

Work Session: HB 2500  
HB 2438  
HB 2057  
Tapes 177-  
178 A/B  
179 A

HOUSE COMMITTEE ON  
REVENUE AND SCHOOL FINANCE  
JULY 5, 1993 9:00 AM HEARING ROOM A STATE CAPITOL BUILDING

Members Present: 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

Members Excused: Representative Delna Jones

Witnesses Present: Barbara Seymour,  
Legislative Counsel  
Linc Cannon, Forest Tax Specialist, Oregon  
Forestry Industries Council

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

TAPE 177 SIDE A

005 VICE CHAIR SCHOON called the meeting to order at 9:01 and he conducted administrative business.

040 STEVE BENDER pointed out a handout from staff entitled "Tax Plan Options." Exhibit 1  
Discussion

052 JIM SCHERZINGER related that the purpose of his handout was to give direction to the proceedings, particularly with the income subcommittee, about much how tax relief they want to implement.

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Although the handout didn't state it, the figures were for the 1995-97 biennium. He explained the figures on the handout, including the estimated gross revenue for the proposed sales tax contained in HB 2500. Exhibit 1  
Questions and discussion

108 STEVE BENDER clarified some figures on the handout, and he made a correction to previous data presented to the members related to an estimate for the exemption of government in the proposed sales tax. The handout reflected the updated figure. Exhibit 1  
Questions and discussion

130 JIM SCHERZINGER continued his explanation of the handout on tax plan options, finishing the first category of "Gross Revenue." He then discussed the second category, "Desired Net Revenue" that listed information about

the reduced budget, the lottery feedback, educational equalization, and the desired net revenue. He provided additional information about educational equalization. Exhibit 1

Questions and discussion

186 JIM SCHERZINGER corrected a word on his handout: "lottery feedback" should be "lottery backfill." Exhibit 1

Questions and discussion

265 JIM SCHERZINGER said the members had to use their political judgment about particular figures on the handout, beyond the bestknowledge estimates Legislative Revenue staff had made, because there was so many influences and, thus, possible fluctuations in the revenue estimates.

Questions and discussion

300 JIM SCHERZINGER discussed the relation of community college budgets to the figure on his handout related to K-12 school equalization. He informed the members that there were community college dollars in the 1995-97 reduced budget figure.

340 JIM SCHERZINGER confirmed that Health Care numbers were not in the figures of the handout, and there was no property tax relief. He described what the Income Tax Subcommittee would deliberate concerning tax relief.

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Questions and discussion

370 Members discussed the issue of how to treat local government in HB 2500.

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002 Members continued discussing the role of local government in the proposed sales tax.

013 JIM SCHERZINGER related that the equalization, perweightedstudent number was \$4945 for 1995-97.

Discussion

030 JIM SCHERZINGER reiterated the purpose of handout, relating that the Income Tax Subcommittee would make decisions about \$429 million. He went through the category of "Possible Sales Tax Base Adjustments" and their individual revenue impacts if they were accepted as exemptions. Exhibit 1

054 STEVE BENDER explained the subcategory "tax amusements" to the members, as a possible exemption from the proposed sales tax. Exhibit 1

078 STEVE BENDER continued an explanation from last Friday (6/2/93, see Exhibit 1) of how the "sales tax" and complementary "use tax" were defined in HB 2500. He had already described the "use tax," and he began to point out language in HB 2500 that related to the definition of the "sales tax" itself. He read language that defined the "Imposition of Tax" in Section 40 of HB 2500 and the role of the retailer with the sales tax.

180 TOM BRIAN gave the legal meaning of the term "rebuttable presumptions", used in Section 40, subparagraph 3, line 12. It simply meant that there would be "exceptions to the presumptions."

Discussion

201 STEVE BENDER resumed his explanation of Section 40. He informed the Committee that there are amendments being drafted to require retailers to include the sales tax in the price of the item (there wouldn't be a sales tax added after a customer purchased an item). The members must decide this

policy issue. Another alternative would be to require the retailer to add the sales time

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at the time of purchase.

Questions and discussion interspersed.

237 STEVE BENDER related that the sales tax would not be deductible from the Oregon Personal Income Tax by the individual consumer, but it would be deductible by a retailer from gross receipts (as part of "cost of materials").

Questions and discussion

277 STEVE BENDER discussed the effects of "rounding" with the sales tax, especially as it related to the prices retailers might charge. He said there was a third option retailers have, which was to change the price under either of the other two options. He gave an example of this third option. The sales tax would impact the Federal Income Tax of an individual retailer only as it related to how much of money the retailer would "keep after the sales tax was imposed."

357 Questions and discussion continued about the three retailer options for implementing the sales tax, especially as they relate to an individual's Federal Income Tax.

409 REP. SHIBLEY suggested changes in language to Section 40 concerning the relationship of the retailer to the sales tax.

Discussion

TAPE 177 SIDE B

016 VICE CHAIR SCHOON restated the issue for BARBARA SEYMOUR, as follows: Can a retailer or seller pay the tax, him- or herself; and if he/she does, could it be deducted from the Federal Income Tax.

021 BARBARA SEYMOUR informed members that the language in HB 2500 allowed a choice, similar to the California sales tax: that is, either the retailer can pass the tax onto the consumer, or he/she can absorb the tax and, thus, reduce his/her Federal Income Tax.

Questions and discussion

056 BARBARA SEYMOUR stressed that it would be inaccurate to say that "under no circumstances was the sales tax in HB 2500

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deductible" from the Federal Income Tax. She explained how the sales tax could be deducted.

Questions and discussion

066 JIM SCHERZINGER clarified the issue, stating that the Income Tax on a business was a tax on the profits of the business. If the business doesn't

want to pay Federal Income Tax, it would not make any profits; and one way to make less profit would be to absorb the sales tax.

Discussion

104 JIM SCHERZINGER said the language in Section 40 of HB 2500 was to clarify to the public that retailers were being fair to them. The language was intended to force the retailer to show if he or she were adding the sales tax to the price of a good before the sale rather than at the time of the sale.

123 BARBARA SEYMOUR talked about the "legal, contractual" arrangement between the retailer and the purchaser contained in the language of Section 40 of HB 2500.

Discussion

154 JIM SCHERZINGER confirmed that the language in Section 40 was certainly an option and that the members could change the language. He discussed alternative methods of dealing with this issue.

Discussion

310 VICE CHAIR SCHOON closed the Work Session on HB 2500 and opened the Work Session on HB 2438 .

342 DICK YATES said the amendments to HB 2438, HB 2438-11, came from the Income Tax Subcommittee. He also pointed out material in the members' books, including a "Staff Measure Analysis," the "Revenue Impact Analysis," the "Fiscal Impact," and the amendments HB 2438-11, which was the form of the bill as it left the subcommittee. He related that another set of amendments, HB 243812, were requested by the Forest Industry. Exhibit 2-6

365 DICK YATES reiterated that the amendments HB 2438-11 replaced HB 2438, and he discussed what the amendments HB 2438-12 would change, which was to replace the word "replaced" with "forgone" on page 6. The same language would be replaced on page 27.

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Questions and  
discussion

TAPE 178 SIDE B

007 LINC CANNON gave members a written statement about the intention of HB 2438-12, which was not to remove the word "property" from the relevant section. This was done inadvertently. Exhibits 6 and 7

Questions and discussion about the intent of HB 2438-11.

020 LINC CANNON confirmed that HB 2438 exempted timber from property taxes, while imposing a "privilege tax" at the time of harvest. This harvest tax would be in lieu of the annual value of the "forgone" property taxes.

Exhibits 6 and 7

Discussion

038 MOTION VICE CHAIR SCHOON moved to adopt the amendments HB 2438-11 to HB 2438, and further amend HB 2438-11 by adding the word "property" on page 6, line 25 and replace "reduced" with "forgone;" replace "reduced"

with "forgone" on page 7.

050 DICK YATES summarized HB 2438-11, using a printed summary entitled "HB 2438: Review of Timber Taxation." He began by describing current law as it related to the "evaluation of forest land; the valuation of timber, and

the tax rates that have been applied to both of these values" to determine the severance and property taxes on the Forest Industry. He also described the differences between eastern and western Oregon forest land taxation.

Exhibit 8

079 VICE CHAIR SCHOON restated his motion and asked if there was objection to amending HB 2438-11 in the way mentioned above.

DISCUSSION

109 ORDER There being no objection, VICE CHAIR SCHOON so ordered.

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109 MOTION REP. SCHOON moved to adopt the amendments HB 2438-11 to HB 2438.

NODISCUSSION

119 ORDER There being no objection, VICE CHAIR SCHOON so ordered.

115 DICK YATES continued his summary of HB 2438, beginning with a description of the taxation process once the value of a forest land had been established, under current law. He mentioned differences in law with "reforested" lands, and how the severance tax was applied at the time of harvest. He discussed the general several tax rates both before and after the implementation of Measure 5. Exhibit 8

193 DICK YATES explained how the amendments HB 2438-11 changed the original bill. He emphasized that HB 2438 would set values of forest land in statute, with no distinction between market areas in either western or eastern Oregon. He defined both "stumpage value" and "log price" as related to the harvesting of forest land. Exhibit 9

Questions and discussion

265 DICK YATES continued his explanation of HB 2438-11, pointing out an index of values that would be established in statute for forest land. He clarified that these values would not be the assessed values.

Questions and discussion

301 DICK YATES related that the amended HB 2438 directed the Department of Revenue (DOR) to review timber values and determine whether or not they represent market value. Secondly, every six years, beginning in the year 2000, these values would be reviewed. He believed that conceptual HB 2438 as amended made the statement that timber wouldn't be taxed but forest land would be taxed. He mentioned the problem with this system and the role the severance tax played. Exhibit 8

Discussion

334 DICK YATES explained how HB 2438, as amended, would effect the values of timber land put on the assessment rolls in eastern

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Oregon, including "reforested" lands. He corrected figures on his handout related to severance tax rates. Exhibit 8  
Discussion

400 DICK YATES pointed out the "Revenue Analysis" of HB 2438-11 in the members' books. Exhibit 4

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010 DICK YATES revealed that there was no revenue impact from HB 2438-11 for the 1993-95 biennium, based on a number of factors which he delineated. For the 1995-97 biennium, there would be a \$26.6 million reduction in property taxes and \$12.6 million reduction in the severance taxes. He extended the revenue analysis to the 1997-99 biennium. Exhibit 4

Questions and discussion

094 MOTION REP. GIROD moved HB 2438 as amended to the House Floor with a do-pass recommendation.

DISCUSSION

108 VOTE The motion passed: Ayes:  
REP. BRIAN, BURTON, FEDERICI,  
GIROD, WALDEN, WHITTY, ADAMS,  
and VICE CHAIR SCHOON. Nays:  
-

REPS. CARTER and SHIBLEY.  
Excused: CHAIR JONES.

122 VICE CHAIR SCHOON closed the Work Session on HB 2438 and opened the Work Session on HB 2057.

118 DICK YATES referenced the amendments HB 2057-3 adopted by the Income Tax Subcommittee and the other relevant paperwork concerning the bill. Exhibits 9-13

130 DICK YATES explained HB 2057 to the members, which would change three taxes imposed on the Forest Industry; specifically, the "Forest Products Harvest Tax," the "western Oregon Severance Tax," and the "eastern Oregon Severance Tax." His information was based on his written summary of the bill. Exhibit 10

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209 DICK YATES related that the amendments HB 2057-3 resolve conflicts with HB 2177 and HB 2245, which were already passed by the Committee. Additionally, HB 2057-3 had a new "Subsection (4), in Section 3 of HB 2057, and he explained the relevance of this language

249 MOTION REP. ADAMS moved to adopt the amendments HB 2057-3 to HB 2057.

NO DISCUSSION

251 ORDER There being no objection, VICE CHAIR SCHOON so ordered.

252 MOTION REP. ADAMS moved HB 2057 as amended to the House Floor with a do-pass recommendation.

257 VOTE The motion passed 10-0. Ayes:  
REPS. BURTON, CARTER, FEDERICI,  
GIROD, SHIBLEY, WALDEN, WHITTY,

ADAMS, BRIAN, and VICE CHAIR  
SCHOON. Excused: REP. JONES.

273 VICE CHAIR SCHOON closed the Work Session on HB 2057 and reopened the Work Session on HB 2500. He conducted administrative business.

314 VICE CHAIR SCHOON adjourned the meeting at 11:22.

Paula K. McBride, Committee Assistant  
Kimberly Taylor James, Office Manager

#### EXHIBIT SUMMARY

1. Tax Plan Options, Jim Scherzinger, Legislative Revenue Office.
2. HB 243 8-11, Dick Yates, Legislative Revenue Office.
3. Staff Measure Summary, HB 2438-11, Dick Yates, Legislative Revenue Office.

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#### EXHIBIT SUMMARY (continued)

4. Revenue Analysis of Proposed Legislation, HB 2438-11, Dick Yates, Legislative Revenue Office.
5. Fiscal Analysis of Proposed Legislation, HB 2438-11, Roz Shirack, Legislative Fiscal Office.
6. HB 2438-12, Dick Yates, Legislative Revenue Office.
7. Testimony in support of HB 2438-12, Linc Cannon, Oregon Forest Industries Council.
8. HB 2438: Review of Timber Taxation, Dick Yates, Legislative Revenue Office.
9. HB 2057-3, Dick Yates, Legislative Revenue Office.
10. HB 2057: Summary, Dick Yates, Legislative Revenue Office.
11. Staff Measure Summary, HB 2057-3, Dick Yates, Legislative Revenue Office.
12. Revenue Analysis of Proposed Legislation, HB 2057-3, Dick Yates, Legislative Revenue Office.
13. Fiscal Analysis of Proposed Legislation, Roz Shirack, Legislative Fiscal Office.

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Tapes 116 A  
HB 2500  
HOUSE COMMITTEE ON  
REVENUE AND SCHOOL FINANCE  
July 5, 1993 3:00 PM HEARING ROOM A STATE  
CAPITOL BUILDING

Members Present: Representative Tom Brian, Chair Representative Mike Burton  
Representative Fred Girod Representative Jim Whitty  
Members Excused: Representative Margaret  
Carter

Staff: James Scherzinger, Legislative

Revenue

Officer

Steve Bender, Legislative Revenue

Office

Rick Gaupo, Committee Assistant

TAPE 116, SIDE A

006 Chair Brian called the meeting to order at 3:00 p.m.

010 Chair Brian states that this is an introductory  
meeting

053 Steve Bender hands out Sales Tax Exemptions list -  
(Exhibit 1)

1) There are very few constitutional restrictions on what can be taxed

2) Consumer exemptions: exemptions for lowincome households

3) Producer goods exemptions: prevent pyramid of taxes

107 4) Interstate competitiveness: items that if taxed would not be  
competitive with other states' goods

139 5) Public benefit: more than the purchaser are benefiting

6) Administrative exemptions: not worth the cost to tax, i.e. garage sales

161 7) "Consistent treatment" exemptions: tax some items but exempt similar  
items

181 8) Unclassified exemptions: No really clear exemptions

194 Rep. Girod asks about Item 6). These are items that  
become too difficult to tax

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recording.

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Subcommittee on Property  
Tax

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210 Chair Brian adjourns the meeting at 3:22 p.m.

Submitted by Reviewed by  
Rick Gaupo Kimberly Taylor James

Exhibit Log:

1 - HB 2500, Staff, 1 page