

Work Session: HB 2500
HB 3677
Tapes 186-
187 A/B
188 A

HOUSE COMMITTEE ON
REVENUE AND SCHOOL
FINANCE

JULY 12, 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
Witnesses Present: Jim Manary,
Department of Revenue
Staff: James Scherzinger, Legislative Revenue Officer Steve Bender,
Legislative Revenue Office
Paula McBride, Committee Assistant

TAPE 186 SIDE A

004 CHAIR JONES called the meeting to order at 8:15.

005 CHAIR JONES opened the Work Session on HB 2500, and she referred members to a previous handout that listed the exemption recommendations from the Property Tax Subcommittee (see Exhibit 14, 7/9/93).

020 STEVE BENDER referenced a handout that included information about the amendments HB 2500-46, containing other exemptions agreed to by the Committee on 7/9/93. .

027 CHAIR JONES clarified that the amendments HB 2500-46 contained all the exemptions listed on Exhibit 14 of 7/9/93 down through "state instrumentalities" plus the following: "soft drinks," "mineral water," "cold prepared food," "hay," and "contractors as consumers of fixtures."

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 12, 1993 Page 2

Questions and
discussion

042 STEVE BENDER explained the second page in the handout, entitled "Index to HB 2500-46 Amendments. This page explained line by line the language requested by the members for various amendments incorporated into HB 2500-46. Exhibit 1, page 2

Questions and
discussion

054 STEVE BENDER used the "Property Tax Subcommittee Recommendation" list (see Exhibit 14, 7/9/93) to begin his explanation of the exemptions in HB

250 0-46, the first of which was the exemption on "full government. The exemption would be for items sold to a government, not by a government. Exhibit 1, pages 2-16

Questions and discussion

091 STEVE BENDER told members where the exemption for "nonprofit hospitals" could be found in HB 2500-46. He cited the Oregon Revised Statute (ORS) that related to "health care facilities," some of which were not being exempted in HB 2500-46. Exhibit 1, page 14

Discussion

113 CHAIR JONES raised the subject of including for-profit hospitals in this exemption, per the request of REP. SCHOON on 7/9/93.

123 STEVE BENDER explained the amendments HB 2500-53, which included "for-profit" hospitals in the exemption for "nonprofit hospitals." Additionally, there was a restriction in the scope as to which purchases by these hospital facilities that would be exempt, and he named what would be exempt. Exhibit 1, pages 23-24

Questions and discussion

200 CHAIR JONES asked staff to remove language from the amendments HB 250 0-53 related to x-ray film.

Questions and discussion

223 STEVE BENDER read language from Section 200 of HB 2500 related to x-ray procedures as part of diagnoses in medical procedures.

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House Committee on

Revenue and School Finance July 12, 1993 Page 3

Questions and discussion

315 CHAIR JONES summarized the issue of x-ray film: If any one purchases x-ray film, a sales tax will be imposed, except when the sale was done by hospitals. Members agreed that this was the only exemption they wanted to include in HB 2500-53 for x-ray film.

Questions and discussion

367 STEVE BENDER explained the remaining language in the amendments HB 250 0-53. He described differences between those proposed amendments and the California sales tax related to hospitals. Exhibit 1, pages 23-24

TAPE 187 SIDE A

010 STEVE BENDER compared the cost for the exemption for "nonprofit hospitals" compared to the provisions in HB 250053, which would expand the exemption to for-profit hospitals. While the exemption would be extended, the revenue impact actually decrease because the exemption would apply to fewer purchases. He thought the impact would be between \$13 and \$14 million. Exhibit 1, pages 23-24

Questions and discussion

045 CHAIR JONES asked if there was objection to substituting the amendments HB 2550-53 for the language in HB 2550-46 related to the exemption for non-profits (extending the exemption to for-profit hospitals). Exhibit 1, pages 12, 23-24

Questions and

discussion

060 REP. GIROD noted a possible conflict of interest because he sits on a board of a non-profit hospital.

065 CHAIR JONES noted consensus on the amendments HB 250053, substituting them for language in HB 2550-46.

080 STEVE BENDER discussed the amendments HB 2500-46, which contained all the exemptions agreed upon by members on 7/9/93. He informed members where each exemption would be located in HB 2500. He began with the exemption for "liquid petroleum." Exhibit 1, pages 12-13

House Committee on

Revenue and School Finance July 12, 1993 Page 4

Discussion

(LISTED BELOW ARE REFERENCES WHERE EACH EXEMPTION WAS DISCUSSED BY MEMBERS; THESE EXEMPTIONS CAN BE FOUND IN EXHIBIT 1, HB 2500-46, PAGES 2-16. CHAIR JONES POINTED OUT THAT THE COMMITTEE HAD ALREADY ADOPTED THESE AMENDMENTS FOR EXEMPTIONS; SHE ASKED MEMBERS FOR COMMENT ONLY IF THEY HAD CHANGED THEIR MINDS ABOUT A PARTICULAR EXEMPTION. CONSENSUS WAS REACHED UNLESS OTHERWISE NOTED).

0100 STEVE BENDER explained the exemption for "dry docks." Exhibit 1, page Discussion

113 STEVE BENDER pointed out the language in HB 2500-46 related to the exemption for "coal." Exhibit 1, page 13

118 STEVE BENDER explained the "mobile home subsidy exemption." Exhibit 1, page 3

128 STEVE BENDER talked about where the language dealing with the exemption for "vending machine food." Exhibit 1, pages 9-10

146 STEVE BENDER reviewed the exemption for "auto stack" equipment. Exhibit 1, pages 14-15

153 STEVE BENDER pointed out the language for the exemption for "durable medical equipment." Exhibit 1, page 12

159 STEVE BENDER showed members where the exemption for "motor private carriers" was in HB 2500-46, which created a new section for HB 2500. Exhibit 1, pages 15-16

166 STEVE BENDER discussed the exemption for "state instrumentalities," which essentially was the state-chartered credit union exemption language. Exhibit 1, page 3

171 STEVE BENDER pointed out the "soft drink, mineral water, and soda water exemption in HB 2500-46. Exhibit 1, page 10

179 STEVE BENDER said the language relating to "cold prepared food items," which were not eligible for exemption, could be found on pages 10-12 of Exhibit 1.

189 STEVE BENDER pointed out the policy statement language related to "Contractors as consumers of fixtures, machinery and equipment

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House Committee on

Revenue and School

Finance

July 12, 1993 Page 5

installed." Exhibit 1, pages 58

Questions and discussion

234 STEVE BENDER related that the exemption for "hay" was on page 13 of HB 2500-46. Exhibit 1

240 STEVE BENDER revealed that HB 2500-46 had language that removed the exemption for newspapers and periodicals from HB 2500. Exhibit 1, page 13

and page 4

Questions and discussion

276 STEVE BENDER related that the last item in HB 2500-46 was the "retailer discount" changes. Exhibit 1, pages 3-4

Discussion

294 CHAIR JONES asked for consensus to adopt the amendments HB 2500-46 as amended. There was consensus.

309 STEVE BENDER discussed the amendments HB 2500-51, which related to the taxation of spirituous liquor sold by the bottle. Additionally, the amendments would make the sales tax applicable to beer and wine, which he believed the members didn't want to do. HB 2500, as introduced, did apply the sales tax to bottled liquor, but the Property Tax Subcommittee recommended that beer and wine be exempt. The estimate revenue impact was about \$14.2 million. Exhibit 1, page 17

Questions and discussion

TAPE 186 SIDE A

002 Questions and discussion continued concerning the amendments HB 250 0-51, concerning the issue of whether or not to apply the sales tax to liquor, beer, and wine. Exhibit 1, page 17

014 STEVE BENDER reiterated that as it was written the amendments HB 250 0-51 would exempt liquor, beer, and wine; but the Property Tax Subcommittee recommended that only liquor be exempted. Exhibit 1, page 17

Questions and discussion

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House Committee

on

Revenue and School Finance July 12, 1993 Page 6

027 STEVE BENDER informed members what language should be changed and what added to HB 2500-51 if the taxation of beer and wine were intended.

046 CHAIR JONES asked for and noted consensus for adoption of HB 2500-51 as amended.

Discussion

055 STEVE BENDER explained the amendments HB 2500-48, which exempted "nonfood animal life" from the sales tax. He reminded members of the relevant language in HB 2500 as it was introduced, which did not exempt nonfood animal life. Exhibit 1, page 18

Questions and discussion

094 REP. BRIAN revealed the rationale for the exemption of "nonfood animal life" in HB 2500-48, as discussed in the Property Tax Subcommittee. Exhibit 1, page 18

Questions and discussion concerning HB

250 0-48

150 CHAIR JONES separated out the two issues in HB 2500-48: The first was related to nonfood animal life used for agricultural purposes, and the second related to the nonfood animal life not related to agriculture.

Exhibit 1, page 18

Questions and discussion

209 STEVE BENDER reported that in the amendments HB 2500-52 the definition of the term "agricultural" was clearly stated. Exhibit 1, page 32, lines 17-21

Discussion

238 CHAIR JONES noted consensus for adoption of the first provision of the

amendment HB 2500-48, related to "nonfood animal life" used for agricultural purposes, based on the definition of agriculture in HB 2500-52.

241 CHAIR JONES asked members if they wanted to adopt the second provision in HB 2500-48, related to nonfood animal life that was not used in agriculture. Exhibit 1, page 18

Questions and discussion

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House Committee on

Revenue and School Finance July 12, 1993 Page 7

275 JIM MANARY talked about the approach the Department of Revenue (DOR) has taken toward "non-agricultural" activities on farms. He believed the courts still looked at farms in traditional ways. Only some breeding operations do qualify the farm for farm-use exemptions in the property tax system.

Questions and discussion

345 MOTION REP. BURTON moved to amend HB 2500-48 as follows: After word "Act" delete the rest of the language (effectively eliminating the exemption for "nonfood animals" not used

for

agricultural purposes).

DISCUSSION

405 VOTE The motion passed 7-2. Ayes: REPS. WHITTY, BURTON, CARTER, FEDERICI, SHIBLEY, SCHOON, and CHAIR JONES. Nays: REPS. BRIAN and GIROD. Absent: REPS. WALDEN and ADAMS.

432 CHAIR JONES wanted Legislative Counsel to include in HB 250048 the definition for "agricultural."

TAPE 187 SIDE A

007 STEVE BENDER discussed the revenue impact of HB 2500-48.

018 CHAIR JONES noted consensus for the amendments HB 2500-48 as amended.

023 STEVE BENDER discussed the amendments HB 2500-49, related to exemptions for veterinarian medicines and drugs. He explained that there was not an exemption in HB 2500 for these items, and he informed members what HB 2500 did include related to veterinarian medicine. Exhibit 1, pages 19-20

Questions and discussion

072 CHAIR JONES asked members for consensus in dealing with HB 250049 like all other "agricultural" business, but not to extend

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House Committee on

Revenue and School Finance July 12, 1993 Page 9

340 CHAIR JONES suggested dealing with HB 2500-27 only as a part of the definition of "agricultural business" rather than as a separate issue.

346 REP. FEDERICI wanted to include "horses" in the definition of "agricultural business" only if they were sold as horse meat, not for racing.

371 CHAIR JONES recessed the meeting at 10:04 and reconvened at 11:14.

378 MOTION REP. CARTER moved to adopt the amendments HB 2500-28 to HB 2500.

396 WITHDRAWN MOTION REP. CARTER withdrew her motion.

TAPE 188 SIDE A

006 MOTION REP. WHITTY moved to adopt the amendments HB 2500-28 to HB 2500.

DISCUSSION

011 REP. WHITTY spoke to his motion, giving a brief history of the cigarette tax in other states. HB 2500-28 would add 20 cents to the cigarette tax in Oregon (currently at 28 cents). Exhibit 2

Questions and discussion

042 REP. WHITTY said the purpose of the additional sales tax proposed in HB 2500-28 would be to fund the Oregon Health Plan. Exhibit 2

DISCUSSION (of the MOTION continued)

065 REP. WALDEN talked about HB 3684, heard before the Subcommittee on the Oregon Health Plan, in the House Appropriations Committee. He objected to including an increased cigarette sales tax in HB 2500, and he thought the amendments HB 2500-28 were premature because the amount needed to fund the Health Plan was not yet determined.

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House Committee on

Revenue and School Finance

July 12, 1993 Page 10

DISCUSSION (of the MOTION continued)

176 JIM SCHERZINGER confirmed that Section 497 of HB 2500-28 meant that the increased cigarette tax would not be levied if HJR 10 was approved by the voters.

Questions and discussion

DISCUSSION (of the MOTION continued)

193 VOTE The motion failed 6-5. Ayes:
REPS. WHITTY, BURTON, CARTER,
FEDERICI, and SHIBLEY. Nays:
REPS. ADAMS, BRIAN, GIROD,
WALDEN, SCHOON, and CHAIR

JONES.

202 MOTION REP. BURTON moved that HB 2500 be postponed indefinitely.

206 CHAIR JONES recessed the meeting at 11:30.

PLEASE NOTE THAT THE AFTERNOON SESSION WILL BE RECORDED WITH A DIFFERENT SET OF MINUTES AND WITH DIFFERENT TAPES.

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

EXHIBIT SUMMARY

1. HB 2500 Amendments, July 12, 1993, Steve Bender, Legislative Revenue Office.
2. HB 2500-28, introduced by Rep. Jim Whitty.

These minutes paraphrase and/or su_arize stateaents made during this
aeting. Text enclosed in quotation marks reports the speaker's exact
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recording.

A/B

HOUSE COMMITTEE ON
REVENUE AND SCHOOL FINANCE

JULY 12, 1993 1:00 AM HEARING ROOM A STATE CAPITOL
BUILDING

Members Present: Representative Delna Jones, Chair
Representative John Schoon, Vice
Chair
Representative Ron Adams
Representative Tom Brian (late
arrival)
Representative Mike Burton
Representative Margaret Carter
(late arrival)
Representative Tony Federici
Representative Gail Shibley
Representative Greg Walden
Representative Jim Whitty

Members Excused: Representative Fred Girod

Staff: James Scherzinger, Legislative Revenue
Officer
Steve Bender, Legislative Revenue Office
Richard Yates, Legislative Revenue Office
Katy Yetter, Committee Assistant

TAPE 189, SIDE A

006 CHAIR JONES called the meeting to order at 1:31 p.m.

004 REP. BURTON: Comments on his motion before the recess
regarding the moved postponement of the bill.
-Motion withdrawn.
-Explains action -- Wanted to address tax reform and funding
for various special interest groups.
-Discusses exemptions. Wants to move on the bill or kill
it.

040 CHAIR JONES: Discusses the action of the committee.
-Tax reform and personal income tax changes.
-Reviews amendments 39 dated 7-9-93 (EXHIBIT A).

073 SCHERZINGER: Reviews 2500-39.
-Changes income tax rates as proposed in Section 475.

-All changes begin January 1, 1994.
-Impact by income group and percentage deduction on tax.
Average reductions as well as Federal tax effects.

160 REP. SHIBLEY: Asks Scherzinger if this is a reduction in rates and a raise in standard reduction.

164 SCHERZINGER: Correct.

166 REP. SHIBLEY: Reduction in the rates within the income brackets for higher income tax payers.

170 SCHERZINGER: The amendment raises the rates not the standard reduction.
-Rates apply whether itemized or standard deduction.

190 YATES: Taxable income is determined with adjusted gross and then a standard deduction, going on to income tax.

219 CHAIR JONES: Asks for an example of an individual with a taxable income of \$5,000.

223 YATES: Explains this individual's process for figuring income taxes.
-Uses 1995 predicted figures.

243 REP. CARTER: Asks how needy individuals can be helped with their taxes.

260 SCHERZINGER: Replies that one proposal is to increase income that requires taxes back.
-Tax-free income level is higher.

295 REP. BURTON: Asks if this is an absolute reduction or a net reduction.

298 REP. SCHOON: Replies that the dollars went to low income tax reduction.
-There was a dollar amount to work with.
-A method for providing low income relief was the top priority of the subcommittee.

320 REP. SHIBLEY: States that in the subcommittee, all the various options were considered, and a dollar amount was a point to strive for.
-Has goal for rate reduction.
-Considers a surcharge for those in the highest tax bracket.

362 CHAIR JONES: Asks about reduction of rate as opposed to reduction of standard deduction.

378 YATES: Clarifies reductions.

380 REP. ADAMS: States that renters are not receiving property tax relief.

TAPE 190, SIDE A

002 REP. SCHOON: Looks at returns -- 58% reduction for people earning less than 10,000 dollars per year.

-The entire population receives a reduction of 11.3% on average.

020 MOTION: CHAIR JONES: Moves to ADOPT the -39 amendments to HB 2500 dated 7-9-93.

025 OBJECTION: REP. WHITTY objects to the motion to adopt the amendments.

028 CHAIR JONES: Recesses the committee at 2:03 p.m.

029 CHAIR JONES: Adjourns the meeting at 2:07 p.m.

Submitted by:

Reviewed by:

Katy Yetter
Committee Clerk

Kimberly James
Office Manager

EXHIBIT LOG

A - Amendments to HB 2500-39 - 5 pages