

Tapes 4-5 (A/B) Tapes 6-7 (A) Orientation/Oregon Taxes/ State Spending
Limit/ 2% Surplus Kicker/Income Tax HOUSE COMMITTEE ON REVENUE AND
SCHOOL FINANCE

January 16, 1991 8:00 AM Hearing Room A State Capitol Building .
Members Present: Representative Delna Jones, Chair Representative Carl
Hosticka, Vice-Chair (arrived 8:04) Representative Mike Burton (arrived
8:07) Representative Kelly Clark Representative Bev Clarno
Representative Mike Nelson (arrived 8:07) Representative Fred Parkinson
(arrived 8:04) Representative John Schoon (arrived 8:04) Representative
Jim Whitty

Staff Present: Jim Scherzinger, Legislative Revenue Officer Richard
Yates, Legislative Revenue Office Linda Leach, Committee Assistant
Witnesses Present: Jim Brown, Department of Revenue TAPE 4 SIDE A 005
CHAIR JONES called the meeting to order as a subcommittee at 8:00 until
a quorum was reached at 8:04. She conducted administrative business.
OREGON TAXES 026 JIM BROWN discussed administrative expenses of various
tax programs. He referred to Summary of Oregon Taxes and explained
administrative costs under property taxes were not listed because it is
a combination of costs from the Department of Revenue and the thirtysix
Oregon counties. He estimated that expense to be approximately \$50
million. He explained the primary items that drive administrative costs:
1) Number of taxpayers. 2) Complexity of tax calculation. 3) Quality of
taxpayer. 4) Setting of values (on timber for example). Exhibit 1 080
Questions and discussion. 130 CHAIR JONES conducted administrative
business. 146 JIM SCHERZINGER continued with committee orientation from
the January 15 meeting. He completed his review of Oregon Revenue
Compared To Other States. Exhibit 2

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. House Committee on Revenue and School Finance January 16,
1991 Page 2 174 Discussion regarding language of "capacity to tax" (the
amount of resources to tax in Oregon compared to national resources).
214 JIM SCHERZINGER explained Oregon's use of it's capacity or ability
to tax is called "effort" or a measure of tax burden relative to
Oregon's capacity. Exhibit 2 228 Questions and discussion. 252 JIM
SCHERZINGER explained that Oregon tends to place the initial ,tax impact
more on individuals and more toward higher income than other states. 290
JIM SCHERZINGER continued with his review of State Tax Rankings 1988-89
(preliminary). He pointed out that 1987-88 was a "kicker" year and
1988-89 was not. Oregon tends to move up in the state rankings when the
kicker does not "kick". Exhibit 2-page 2 328 JIM SCHERZINGER pointed
out that Oregon Tax Rankings State and Local Taxes provides a ten year
history of state rankings. Exhibit 2page 3 380 Questions and discussion
regarding Oregon's personal income tax. TAPE 5 SIDE A 001 Discussion
continued. 022 JIM SCHERZINGER commented on Oregon's long-term trend
for increased state and local taxes as a percent of personal income
through approximately 197 9-80. 026 Discussion regarding Oregon's
income tax compared to ranking of other states. 045 REP. BURTON
commented on a correlation between personal income tax and property tax.
062 JIM SCHERZINGER explained growth and a pattern of personal income,
property tax and property tax relief. 080 Questions and discussion. 100
JIM SCHERZINGER explained a ranking trend of looking at broader
measures than taxes and licenses in order to make comparisons with other
states. He explained different methods to expand the scope of
comparisons. He pointed out that the broader the comparisons, then the
higher Oregon moves up in the rankings. Exhibit 1-page 1 172 JIM

SCHERZINGER referred to State Budget Detail - Census Bureau and explained why Oregon ranks high in transfers from the federal

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. House Committee on Revenue and School Finance January 16, 1991 Page 3 government and where those payments originate (from federal and from local). Exhibit 3 191 Questions and discussion regarding health/welfare and rent/royalties. Exhibit 3 222 Questions and discussion regarding amount of revenue from the federal government compared to other states. 236 JIM SCHERZINGER pointed out different comparison studies that are available. He pointed out problems with comparison accuracies in terms of technical and practical. He referred to Detailed Tax Rankings. Exhibit 2, page 4 299 Questions and discussion regarding vehicle license fees and liquor tax. STATE SPENDING LIMIT/2% SURPLUS KICKER 318 JIM SCHERZINGER explained that the State Spending Limit and 2% Surplus Kicker are independent and do not impact each other. They are similar in that the original purpose was to create a limitation on government, but the manner of limitation is different. The Spending Limit is a limitation on the expenditure side and the 2% Kicker is a limit on the revenue side. Exhibit 4 372 Questions and discussion regarding the history of the State Spending Limit and the 2% Surplus Kicker. TAPE 4 SIDE B 002 Questions and discussion regarding Ballot Measure 5 requirements for replacement revenue. 006 JIM SCHERZINGER pointed out that the State Spending Limit and 2% Surplus Kicker are both statutory requirements. 025 JIM SCHERZINGER explained the Spending Limit Calculation. Exhibit 4, page 2 090 Questions and discussion regarding the calculation of the State Spending Limit. 124 JIM SCHERZINGER pointed out the history of the State Spending Limit and a chart entitled General Fund Spending Limit. Exhibit 4, pages 3, 4 176 Questions and discussion regarding a chart on page 4 and a table on page 3. Exhibit 4 231 Questions and discussion regarding an override of the State

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. House Committee on Revenue and School Finance January 16, 1991 Page 4 Spending Limit. 287 CHAIR JONES recessed the meeting at 9:20 and reconvened the meeting at 9:35. 290 JIM SCHERZINGER reviewed Spending Limit Calculation 1991-93 biennium. Exhibit 5 TAPE 5 SIDE B 001 JIM SCHERZINGER continued his review of Exhibit 5. 019 Questions and discussion regarding 1987/88 numbers in Exhibit 5 compared to 1987/88 numbers in Research Report. 045 Questions and discussion regarding Ballot Measure 5 impact and possible refunds to federal retirees because of a tax court ruling. COMMITTEE RULES 066 CHAIR JONES referred the members to Proposed Rules. Exhibit 6 070 MOTION Rep. Parkinson moved the committee adopt Proposed Rules. 080 Discussion regarding minority report requirements. 090 CHAIR JONES noted a written notice of intent to file a minority report was not a requirement. 104 ORDER There being no objection, Chair Jones so ordered. 2% SURPLUS KICKER 106 JIM SCHERZINGER reviewed the 2% Surplus Kicker and pointed out that the kicker operates at the end of a biennium. Exhibit 4-page 4 145 Questions and discussion regarding an official forecast for the purposes of the 2% Surplus Kicker law and the history of forecast accuracy. 227 JIM SCHERZINGER pointed out a chart that shows the history of the 2% Kicker. Exhibit 4-page 5 250 JIM SCHERZINGER answered questions regarding Oregon's revenue estimates and the underestimation of forecasting during a period of Oregon's growth. 300 JIM SCHERZINGER

explained the timing of the revenue forecast for committee presentation.

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Linda Leach, Committee Assistant Kimberly Taylor, Office Manager

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. House Committee on Revenue and School Finance January 16, 1991 Page 7 EXHIBIT SUMMARY 1. Summary of Oregon Taxes, Department of Revenue, 1/16/91 - Orientation 2. Oregon Revenue Compared to Other States 1987-88, LRO, 1/16/91 - Orientation 3. State Budget Detail-Census Bureau 1987-88, LRO, 1/16/91 - Orientation 4. Research Report, Oregon's State Spending Limit and 2% Surplus Kicker, LRO, 1/16/91 - Orientation 5. Spending Limit Calculation, 1991-93 Biennium, LRO, 1/16/91 Orientation 6. Proposed Rules, LRO, 1/16/91 - Orientation 7. Calculation of Oregon Personal Income Tax, LRO, 1/16/91 Orientation 8. Personal Income Tax History, LRO, 1/16/91 - Orientation

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