

Tapes 1-3

A/B

4 A

HOUSE COMMITTEE ON
REVENUE AND SCHOOL FINANCE
JANUARY 13, 1993 8:00 AM HEARING ROOM A STATE CAPITOL
BUILDING

Members Present: Representative Delna Jones, Chair
Representative John Schoon, Vice
Chair

Representative Tom Brian
Representative Mike Burton
Representative Margaret Carter
Representative Tony Federici
Representative Fred Girod
Representative Gail Shibley
Representative Greg Walden
Representative Jim Whitty

Witnesses Present: Joe Gilliam,
National Federation of
Independent Business

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

TAPE 1 SIDE

A

006 CHAIR JONES called the meeting to order at 8:04. She welcomed the members of the committee. Meetings on Monday will begin at 9:00 am rather than 8:00 am. She introduced Jim Scherzinger, who introduced the Legislative Revenue Office staff. CHAIR JONES discussed her proposed subcommittees: Property tax; income and tax credits, and small business. She delineated the issues that will be addressed in each of these subcommittees. Subcommittees will meet two or three days a week instead of the full committee, and at the same time. CHAIR JONES announced there would be approximately five days of orientation. She asked the members to introduce themselves, to tell what districts they represent, and to describe their revenue interests.

275 TOM BRIAN introduced himself.

283 GAIL SHIBLEY introduced herself.

290 JIM WHITTY introduced himself.

315 RON ADAMS introduced himself.

334 JOHN SCHOON introduced himself.

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House Committee on
Revenue and School Finance

January 13, 1993Page 2

349 MIKE BURTON introduced himself.

367 FRED GIROD introduced himself.

380 TONY FEDERICI introduced himself.

400 GREG WALDEN introduced himself.

410 MARGARET CARTER introduced herself.

437 DELNA JONES introduced herself.

TAPE B SIDE A

015 CHAIR JONES discussed her goals as Chair of the House Revenue and School Finance Committee. She announced that there would only be minor adjustments made on the distribution formula, because the Joint Interim Committee on Revenue and School Finance had already established a good formula. She emphasized that the entire tax system would not be changed during this session.

056 JIM SCHERZINGER said the orientation materials were divided into three sets: a broad overview, a set of materials that are excerpts from other studies that include an evaluation of Oregon, and material on how measure 5 will affect Oregon. He explained his broad overview. Exhibit 1, pages 1-2 Questions and discussion interspersed

202 JIM SCHERZINGER said the last page of the exhibit gave an indication of the totals, divided between households and businesses. Exhibit 1, page . Questions and discussion interspersed

228 JIM SCHERZINGER discussed "Sources of Local Revenue: 19~990". Exhibit 1, page 2.

260 JIM SCHERZINGER explained the information on page 3 of Exhibit 1.

279 JIM SCHERZINGER discussed General Fund revenue, and said the forecast for 1994-95 has about the same proportion. Exhibit 1, page 4.

295 JIM SCHERZINGER talked about General Fund expenditures, based on the Governor's budget. Exhibit 1, page 5.

Questions and discussion interspersed

House Committee on

Revenue and School Finance January 13, 1993 Page 3

356 JIM SCHERZINGER continued his explanation of page 5 on General Fund expenditures, and discussed the proportion of general fund spending.

Exhibit 1, page 5

TAPE A SIDE B

002 Questions and discussion about General Fund expenditures continued.

065 JIM SCHERZINGER said the next page of the exhibit gave a history of General Fund expenditures split between state programs and aid to local government (direct dollars to schools). Exhibit 1, page 6

Questions and discussion interspersed

105 JIM SCHERZINGER explained the next two pages of his exhibit, figures which do not include revenue from the lottery because of constitutional structure. He said the charts should be updated with newly available information from 1991-93, but he wanted to show the members broad relationships. These pages show how total revenue is derived (proportion from all sources). Exhibit 1, pages 7-8

Questions and discussion

241 JIM SCHERZINGER discussed the breakdown of components of total revenue that are outside the General Fund. Exhibit 1, pages 7-8

Questions and discussion interspersed

264 CHAIR JONES recessed the meeting at 9:19 am and reconvened at 9:39.

278 JIM SCHERZINGER continued his discussion of total revenue on pages 7-8. Exhibit 1

Questions and discussion

355 CHAIR JONES conducted committee business.

TAPE 2 SIDE B

02 JIM SCHERZINGER further explained the total revenue figures on pages 7-8. Exhibit 1

Questions and discussion interspersed

066 JIM SCHERZINGER said the charts on pages 7-8 signify that the

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House Committee

on

Revenue and School Finance January 13, 1993 Page 4

Revenue Committee has varying levels of control over the different sources of money, and varying abilities to use the non-General Fund monies to solve General Fund problems. He cited examples.

Questions and discussion

101 JIM SCHERZINGER discussed "State Tax and Spending Limits", the information on page 9, including the "2% Surplus Kicker." He described how the "kicker" works, and reminded members that the Legislature had suspended it because of Measure 5 during the 1991 session. Exhibit 1

140 JIM SCHERZINGER explained that the state spending limit works on the spending side of the budget. General Fund spending cannot grow faster than the rate of increase of personal income in the state. The major exception is tax relief, and he described the history of this. Exhibit 1, page 9 ~

178 JIM SCHERZINGER began the next section of the orientation material, which contains comparisons of Oregon's tax system to those of other states. The first three pages are census data on state and local taxes. The latest years for data are 1989-90. Exhibit 1, pages 10-13

Questions and discussion interspersed

282 JIM SCHERZINGER said page 34 of the orientation material shows the effects of Measure 5 on Oregon state and local tax rankings at full implementation, and he compared the data on page 34 to that on page 11, which showed these rankings before Measure 5. Page 11 also shows the rankings by the type of tax. Exhibit 1, pages 11 and 34

Questions and discussion interspersed.

TAPE 3 SIDE A

002 JIM SCHERZINGER continued his explanation of page 11, entitled "State Tax Rankings; State and Local Taxes, 198990. He said the benefit of this analysis was that it conveys a sense of the relative burden of taxes on the economy as a whole, but it doesn't tell the effect on individual taxpayers. Exhibit 1, page 11

Questions and discussion

045 JIM SCHERZINGER discussed data from studies done that look at the tax system from particular angles, but none of which give a complete picture individually. The first he discussed was two pages copied from Money, written for the "typical" Money magazine reader, which shows direct tax burden on individuals, particularly

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House Committee on

Revenue and School Finance

January 13, 1993 Page 5

high income individuals. Oregon comes up with high burden from this type of study. Exhibit 1, page 12

Questions and discussion interspersed

140 JIM SCHERZINGER discussed the second study, on the estimated tax burden on families in various parts of the country. Criticism of this study centers on how property taxes were measured and the methodology used to measure values. He compared the figures of this study with those of the Money study mentioned above. Exhibit 1, pages 14-16.

Questions and discussion

256 JIM SCHERZINGER discussed the next two sets of studies, which split the

total data of tax burden between business and households and then compared it between states. He first discussed the study by the Utah State Tax Commission which does not include all taxes and is based on additional assumptions not used in other studies. He referred to pages 18 and 19, which depict graphs that compare western states "business" and "household" tax burdens. Exhibit 1, pages 17-19

Questions and discussion interspersed

370 JIM SCHERZINGER discussed the study on pages 20-21 from the University of Washington, dealing with the direct burden on business of 29% in Oregon (leaves out severance taxes). The income level in this statement is essentially the same as the Utah study Exhibit 1, pages 20-21

Questions and discussion

TAPE 4, SIDE A

002 JIM SCHERZINGER explained the study on Page 22, which was entitled "Tax Liability on Five Typical Small Businesses in 44 Locations," about direct taxes on small businesses, including federal taxes. Exhibit 1, page 22

Questions and discussion interspersed

089 JIM SCHERZINGER continued his explanation of the study on Page 22. which was done based on data taken during the 1991 tax year (pre-Measure 5). Exhibit 1, page 22

Questions and discussion

111 JOE GILLIAM explained some of the numbers on page 22 of the orientation material. He said about 90% of businesses in Oregon

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House Committee on
Revenue and School
Finance

January 13, 1993 Page 6

have less than 50 employees, and in the 80% range for businesses with 25 or less employees. He gave other statistics related to small businesses in Oregon. Exhibit 1, page 22

Questions and
discussion

136 JOE GILLIAM related that about 50% of all employees in the state work for small businesses.

Questions and discussion
interspersed

164 JIM SCHERZINGER explained two caveats of the data in the study on Page 22. The first related to the example firms used, which were somewhat larger and more profitable than characteristic of small businesses (moves Oregon up in the rankings). The second caveat is that the study does not estimate any sales tax on either purchases or sales (gross receipts are included). Personal income was included for sole proprietors, but not a sales tax.

Questions and
discussion

192 JIM SCHERZINGER discussed the next two studies, that provide comparisons of tax data. The first, on pages 23-25, was from the University of Nevada. This study took a typical investment and tried to determine what effect the tax system had on the rate of return in that industry. He discussed individual tables from this study. Exhibit 1, pages 23-25

Questions and discussion
interspersed

283 JIM SCHERZINGER explained the data on page 25 of the Nevada study, which was based on rural communities. The data was compiled from 1988 information. Exhibit 1, page 25

Questions and
discussion

314 JIM SCHERZINGER discussed the final comparison study in the orientation material, from the "Citizens for Tax Justice." This described the total tax burden in Oregon as being fairly flat across income groups, whereas the U.S. average drops with income. Oregon tends to put a bigger burden on higher incomes. Exhibit 1, page 26-27.

370 CHAIR JONES discussed committee business.
Discussion

TAPE 3 SIDE B

002 Discussion of committee business continued.

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House Committee on
Revenue and School Finance
January 13, 1993 Page 7

024 CHAIR JONES adjourned the meeting at 11:14.

Paula McBride, Committee Assistant

Kimberly Taylor, Office Manager

EXHIBIT SUMMARY

1. "Summary of Oregon Taxes," statistical data, Jim Scherzinger, Legislative Revenue Office, 1-12-93.

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