

Work Session: HB 2500
Tapes 175 A/B
176 A
HOUSE COMMITTEE ON
REVENUE AND SCHOOL FINANCE

-
JULY 2, 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
Paula McBride, Committee Assistant

TAPB 175 SIDE A

004 CHAIR JONES called the meeting to order at 10:47, and she conducted administrative business.

090 CHAIR JONES pointed out a one-page handout in the members' books that was a list of issues that the Committee will deal with concerning HB 2500 and a tentative work schedule. Exhibit 1

095 JIM SCHERZINGER began an explanation of the items on the list of issues presented by HB 2500. He spoke about the schedule, the process, and the goals for attempting to complete work on the sales tax. He started with the full Committee schedule. Exhibit 1

Discussion

116 JIM SCHERZINGER said the full Committee had to accomplish two things before the subcommittees met. They were (1) going through the title and policy statement of HB 2500 ("General"), and (2) understanding the basic concepts of the sales and use tax. This work would not necessarily involve decisions, but members would have to understand how HB 2500 worked. Additionally, the full Committee would have to consider a "target range" for the

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 2, 1993 Page 2

subcommittee work. He explained what the "target range" would include.
Exhibit 1

Discussion

139 JIM SCHERZINGER informed the members of the scheduling and issues for the two subcommittees, beginning with the "Property Sub" which would look at issues of tangible personal property in relation to the sales tax in HB 2500. Exhibit 1

156 JIM SCHERZINGER discussed what the "Income Sub" members would decide

related to the proposed sales tax in HB 2500 and either property tax or income tax relief to be included in the bill. He mentioned issues that staff might have in producing all the information requested by the members. Exhibit 1

198 CHAIR JONES warned members that if they had serious amendments to HB 2500 they would have to be given to staff by the end of today because of the shortage of time left to deal with the sales tax.

Discussion

267 JIM SCHERZINGER related that HB 2500 was introduced by the Interim Committee on Revenue and School Finance. It contained only the sales tax and the low income credit, but it does not have language related to other tax reductions. Therefore, HB 2500 as it was written did not reflect HJR 10 and would be redrafted once the members had made their decisions. Exhibit 1

Discussion

308 CHAIR JONES mentioned the deliberations occurring in the Legislature about the "Oregon Health Plan" and the Plan's relationship to the sales tax bill in terms of timing and funding mechanisms.

341 JIM SCHERZINGER pointed out that on his list the numbers in parenthesis match specific the sections of HB 2500. Exhibit 1

352 STEVE BENDER began his explanation of the provisions of HB 2500. The first part of the bill listed all the Oregon Revised Statutes (ORS) the bill would effect. Section 1 related to the title of the bill.

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 2, 1993 Page 3

395 STEVE BENDER talked about Section 2 of HB 2500, related to positioning of the sales tax in the ORS.

401 STEVE BENDER related that Section 3 was the policy statement for the proposed sales tax, which would have to be changed because of the way the Committee structured HJR 10. He pointed out what language would have to be changed.

TAPE 176 SIDE A

003 STEVE BENDER continued with his discussion of Section 3, the policy description of the sales tax. The definition of the sales tax was "a tax on the retail sales of tangible personal property" in Oregon. This section also described why the complementary "use tax" had to be implemented with the sales tax.

Questions and discussion

040 STEVE BENDER said Section 4 dealt with the construction of the sales tax and applied to the sales and use taxes only. The relationship of general to particular provisions in HB 2500 were covered in this section.

063 STEVE BENDER informed members that their handout did not list the sections in HB 2500 from beginning to end but only those sections related to specific issues. He credited Legislative Counsel with work during the Interim on HB 2500. Exhibit 1

076 STEVE BENDER talked about Sections 39 and 42, which defined both the "sales tax" and the "use tax," respectively. This information came under the category "Imposition of tax" in the handout. He thought the best approach was to discuss the "use tax" first, which he did. He gave an example of when the "use tax" assessed, which basically would occur when

the sales tax in Oregon was not being implemented. Exhibit 1
Questions and
discussion

143 STEVE BENDER further discussed the "use tax" as it applied in
Washington and its differences with the one that would be implemented in
Oregon. Exhibit 1
Questions and
discussion

174 STEVE BENDER and members discussed the ways retailer's might

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 2, 1993 Page 4

deal with the sales and/or use tax. Exhibit 1
Questions and
discussion

225 STEVE BENDER discussed the provision in Washington's sales tax law
related to when their retailer's can sell items "sales tax free." He
discussed the relationship of the "use tax" to that provision. Exhibit 1

249 STEVE BENDER talked about how mail order businesses might deal with the
proposed sales tax. He informed members there was litigation in this area,
some of which he explained. Exhibit 1

268 CHAIR JONES conducted administrative business.

293 STEVE BENDER further explained how the use tax and the sales tax would
apply to mail order businesses. Exhibit 1
Questions and
discussion

411 STEVE BENDER said that if HB 2500 were adopted there still would be an
exemption for items sent outside the state, as was generally the case with
the sales tax. Exhibit 1
Questions and discussion about the "use tax."

TAPE 175 SIDE B

002 Questions and discussions continued about the use tax, specifically
about how it would be implemented and who would pay it.

036 STEVE BENDER related that Section 43 contained the main description of
the "use tax." He read this description. A business that was "registered as
a seller" would pay the sales tax, not the use tax. exhibit 1

056 STEVE BENDER discussed Section 44, related to "collection by retailer"
of the "use tax." He described a particular situation to which this section
would apply. Exhibit 1

068 STEVE BENDER said Section 45 defined who the "retailers" would be in
the state who must collect the "use tax." Exhibit 1
Questions and
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 2, 1993 Page 5

135 JIM SCHERZINGER clarified that the sections discussed don't relate to whether a transaction was taxable, but whether the retailer had the duty to collect the tax. Exhibit 1

Discussion

148 STEVE BENDER explained subsection 3 in Section 45, related to whether or not the retailer was a lessor of property in Oregon. He read other language related to franchises and advertising. Exhibit 1

171 CHAIR JONES thought the issue of "advertising" could prove to be a "quagmire" for the members, which she urged them to avoid. She asked staff to inform members how various issues were dealt with under the Washington sales tax. She reminded members that some portion of all subsequent Legislative Sessions would be dedicated to clarifying the sales tax, if it was passed by the voters; therefore, not all issues had to be resolved during the present Session.

195 STEVE BENDER continued reading Section 45, which contained the definition of "retailer" and delineated when people must collect the "use tax." Section 46 connected these issues with the Oregon Constitution and Department of Revenue (DOR) administrative rules. Exhibit 1

Discussion

219 STEVE BENDER discussed Section 78 (page 24) of HB 2500, which defined what the "other" state was for purposes of the "use tax." Exhibit 1

228 STEVE BENDER said language in Section 79 would create a credit against the "use tax" paid on an item when a sales tax was paid on it in another state. He explained how this would work. Exhibit 1

252 STEVE BENDER related that Section 251 of HB 2500 described when the "use tax" would not apply in Oregon. Exhibit 1

Questions and
discussion

319 CHAIR JONES adjourned the meeting at 12:02.

These minutes paraphrase anal/or suaearize statements madb 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 2, 1993 Page 6

Paula K. McBride, Committee Assistant

Kimberly Taylor, Office Manager
EXHIBIT SUMMARY

1. Statutory (HB 2500) Issues, Jim Scherzinger, 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.