

Tapes 148 - 149 A/B
Work Session: HJR 10

HOUSE COMMITTEE ON
REVENUE AND SCHOOL
FINANCE

JUNE 15, 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 Tom Brian Representative Mike Burton Representative Margaret Carter Representative Tony Federici Representative Fred Girod Representative Gail Shibley Representative Greg Walden Representative Jim Whitty

Staff: James Scherzinger, Legislative Revenue Officer
Steve Bender, Legislative Revenue Office
Terry Drake, Legislative Revenue Office
Steve Meyer, Legislative Revenue Office
Richard Yates, Legislative Revenue Office
Katy Yetter, Committee Clerk

TAPE 148, SIDE A

006 CHAIR JONES calls the meeting to order at 10:02 a.m. Reviews the schedule for 6-14.

WORK SESSION ON TAX REFORM -- HJR 10

037 CHAIR JONES: Presents an overview of the House Revenue Committee Tax Reform Proposal (EXHIBIT A). -Income tax relief and options.

062 REP. WHITTY: States that schools are the priority and funding for them needs to come before decisions are made on tax relief.

070 CHAIR JONES: Asks committee what the first preference on tax relief is after the issue of schools.

076 REP. SCHOON: Indicates what his preferred tax system is. -Would drop top rate and give relief to low income individuals.

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090 REP. FEDERICI: Would like to remove those who do not pay federal taxes from the Oregon income tax system and increase the top rate, leaving everything revenue neutral overall.

-System should be adjusted.

105 REP. CARTER: Asks the chair what the effects would be with the earned income tax credit.

-Does not want to see so many write-offs that the proposed tax system fails to do what it was intended.

143 BENDER: States that taking individuals off the Oregon tax is accomplished by increasing the standard deduction \$ 3900 for single filers (this causes them to be exempt from federal tax).

165 ADAMS: Asks about the change in raising the standard deduction to remove those low-income individuals.

-Would the revenue remain the same?

170 CHAIR JONES: Indicates that yes, the numbers would remain the same.

181 SHIBLEY: Would like to see numbers that address the following:

1. After adjustments away from a flat tax, will individuals pay more in taxes than they do currently.

2. A \$1,000 to encourage people to save money.

3. Would like to see a cap on the amount of mortgage interest that can be deducted each year.

228 CHAIR JONES: \$3000 cap on the federal tax minimum income requirement. After this sum, one can no longer use this as a deduction on their Oregon tax return.

-Individuals with higher incomes should not be penalized for making more money.

-Would be interested in lowering the top rate for lower income individuals. A high rate is probably not the answer due to the fact that it tends to be what people see first on paper and may not reflect the true assistance.

-Asks what kind of tax relief is the next priority.

318 BURTON: Removing a part of the property tax is more easily understood and would be more applicable to the school issue.

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333 GIROD: Agrees with tackling property tax relief after school funding.

343 SCHOON: Also would like to address property tax relief.

353 ADAMS: The best way to help the lower income people would be relief on the income tax side.

365 SHIBLEY: Would like to work on both to make the tax fair to everyone.

-New dollars, property tax.

393 BENDER: Presents comparison figures between income and property taxes. TAPE 149, SIDE B

003 FEDERICI: Removing the burden from property tax sends a better message to the taxpayers.

010 CHAIR JONES: Comments on the flexibility of the income tax system.

-Refers to the \$5 Owner-occupied Principle Resident (OPR) tax. -Does the committee want this applied to all property taxpayers?

038 BENDER: States the figures for removing the COPR from the tax system.

050 CHAIR JONES: Property owners would not participate in funding

schools. They would rely entirely on sale" tax and general fund.

-Clarifies issues on how Measure 5 was to fund schools.

077 GIROD: Funds should be dedicated to schools with adequate funding. Any revenue strain should not affect schools.

105 SHIBLEY: Agrees with the school funding issue.

-How realistic is it for a retail sales tax to fund 100% of school funding in the future?

-How elastic will the system be?

143 BENDER: Generally, sales tax does not accumulate as quickly as income tax.

-Base adjustments are sometimes made in sales tax.

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-In the short term, a sales tax tends to be less reliable than an income tax system.

184 REP. FEDERICI: States that care must be taken when titling the ballot measure to reflect the beneficial aspects of the tax plan.

203 CHAIR JONES: Reviews the discussion.

211 WHITTY: All taxes are income; gross or net.

-Would prefer reducing the rates of the sales tax rather than relief for property or income.

236 BRIAN: Prefers property tax relief.

283 CHAIR JONES: Discusses the broadness of the base.

294 BENDER: Reviews exemptions for the goods and services covered.
-Expanding the number of taxpayers actually in the system causes
359 CHAIR JONES: Asks about the impact on the tax system when refunds are
reque~ted.

361 BENDER: When an item is exempt, the retailer must indicate that the
sale is indeed exempt. Such a case would be for the non-profit
organizations.

TAPE 148, SIDE B

011 WALDEN: Asks about financial transactions--will they be taxed?

012 BENDER: Indicates what type of commercial bank transactions are
included in the tax base.

028 GIROD: Does not want to tax financial services.

047 FEDERICI: States what services he would like to see exempt. -All
financial institutions up to and including commodities brokers.

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070 WALDEN: Questions including medical services in the tax base and if
there will be any relief to those who pay such a tax.

107 CHAIR JONES: Asks the committee if they are still committed to such a
broad base.

113 BURTON: Would like the base to be as broad as possible.

132 BRIAN: Does not want to include a personal service tax.

139 WHITTY: Comments on the base and what he would like to see.

-Ability-to-pay services should be included.

159 SHIBLEY: Still supports a gross receipts tax. There are some areas that
are not appropriate to tax.

172 ADAMS: Tax all services except financial, educational, and medical.

200 CHAIR JONES: Asks committee about schools. Private-type education may
be taxable under the broad-base plan. Reviews position of the committee on
the proposal and indicates what will be discussed tomorrow. -Adjourns the
meeting at 12:00 p.m.

Submitted by: Reviewed by:
Katy Yetter Kimberly James
Committee Clerk Office Manager

EXHIBIT LOG:

A - Testimony on Tax Plan (Reform Proposal 6-15-93) - 1
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