

Information; Clinton Tax Plan
Tapes 76-77 A/B
78 A
HOUSE COMMITTEE ON
REVENUE AND SCHOOL FINANCE

MAY 7, 1993 8:00 AM HEARING ROOM A STATE CAPITOL BUILDING

Members Present: Representative Delna Jones,
Chair
Representative John Schoon, Vice Chair Representative Ron Adams
Representative Mike Burton Representative Margaret Carter Representative
Tony Federici
Representative Fred Girod
Representative Gail Shibley Representative Greg Walden
Members Excused: Representative Tom Brian Representative Jim Whitty
Staff: James Scherzinger, Legislative Revenue
Officer
Richard Yates, Legislative Revenue Office
Paula McBride, Committee Assistant

TAPE 76 SIDE A

004 CHAIR JONES called the meeting to order at 8:08, and conducted
administrative business.

025 DICK YATES began his discussion of the Clinton Tax Plan, using
information he had provided members. The Plan contained three major
components sections: the deficit reduction, the short-term spending
package, and the longterm investment package. He discussed each section of
the Plan and how Congress was reacting to them. Exhibit 1

051 DICK YATES talked about Clinton's bill entitled "The Revenue
Reconciliation Act of 1993." Information about this Act was on page 2 of
his exhibit, and he began with the first Title of the Act, entitled
"Training and Investment Incentives." Exhibit 1
Questions and
discussion

101 DICK YATES continued explaining the Title I portion of the
"Reconciliation Act" having to do with "a temporary investment tax credit
for all business." Exhibit 1
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 May 7, 1993 Page 2

149 DICK YATES related that "A" and "B" under Title I of the Act would not
be reconnect items. Exhibit 1

155 DICK YATES described section "C" under Title I of the Act, as outlined
in his handout. This section was related to "Targeted capital gains
provision for small-business stock." Exhibit 1
Questions and discussion

194 DICK YATES explained section "D" on page 2 of his handout, "permanent
extension of research tax credit." Exhibit 1
Discussion

214 DICK YATES talked about item "E" under Title I of the Act. Exhibit 1

221 DICK YATES explained section "F" of the training and investment
incentives, related to "tax exempt bonds and qualified mortgage bonds
(QMB)." Exhibit 1

Questions and discussion

253 DICK YATES explained what "small issue" bonds were. Exhibit 1, page 2

259 DICK YATES related that section "G" was not relevant to the Oregon Tax Code. This section was about "low-income housing tax credit." Exhibit 1

273 DICK YATES described section H of the Title I incentives, on "New rules: real estate investments by pension funds." Exhibit 1

299 DICK YATES talked about the "modify passive loss rules" on page 3, under Title 1 of the Act. Exhibit 1

310 DICK YATES explained section J, on "increase the recovery period for nonresidential real property." Exhibit 1

318 DICK YATES said section K of Title I was about an "alternative minimum tax treatment of contributions for appreciated property." Exhibit 1

327 DICK YATES explained section L, related to "Health insurance deduction for self-employed." Exhibit 1

Discussion of HB 2447 that would establish an exemption for health insurance for self-employed as related to the Clinton Plan.

372 DICK YATES related that section M contained information that

-

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
May 7, 1993 Page 3

did not appear to be in the Clinton Act, and that these issues were being considered in Oregon.

Discussion

TAPE 77 SIDE A

002 Discussion continued concerning items listed in section M.

008 DICK YATES explained the category "Increase Earned Income Credit: raise above poverty," in section M, Title I. Exhibit 1

Discussion

037 DICK YATES began his discussion of Title II, related to "Revenue Raising Provisions." He explained section A, which would "raise top marginal rate from 31% to 36%." Exhibit 1

Questions and
discussion

048 DICK YATES talked about section B of Title II, on "high income surtax." Exhibit 1

Questions and
discussion

099 DICK YATES discussed the last part of section B, related to capital gains. Exhibit 1, page 3

104 DICK YATES explained section C of Title II, on "permanent limit on itemized deductions." Exhibit 1

115 DICK YATES talked about section E, "Increase Corporate Tax Rate" in Title II of the Act. Exhibit 1

123 DICK YATES explained the "Proposed 1993 Personal Income Tax Rate Schedules contained in his handout to the members. Exhibit 1, page 5

147 DICK YATES discussed the "Proposed 1993 Corporation Income Tax Rates," as depicted in his table on page 5. Exhibit 1

Questions and
discussion

166 DICK YATES continued his description of the proposed corporation tax rates. Exhibit 1, page 5

Questions and

discussion

266 DICK YATES explained the table related to personal income from the Clinton Tax Plan, on page 6 of his handout. Exhibit 1

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 May 7, 1993 Page 4

Questions and
discussion

342 DICK YATES continued his exploration of how the Federal Personal Income Tax might be affected by the Clinton Tax Plan. Exhibit 1, page 6

394 DICK YATES returned to page 3 of his exhibit, and began an explanation of section F related to the "Energy Tax." Exhibit 1

Questions and
discussion

TAPE 76 SIDE B

002 Questions and discussion continued about the "Energy Tax" proposed in Title II of the Clinton Plan.

044 DICK YATES read some information from a pamphlet entitled "Federal Funds Information for the State." The information was about fuel taxes that will be implemented under the Clinton Tax Plan.

056 DICK YATES explained section G of Title II, related to increasing the "top rate for Estate and Gift Taxes." Exhibit 1, page 3

067 DICK YATES talked about "Foreign Tax Provision, under Title II of the proposed Clinton Tax Plan. Exhibit 1

Questions and
discussion

104 DICK YATES related that section I of Title II related primarily to Puerto Rico, and would "Limit Possessions Tax Credit to 65% of compensation." Exhibit 1

116 DICK YATES explained section J, about "Executive Compensation." Exhibit 1

127 DICK YATES discussed section K of Title II, on "Lobbying expense deduction disallowed." Exhibit 1

131 DICK YATES talked about section L of Title II, related to "business meals expense deduction."

142 DICK YATES explained the last section of Title II, section M, on items that were not included in the summary of the Clinton Tax Plan. Exhibit 1

Questions and
discussion

173 DICK YATES continued his discussion of other items in Section

-

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 May 7, 1993 Page 5

M, beginning with "security dealers: taxable income based on market value of securities." Exhibit 1, page 4

194 DICK YATES discussed items of "Provisions Reported Elsewhere" on page 4 of his handout. Exhibit 1

Questions and discussion

255 DICK YATES discussed the table on page 7 of his handout, entitled "Table 2. Summary of Deficit Reduction Proposals (federal fiscal years, outlays in millions)," specifically the revenue issues at the bottom of the table that shows where revenue was derived. He compared those "Revenue Increases" with the "Tax Incentives in Table 4 on the following page (page 8). He explained the column "Total Deficit Effect" on page 8. Exhibit 1
Questions and discussion

338 DICK YATES related that the last two pages of his handout were copies of articles from the Wall Street Journal. Exhibit 1
Discussion

377 CHAIR JONES recessed the meeting at 9:28 and reconvened at 9:59.

385 JIM SCHERZINGER explained the value added tax to the members, using a handout. He related that the Clinton Administration had been considering using a value added tax to fund the health care package, and this would be a new method of taxation for the Federal Government. Exhibit 2

412 JIM SCHERZINGER said page 1 of his handout was a "simple explanation" of the Value Added Tax and how it related to other concepts involved in taxing businesses. Exhibit 2
Questions and discussion

TAPE 77 SIDE B

002 Questions and discussion continued about how the Value Added Tax would be computed, with JIM SCHERZINGER giving a specific example of a business that would be effected by this tax.

091 JIM SCHERZINGER talked about how the Value Added Tax would apply to equipment bought by a business.
Questions and discussion

150 JIM SCHERZINGER noted for member's reference a Wall Street

,
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 May 7, 1993 Page 6

Journal Article (Exhibit 4) and a General Accounting Office report on the Value Added Tax (Exhibit 2). SCHERZINGER explained two ways to calculate the Value Added Tax (page 4 of the handout). The first was called "Subtraction Method" (Exhibit 2, page 4).

191 JIM SCHERZINGER talked about the "Tax-Credit Method" of computing the Value Added Tax, and he compared this with the other way to calculate the tax. Exhibit 1, page 5

Questions and discussion

265 JIM SCHERZINGER discussed the Value Added Tax in comparison to the Gross Receipts Tax.

Questions and discussion

340 JIM SCHERZINGER asked members to consider an example of how the Value Added Tax might be applied to three different businesses, contained in a table on page 5 (14) of his handout. This example used the "Subtraction Method" of computing the Value Added Tax. Exhibit 2

TAPB 78 SIDE A

002 JIM SCHERZINGER continued his explanation of the table on page 5 which depicted the "Subtraction Method" of computing the Value Added Tax. Exhibit 2

Questions and discussion

016 JIM SCHERZINGER compared the Gross Receipts Tax with the Value Added Tax on the example in the table. Exhibit 2, page 5 (14)

Questions and discussion

045 JIM SCHERZINGER talked about "Zero Rating" in relation to the Value Added Tax, on pages 18 and 19 of his handout. He explained how the "Zero

Rating" method differs from the exemptions granted under the "Tax Credit Method" with the current taxation system (see table on page 10 (19)).

Exhibit 2

Questions and discussion

085 JIM SCHERZINGER talked about "Zero Rating" as related to imported goods, specifically automobiles.

Questions and discussion

153 JIM SCHERZINGER pointed out other information in his handout. He discussed the "Single Business Tax" that was used in Michigan

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

May 7, 1993 Page 7

and was considered a Value Added Tax. The table on page 18 (EXHIBIT 2) of his handout depicted how the Single Business Tax would be calculated on an example business.

Questions and discussion

209 JIM SCHERZINGER explained information given to the members from a study done on Taxes where the Value Added Tax was being considered. The table compared various kinds of taxation on chosen industries. Exhibit 3

Questions and discussion

294 CHAIR JONES conducted administrative business.

317 CHAIR JONES adjourned the meeting at 10:53.

Paula K. McBride, Committee Assistant

Kimberly Taylor, Office Manager

EXHIBIT SUMMARY

1. LRO staff memo, President Clinton's Tax Plan, Yates, 6/6/93, Information
2. LRO staff reference, Gross Receipts, Value Added, Profit, How They Relate, Scherzinger, Information
3. Tables, Policy Economic Group, KPMG Peat Marwick, Information
4. Article entitled 'CLINTON MAY NOT RECOGNIZE SOME OF HIS TAX PLAN BY THE TIME DEMOCRATS IN CONGRESS FINISH WITH IT, WALL STREET JOURNAL, Jackie Calmes, Information

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.