

Tapes 67-68 A/B
Oregon Tax System
SENATE COMMITTEE ON
REVENUE AND SCHOOL FINANCE

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MARCH 4, 1993 1:00 AH 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 Peg Jolin Senator Tricia Smith
Members Excused: Senator Paul Phillips, Vice-Chair
Witnesses Present: Senator Grattan Kerans Senator Cliff Trow Senator Bill
Dwyer Representative Burton Representative Mannix
Staff: Steve Bender, Legislative Revenue Office
Jennifer Belkle, Committee Assistant

TAPE 67 SIDE A

001 CHAIR GOLD called the meeting to order at 1:35 p.m.

008 SEN. KERANS testified regarding his concept for a gross receipts tax
proposal. He gave background testimony of the passage of Ballot Measure 5.
He stated the people of Oregon were sending a message to legislators that
property taxes for schools were too high and assessments were going up too
fast. He recommended a course of action which 1) takes the school tax on
residential property down to zero while other properties remain at \$10 and
2) addresses rising assessments. He suggested generating the remaining
necessary revenue with a graduated gross receipts tax. He asserted that
this proposal would ensure that the promises from Measure 5 would be kept
and the gross receipts tax would recapture money and distribute it in a way
that makes the most sense. He stated that a gross receipts tax is the best
method to accomplish these goals.

Questions and discussion.

240 STEVE BENDER explored the graduated feature of a gross receipts tax and
explained the economic impact of this tax.

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.
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263 STEVE BENDER concurred that the current gross receipts tax proposals
carry the weight necessary to generate significant revenue funds.
Questions and discussion continued.

275 SEN. KERANS addressed the issue of what is necessary to get this type
of measure passed. He stated that the leadership for such a proposal will
come from the business community and not the legislature.

Questions and discussion. *

380 STEVE BENDER discussed the gross receipts tax and its interaction with
the existing income tax system. He suggested having a credit for income
taxes paid from the gross receipts tax to avoid a double taxation
situation.

Questions and discussion.

TAPE 68 SIDE A

001 STEVE BENDER continued his testimony regarding the gross receipts tax.
Questions and discussion.

025 SEN. KERANS stressed the necessity of eliminating a tax before
proposing an additional one.

Questions and discussion.

095 SEN. KERANS asserted that a gross receipts tax is the best proposition because it has a low rate, is widespread, and recoups money earned by people doing business in the state of Oregon.

Questions and discussion.

202 SEN. CEASE concurred that property tax reform needs to be a part of any new tax package.

230 SEN. KERANS stated that it is necessary to have a consensus in this state between business, labor unions, and regressive tax opponents before any tax proposals can be successful.

280 SEN. JOLIN discussed her views on the current tax system and possible answers to this dilemma.

315 SEN. TROW testified regarding his concern for the revenue shortfall and the consequential significantly reduced budgets. The

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first of which being HB 5003, but he stated that this is not the last of such budgets. He reiterated that the State does not have the money to support the services at a reasonable level promised to the people of Oregon. He informed the Committee that there had been debate in the Ways and Means Committee regarding the policy of using lottery money and depending on excise tax increases for backfilling the General Fund. He urged this committee to come up with a proposal that generates revenue for the immediate future.

TAPE 67 SIDE

B

001 SEN. TROW continued his testimony on the necessity of replacement revenue.

015 SEN. DWYER testified regarding the Oregon Education Tax Act. Exhibit 1.

035 SEN. DWYER stated that Oregonians have been real clear in their opposition to a sales tax. He informed the committee that the sales tax has been defeated eight times; the first time in 1933 and the last time in 1986.

060 SEN. DWYER discussed the necessary qualifications for any tax reform proposal. He asserted that all these factors preclude a sales tax. He believes, however, that the Oregon Education Tax Act fulfills the criteria and is the best choice for a revenue replacement proposal. Exhibits 2-4.

126 SEN. DWYER stressed the need for a stable revenue source. He challenged the Committee to pass the tax proposal this session and let the people reject the proposal through a recall effort.

Questions and discussion.

200 SEN. DWYER concluded his testimony with comments regarding Work Force 2000.

215 REP. BURTON testified to the belief that Measure 5 was in response to an unfair tax system that was outdated. He said we need to come up with a tax system that encourages savings and investment by the individual. He suggested the passage of legislation to 1) reform the income tax system and 2) develop a consumption tax, preferably a gross receipts tax. Exhibit 5.

352 REP. MANNIX explained his gross receipts tax proposal that is dedicated to public safety. Exhibit 6.

TAPE 68 SIDE B

001 REP. MANNIX continued his testimony on his gross receipts plan.

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010 REP. MANNIX stated that one way to interest people in this plan was to dedicate the revenue to an area people are concerned about funding, i.e. public safety.

Questions and discussion.

035 REP. MANNIX stated that he favored a gross receipts tax over a sales tax because it is easier to administer and enforce and can be distributed more evenly across the business community.

085 CHAIR GOLD adjourned the meeting at 3:03 p.m.

Jer ni\~3 r Belkle, Committee
Assistant
Kimberly Taylor, Office Manager
Exhibit Summary

1. Dwyer, The Oregon Education Tax Act
2. Dwyer, Split Roll with a Gross Receipts Tax and Personal Income Tax Increase memorandum, 1-30-92
3. Dwyer, Gross Receipts Tax Shift Effects memorandum, 9-9-92
4. Dwyer, Impact of a Graduated Gross Receipts Tax memorandum, 1116-92
5. Bender, Mannix-Burton Working Group
6. Mannix, Government Finance Reform Discussion Outline
7. Bender, Option 2 - Gross Receipts
8. Bender, Revised Oregon Tax System Testimony Summary, 3-4-93
9. Bender, Revised Tax Reform Proposals, 3-4-93

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