

Tapes 168-169 (A/B) Tapes 170- 171 (A) Work Session: HB 2164, HB 2148,
HB 288 3A Overview: SB 814 HOUSE COMMITTEE ON REVENUE AND SCHOOL FINANCE

April 26, 1991 8:00 AM Hearing Room A State Capitol Building

Members Present: Representative Delna Jones, Chair Representative Carl Hosticka, Vice-Chair Representative Mike Burton Representative Kelly Clark Representative Bev Clarno Representative Mike Nelson Representative Fred Parkinson Representative John Schoon Representative Jim Whitty Staff Present: Jim Scherzinger, Legislative Revenue Officer Terry Drake, Legislative Revenue Office Dick Yates, Legislative Revenue Office Linda Leach, Committee Assistant Witnesses Present: Leonard Powers, Oregon Society of Certified Public Accountants Jim Brown, Department of Revenue TAPE 168 SIDE A 005 CHAIR JONES called the meeting to order at 8:13. OVERVIEW SB 814 - LONG TERM SCHOOL FINANCE FORMULA 012 JIM SCHERZINGER referred to School Fund Formula (SFF) which was developed from initial policy decisions by the Senate Revenue and School Finance Committee. He explained a working group which has developed the formula based on policy decisions. He pointed out data is still being collected for some elements. Exhibit 1 027 TERRY DRAKE reviewed School Fund Formula (SFF) and explained the formula is driven by student weighting. Exhibit 1 Questions and discussion interspersed regarding elements in school fund formula (local option, replacement revenue). TAPE 169 SIDE A 001 CHAIR JONES summarized the Senate Revenue and School Finance Committee's work on SB 814 and noted her desire to learn from other states (school financing).

~ . 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 April 26, 1991 Page 2 WORK SESSION - HB 2164 039 CHAIR JONES discussed the committee's procedure for HB 2164 (reconnect bill) which comes from the Subcommittee on Income Taxation. 084 REP. SCHOON suggested to review changes by groups and referred to Oregon Society of Certified Public Accountants OBRA 1989 and OBRA 1990. He started with a review of OBRA 1989 "A" - General Business Provisions. Exhibits 2, 3 ,132 CHAIR JONES referred to Proposed Amendments HB 2164-18, 4/25/91 and a booklet from Oregon Society of Certified Public Accountants. Exhibits 4, 5 136 REP. SCHOON continued with overview of OBRA 1989. 169 LEONARD POWERS reviewed a Federal provision which permits a deduction for self employed people for 25% of their health insurance. 240 REP. SCHOON discussed section "B" - Corporate Provisions. Exhibit 2 280 REP. SCHOON reviewed sections "C" - Estimated Tax and Information Returns, "D" - Consolidated Returns and "E" - Tax Credits. Exhibit 2 294 JIM BROWN reviewed section "F" - Exchange Tax Provisions. Exhibit 2 375 Questions and discussion interspersed (ability to administer) and prevention of double taxation. TAPE 168 SIDE B 001 Questions and discussion continued. 033 CHAIR SCHOON explained Section "G" - Employee Stock Option Plan (ESOP) Provisions. Exhibit 2 045 REP. SCHOON reviewed Section "H" - Estate Tax Provisions. Exhibit 2 053 JIM BROWN detailed generation skipping tax and pointed out Section 7b, page 7 of Proposed Amendments HB 2164-18. Exhibits 2, 4 080 Questions and discussion (not injure Oregon taxpayers). 087 REP. SCHOON addressed Section "I" - Employee Benefits and Retirement Plan Provisions. Exhibit 2 112 Questions and discussion regarding 1989/91 revenue impact.

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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 April 26, 1991 Page 3 150 REP. SCHOON reviewed Section "J" - Tax Exempt Bonds. Exhibit 2 177 REP. SCHOON discussed Section "K" - Foreign Income and Foreign Taxpayers. Exhibit 2 189 Questions and discussion regarding DISC's (Domestic International Sales Corporation) which are not recognized in Oregon. 207 DICK YATES referred to page 16, line 16 of Proposed Amendments HB 216 4-18 which prevents the possibility of double taxation. 214 REP. SCHOON reviewed Section "L" - Withholding Tax Provisions. Exhibit 2 222 Questions and discussion regarding deposit requirements. 237 REP. SCHOON reviewed Section "M" - Penalty Provisions. Exhibit 2 250 Questions and discussion. 281 REP. SCHOON reviewed Section "N" - Other Provisions. Exhibit 2 309 JIM BROWN explained why Oregon did not connect to Federal regarding Other Excise Tax Provisions. 320 CHAIR JONES recessed the meeting at 9:33 and reconvened at 9:55 as a subcommittee until a quorum was reached at 10:00. 345 CHAIR JONES referred to Oregon Society of Certified Public Accountants, OBRA 1990. Exhibit 3 352 REP. SCHOON reviewed Section "A" - Changes Affecting Individuals. He pointed out A6 - Itemized Deductions: Limit (Oregon tied with Federal). Exhibit 3 386 DICK YATES provided an example of A6 under Changes Affecting Individuals with a handout entitled HB 2164-7. Exhibit 6 Questions and discussion interspersed. TAPE 169 SIDE B 001 Discussion continued regarding example from Dick Yates. Exhibit 6 092 DICK YATES explained A10 - Health Insurance Credit and referred to Section 7D, page 9 of HB 2164-18 proposed amendments. 114 REP. SCHOON continued with review of Section "A" - Changes Affecting Individuals. Exhibit 3

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150 REP. SCHOON discussed Sections "B" - Excise Taxes and "C" Hazardous Substance Superfund. Exhibit 3 176 REP. SCHOON commented on Sections "D" - Insurance Provisions and "E" - Compliance Provisions. Exhibit 3 182 REP. SCHOON reviewed Section "F" - Corporate Provisions. Exhibit 3 192 REP. SCHOON discussed Sections "G" - Employment Tax Provisions and "H" - Miscellaneous Provisions. Exhibit 3 229 REP. SCHOON reviewed Section "I" - Extension of Expiring Tax Provisions. Exhibit 3 240 REP. SCHOON addressed Sections "J" - Energy Incentives, "K" Estate and Gift Provisions and "L" - Small Business Incentives. Exhibit 3 264 DICK YATES reviewed the cost of removing barriers for handicap access. 271 REP. SCHOON discussed Sections "M" - Tax Technical Corrections, "N" - Repeal of Expired or Obsolete Provisions and "O" - Retirement Plan Provisions. Exhibit 3 300 REP. SCHOON reviewed Section "P" - Section 5000 ET SEQ (in the following sequence). Exhibit 3 309 JIM BROWN reviewed delinquent child support collections and refunds. 330 Questions and discussion. 350 REP. SCHOON explained that because of the lack of progressivity in Oregon's tax system the subcommittee decided to index the tax brackets beginning in the 1993/95 biennium which benefits primarily low income. He noted a slight fiscal impact because of estimated taxes paid. 380 Questions and discussion regarding indexing tax brackets and computation of impact. TAPE 170 SIDE A 004 REP. SCHOON explained even though a revenue decrease appears, the state is receiving proportionately the same amount of revenue. He believed the proposed index for tax brackets was fair to the taxpayer and the government and

urged the committee's support. 011 Questions and discussion regarding a prospective tie for health insurance payments.

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018 DICK YATES pointed out Section 1a of HB 2164-18 proposed amendments contain the provisions for indexing tax brackets. He explained the mechanics of tax indexing. Exhibit 4 041 Questions and discussion regarding mechanics of income tax indexing. - 059 Questions and discussion regarding Revenue Analysis HB 2164A, 4/25/91. Exhibit 7 091 Questions and discussion regarding effect on the budget process and Ways and Means Committee. 119 DICK YATES reviewed Section 7g, HB 2164-18 proposed amendments (a prospective tie to Federal code). Exhibit 4 143 LEONARD POWERS provided an example of an "S" corporation and a possible problem with reconnecting. 229 Questions and discussion regarding advantages of an "S" corporation. 265 Questions and discussion. 286 MOTION REP. SCHOON moved adoption of Proposed Amendments HB 2164-18, 4/25/91. 290 ORDER There being no objection, CHAIR JONES so ordered. 300 MOTION REP. SCHOON moved HB 2164 as amended to the floor with a do pass recommendation. 310 VOTE In a roll call vote, the motion was adopted (8-0). AYES: Reps. Nelson, Parkinson, Schoon, Whitty, Clark, Clarno, Hosticka, Jones. EXCUSED: Rep. Burton WORK SESSION - HB 2148 326 REP. PARKINSON explained HB 2148 comes from the Subcommittee on Property Taxation and allows the state forester to retain certain timber receipts. 338 TERRY DRAKE gave examples of county trust forest lands and the purchase of land for access. He reviewed current law of holding the purchases on the books. HB 2148 would provide a five year period at which time if enough revenue was not generated, then the state forester would be allowed to remove the land (from the books) only with the approval of the affected local government.

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Page 6 376 MOTION REP. - PARKINSON moved HB 2148 to the floor with a do pass recommendation. 380 VOTE In a roll call vote, the motion was adopted (7-0) *(see Tape 171/A, meter 038 for final vote). AYES: Reps. Parkinson, Schoon, Clark, Clarno, Nelson, Hosticka, Jones. EXCUSED: Reps. Burton, Whitty. WORK SESSION - HB 2883A 397 REP. PARKINSON explained HB 2883A is from the Subcommittee on Property Taxation and extends current treatment of hardwoods in western Oregon to hardwoods in eastern Oregon. 412 Questions and discussion. TERRY DRAKE pointed a very small revenue impact. TAPE 171 SIDE A 001 Discussion continued. 020 MOTION REP. PARKINSON moved HB 2883A to the floor with a do pass recommendation. 023 VOTE In a roll call vote, the motion was adopted (8-0). AYES: Reps. Schoon, Whitty, Clark, Clarno, Nelson, Parkinson, Hosticka, Jones. EXCUSED: Rep. Burton HB 2148 030 UNANIMOUS CONSENT CHAIR JONES requested unanimous consent to allow Rep. Whitty to cast his vote on HB 2148. 033 ORDER There being no objection, Chair Jones so ordered. 038 VOTE** Rep. Whitty voted "aye". Final vote on HB 2148 - 8-0. 039 CHAIR JONES conducted administrative business and adjourned the meeting at 11:03 ~

Linda Leach, Committee Assistant Kimberly Taylor, Office Manager

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