

Public Hearing: HB 2182
HB 2029
Tapes
31-32
A/B

HOUSE COMMITTEE ON
REVENUE AND SCHOOL FINANCE
FEBRUARY 1, 1993 9:00 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 Mike Burton

Representative Margaret Carter -
Representative Tony Federici
Representative Fred Girod
Representative Gail Shibley
Representative Greg Walden
Representative Jim Whitty

Witnesses Present: Mike Reed, Oregon Liquor Control Commission
Merle Lindsey, Oregon Liquor Control
Commission

Paul Romain, Oregon Beer and Wine Distributors
Association
Bill Nelson, Oregon Wine Association
Jim Manary, Department of Revenue

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Staff: James Scherainger, Legislative Revenue Officer
Steve Bender, Legislative Revenue Office
Richard Yates, Legislative Revenue Office
Paula McBride, Committee Assistant

TAPE 31 SIDE A

001 CHAIR JONES called the meeting to order at 9:09.

010 CHAIR JONES opened the Public Hearing on HB 2182.

Discussion

026 STEVE BENDER explained HB 2182, which would change the exemption that currently exists for small wineries. HB 2182 was introduced in response to a General Agreement on Tariffs and Trade (GATT) decision concerning the exemption of a portion of Oregon wine from taxation (the first 40,000 gallons). Material in the members' books relates to this decision and how practices in Oregon violate this decision. Exhibit 1

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Questions and discussion

141 STEVE BENDER explained how GATT decisions are made and the process of testimony before the GATT. The GATT decision concerning Oregon wine exemptions was accepted by the U.S. Exhibit 1

227 MIKE REED explained HB 2182. The Oregon Liquor Control Commission (OLCC) drafted the bill in compliance with the GATT decision and at the

request of the U.S. Trade Representative's Office, although the OLCC is not necessarily an advocate of HB 2182.

Questions and discussion

267 MIKE REED explained that GATT is not a treaty at this point (has not been formally ratified by the U.S. Senate) but was accepted by Executive Agreement.

Questions and discussion

302 STEVE BENDER discussed the revenue impact of HB 2182 (which is not yet completed).

322 MERLE LINDSEY spoke to the issue of the quantity of foreign wines. While they know approximately the number of gallons imported, they do not know the number of wineries or their sizes.

Questions and discussion interspersed

395 MERLE LINDSEY related that the state is currently losing approximately \$1 million/biennium on the current exemption on taxation on wineries.

Discussion

TAPE 32 SIDE A

002 Discussion concerning HB 2182 continued.

059 MIKE REED reviewed how the tax on import wine works. This tax currently applies to all foreign wines.

Questions and discussion interspersed

119 PAUL ROMAIN explained why his group opposed HB 2182, and he gave an analysis of the history of the distribution of alcohol

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between Canada and the U.S. He also reviewed the history of the tax exemption on wine in Oregon.

Questions and discussion

210 BILL NELSON related that the exemption bill passed in 1970 and had been applied to foreign wineries in 1970 to 1971. After the exemption was amended in 1977, because it was thought to be too difficult to administer with foreign countries, only Oregon wineries were exempt.

246 PAUL ROMAIN expressed his group's displeasure at piecemeal tax policy in Oregon.

Questions and discussion interspersed

300 PAUL ROMAIN believed the Committee should take no action on HB 2182, waiting until Congress makes a decision.

Questions and discussion

318 BILL NELSON testified in support of HB 2182. He related more historical facts concerning Oregon wineries, the wine exemption, and the GATT ruling. The original exemption allowed an incubation period for Oregon wineries, enabling them to become world competitors. He favored HB 2182 because he believed it made a goodfaith effort to solve the GATT complaint.

TAPE 31 SIDE B

002 BILL NELSON continued his review of the current wine exemption and support for HB 2182, which brings that exemption into compliance with a GATT decision.

Questions and discussion

090 CHAIR JONES stated her intent to refer HB 2182 to the Subcommittee on Small Business, and she explained her reasons.

Questions and discussion

111 CHAIR JONES closed the Public Hearing on HB 2182.

113 CHAIR JONES recessed the meeting at 10:14 and VICE CHAIR SCHOON reconvened at 10:35.

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116 VICE CHAIR SCHOON opened the Public Hearing on HB 2029.

118 DICK YATES reviewed HB 2029, which is a Department of Revenue (DOR) housekeeping bill.

Questions and discussion

160 DICK YATES continued his explanation of HB 2029.

177 JIM MANARY went through DOR justification for each provision of HB 2029. He began with the section concerning garnishment of safe deposit boxes.

Questions and discussion

213 JIM MANARY continued explaining HB 2029, related to payment of delinquent taxes with credit card.

Questions and discussion interspersed

248 JIM MANARY explained Section 5 of HB 2029, which matches the state filing date for annual tax withholding return to that of the federal government.

257 JIM MANARY reviewed Section 6 of HB 2029, which addresses employers who fail to submit employee withholding to the DOR on time.

Questions and discussion

TAPE 32 SIDE B

002 Questions and discussion continued concerning Section 6 of HB 2029, specifically related to who has the authority and decisionmaking ability within a company which fails to submit employee withholding to the DOR.

065 CHAIR JONES conducted some Committee administrative business.

078 Questions and discussion continued about liability in Section 6 of HB 2029.

130 JIM MANARY reviewed Section 8 of HB 2029, which deals with delinquent taxes owed by divorced couples. The DOR proposed that the tax and penalties be divided equally, taking into account the issue of hardship.

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Questions and discussion interspersed

231 JIM MANARY said the current backlog of delinquent tax is about \$100 million and that some cases are in court at the current time.

Questions and discussion

294 JIM MANARY related that Section 9 of HB 2029 contained the effective dates of the bill.

Questions and discussion

346 VICE CHAIR SCHOON closed the Public Hearing on 2029.

347 VICE CHAIR SCHOON adjourned the meeting at 10:17.

Paula K.McBride, Committee Assistant

Kimberly Taylor, Office Manager

EXHIBIT SUMMARY:

1. Gatt Decision on Beer/Wine Threatens State Sovereignty, Steve Bender, Legislative Revenue Office.
2. Testimony Before the House Subcommittee (sic) on Revenue & Finance, Mike Reed, Oregon Liquor Control Commission.

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