 related to county government participation in the projects authorized to receive revenue bonds. He mentioned where additional discussion and decisions would be required. Exhibit 3 048 REP. SCHOON asked for clarification on language in the original bill, HB 3686, related to the difference between "passedthrough revenue bonds" and "revenue bonds." 060 STEVE MEYER pointed out the definitions of the two types of revenue bonds in HB 3686. He delineated the two categories for the bonds: (1) mass transportation/economic development, and (2) health/housing/education and cultural facilities related to "passedthrough revenue bonds." He mentioned the monetary limit in the original bill and in the amendments HB 3686-2. Questions and discussion about the monetary limit in HB 3686~ 092 JON JAQUA believed that the monetary limit in HB 3686-2 would

. 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 July 30, 1993  
Page 6

be for the biennium rather than per year. Exhibit 3 098 STEVE MEYER pointed out to members where language would have to be changed in HB 3686-2 to limit the revenue bonds (change language from "unlimited" to new figure and totals, based on the biennium). He mentioned Counsel had informed him that a "transference" of money between years would probably occur. Exhibit 3 137 STEVE MEYER reminded members they had eliminate language related to "a \$50 million project in distressed area." 144 BOB CANTINE urged members to support HB 3686-2,, which he had worked on together with people from other organizations, including the Oregon Economic Development Department. 148 JON JAQUA believed that HB 3686 could have a major economic impact on regions in Oregon, and he pledged his support for accomplishing the goals HB 3686 sets out. 153 REP. WHITTY discussed changes that had been made to HB 3686, of which he approved. 169 JON JAQUA wanted members to understand the meaning of the 25% in HB 368 6-2. Questions and discussion 220 REP. SCHOON asked for consensus that the numbers in HB 3686 be based on a biennial figure. There was consensus. 223 MOTION REP. WHITTY moved to adopt the amendments HB 3686-2, as conceptually amended, to HB 368 6. NO DISCUSSION 227 ORDER There being no objection, VICE CHAIR SCHOON so ordered. 229 MOTION REP. WHITTY moved HB 3686 as amended to the House Floor with a do-pass recommendation. DISCUSSION

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 July 30, 1993  
Page 7

234 VOTE The motion passed 11-0. Ayes: REPS. ADAMS, BRIAN, BURTON, CARTER, FEDERICI, GIROD, SHIBLEY, WALDEN, WHITTY, SCHOON, and CHAIR JONES. 244 CHAIR JONES conducted administrative business. 277 CHAIR JONES adjourned the meeting at 5:25.

Paula K. McBride, Committee Assistant

Kimberly Taylor James, Officer Manager

EXHIBIT SUMMARY 1. HB 2443-5, Dick Yates, Legislative Revenue Office. 2. Revenue Analysis of Proposed Legislation, HB 2443-5, Dick Yates, Legislative Revenue Office. 3. HB 3686-2, Rep. John Schoon, District 34. 4. Staff Measure Summary, HB 3686-2, Steve Meyer, Legislative Revenue Office. 5. Revenue Analysis of Proposed Legislation, HB 3686-2, Steve Meyer, Legislative Revenue Office.

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.