

Tapes 40-41 A/B
OREGON TAX SYSTEM
Work Session SB 357

SENATE COMMITTEE ON
REVENUE AND SCHOOL FINANCE
FEBRUARY 12, 1993 1:00 AM HEARING ROOM A STATE CAPITOL BUILDING
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Members Present: Senator Shirley Gold, Chair Senator Brady Adams Senator
Ron Cease Senator Rod Johnson Senator Paul Phillips Senator Tricia Smith

Members Excused: Senator Peg Jolin

Witnesses Present: Mike Vlasisavljevich, Director Policy Economics Group
Peat Marwick, Washington D.C.

Staff: James Scherzinger, Legislative Revenue Officer
Steve Bender, Legislative Revenue Office
Jennifer Belkle, Committee Assistant

TAPE 40 SIDE A

001 CHAIR GOLD called the meeting to order at 1:15 p.m.

007 CHAIR GOLD welcomed Governor Roberts to the committee.

012 CHAIR GOLD welcomed members from the House Revenue Committee.

020 JIM SCHERZINGER, Legislative Revenue Officer introduced MIKE
VLAISAVLJEVICH to the Committee. He explained that Peat Marwick is one of
the leading firms that works in the area of state and local taxes.

040 MIKE VLAISAVLJEVICH began his presentation regarding state taxes and
their relationship to the economy. He clarified that he would not give
specific information or recommendations for the State of Oregon. Exhibits 2
& 3.

090 MIKE VLAISAVLJEVICH explained that businesses look at a variety of
criteria, including a state's taxation system, to determine a new location.
However, there is a myriad of criteria that is more important.

Questions and discussion interspersed.

These minutes paraphrase and/or summarize statements made during this
meeting. Text enclosed in quotation marks reports the speakers exact words.
For complete context of proceedings, please refer to the tape recording.

Senate Committee on

Revenue and School Finance February 12, 1993 Page 2

140 MIKE VLAISAVLJEVICH reinforced the idea that in-state business is
important and can be ignored in the quest to attract out of state business.

160 MIKE VLAISAVLJEVICH testified regarding the linkage between state taxes
and the economy. He stated that taxation policies have a ripple effect
throughout the economy.

185 MIKE VLAISAVLJEVICH spoke of attracting capital investment to a state
and the effect of business taxes on this process, as an example of linkage
between the tax system and the economy.

232 MIKE VLAISAVLJEVICH continued his testimony on elements of state tax

policies that support economic development.

282 MIKE VLAISAVLJEVICH stressed the concept of a state not having a tax system that is significantly higher than those of the surrounding states.

300 MIKE VLAISAVLJEVICH emphasized the necessity of looking at the tax system as a whole.

331 GOVERNOR ROBERTS questioned the incentive issue for attracting business to the state, i.e., short term state assistance vs. long-term state assistance.

Questions and discussion.

TAPE 41 SIDE A

001 MIKE VLAISAVLJEVICH continued his testimony regarding state and local taxes.

022 MIKE VLAISAVLJEVICH compared the rate of various taxation between different states. The differences emerge when comparing various taxes. He referred to the Money Magazine article that ranked levels of taxation.

072 MIKE VLAISAVLJEVICH commented that this leads to the conclusion that in order to approach tax policy issues in an informed and objective manner, it is necessary to develop tools that look at the tax system as a whole.

Questions and discussion.

075 SEN. PHILLIPS inquired regarding levels of federal taxation and programs, more specifically National Health Care.

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Senate Committee

on

Revenue and School Finance February 12, 1993 Page 3

135 MIKE VLAISAVLJEVICH testified that in the absence of a health care reform system, the employers shoulder the responsibility. State policies in this arena can play a significant role in business relocation decisions. Questions and discussion interspersed.

265 SEN. SMITH inquired whether cuts in education would have a discouraging effect on companies considering relocation to Oregon.

292 MIKE VLAISAVLJEVICH spoke of the importance of weighing the costs and benefits of changes in the tax system and considering the effects those changes would have on other systems, i.e. education, business, and health care.

300 REP. SCHOON commented that rather than revamping the entire tax system, concentrated efforts in limited areas of taxation would be more effective i.e., business taxes.

387 MIKE VLAISAVLJEVICH testified regarding model systems from other states.

TAPE 40 SIDE B

001 MIKE VLAISAVLJEVICH continued testimony on models from other states. Questions and discussion interspersed.

050 REP. SCHOON inquired about the productivity of placing a heavier tax burden on those corporations which are successful.

055 MIKE VLAISAVLJEVICH responded that corporate income taxes are the most prevalent taxes. Forty-five states have corporate income taxes and some states even have networkfranchise taxes which are taxes upon capital stock and are applied regardless of the company's profitability.

111 REP. FEDERICI brought up the concept of the political reality of the voters' perception and response to tax reform.

132 MIKE VLAISAVLJEVICH emphasized the importance of politics and communication with the voters blended with a hard analyses of the

situation.

150 MIKE VLAISSAVLJEVICH suggested that good solid credible analyses is the key to presenting this type of package to the voters.

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Senate Committee on
Revenue and School Finance February 12, 1993 Page 4

167 MIKE VLAISSAVLJEVICH continued his presentation by comparing the model input and output of other states.

Questions and discussion.

367 SEN. JOHNSON inquired about the time and cost for a study comparable to those discussed today.

370 MIKE VLAISSAVLJEVICH estimated that it would take 6 months of work at a cost of \$320,000. However, it varied depending on the scope and priorities of the study.

400 SEN. JOHNSON asked what could be done in one month.

TAPE 41 SIDE B

001 MIKE VLAISSAVLJEVICH stated that it would take at least 3 months to develop any tools that were worthwhile.

Questions and discussion interspersed.

102 CHAIR GOLD summarized the agenda for next week's Oregon Tax System presentations.

118 STEVE MEYER directed members' attention to the amendments to SB 357. Exhibit 4.

171 MOTION: SEN. PHILLIPS moved for the adoption of the amendments to SB 357 .

175 ORDER: There being no objections, Chair Gold so ordered.

180 MOTION: SEN. PHILLIPS moved the amended SB 357 to the Senate Floor.

185 ROLL CALL VOTE: The motion passed with a vote of 6-0. Sen. Jolin was excused from the vote.

195 CHAIR GOLD is to be the bill carrier on SB 357.

200 SEN. SMITH inquired about the possibility of bringing SB 357 and SJR10 together for concurrent consideration on the floor.

220 CHAIR GOLD adjourned the meeting at 3:00 p.m.

Jennifer Belkle Committee Assistant
Kimberly Taylor, Office Manager

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Senate Committee on
Revenue and School Finance
February 12, 1993 Page 5
Exhibit Summary

1. Scherzinger, Press release regarding Mike Vlasisavljevich, 2-993
2. Vlasisavljevich, Analyzing the Impact of State and Local Taxes on the Economy, 2-12-93
3. Vlasisavljevich, Multitax Simulation/Economic Impact Model Capabilities, 2-12-93
4. Proposed Amendments to SB 357, SB 357-2, 2-11-93
5. Gold, Letter of Invitation to Governor Roberts

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