

Tapes 186-187(A/B) Public Hearing: SB 175A, SB 1185A Work Session: HB 2166, HB 2441, SB 175A HOUSE COMMITTEE ON REVENUE AND SCHOOL FINANCE May 10, 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 Steve Meyer, Legislative Revenue Office Dick Yates, Legislative Revenue Office Steve Bender, Legislative Revenue Office Linda Leach, Committee Assistant Witnesses Present: Representative Ron Cease, District 19 BJ Smith, League of Oregon Cities Bob Cantine, Association of Oregon Counties Jim Kenney, Department of Revenue Jim Brown, Department of Revenue Mike Reed, Oregon Liquor Control Commission (OLCC) TAPE 186 SIDE A 005 CHAIR JONES called the meeting to order at 8:09. PUBLIC HEARING - SB 118 5A 016 REP. CEASE reviewed efforts of a working group which sponsored SB 1185. The Senate Revenue and School Finance Committee substantially amended SB 118 5. He reviewed a bill in the House Intergovernmental Affairs Committee which would allow a soil conservation district to levy a fee against land owners and problems because that fee would come under the \$10 Measure 5 limit. He supported a tax coordination plan among local governments which have authority to levy a property 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. House Committee on Revenue and School Finance May 10, 1991 Page 2 059 Questions and discussion regarding compression and competition under Ballot Measure 5 and who would be responsible for coordinating the proposed process in SB 1185A. 146 JIM SCHERZINGER reviewed his Staff Measure Summary and emphasized SB 118 5A does not affect schools and applies only to the 1992-93 tax year. Exhibit 1 Questions and discussion interspersed. 239 BJ SMITH noted support for SB 1185 from the League of Oregon Cities and the Special Districts Association. She reviewed issues relating to tax coordination between local governing districts and provided examples. SB 118 5A is a framework which enhances knowledge and information which goes into an annual budget process. 326 Questions and discussion regarding timing changes and effective date of SB 1185A. 352 BJ SMITH explained that Section 4 of SB 1185A addresses a deadline date for proposed meetings. 370 Questions and discussion regarding timing issues. TAPE 187 SIDE A 001 BOB CANTINE did not support or oppose SB 1185A. Public information was a strong point in SB 1185A. He was concerned with Section 10 language. 022 CHAIR JONES was unsure if Section 10 was needed. 031 BOB CANTINE was concerned with charges on property not covered by SB 118 5A (Measure 5 impact). 050 REP. NELSON questioned if SB 1185 required or encouraged the proposed tax coordination process. 052 JIM SCHERZINGER reviewed Section 7 requirements, subsection 3 (certify public meeting held, ballot title meets requirements of act). 060 BJ SMITH reviewed possible options of coordinated efforts which may happen as a result of SB 1185. 086 CHAIR JONES identified issues for a future work session. 1) Is Section 10 needed? 2) Charges v. levy on a ballot.

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words. For complete context of proceedings, please refer to the tape recording. House Committee on Revenue and School Finance May 10, 1991 Page 3 PUBLIC HEARING - SB 175A 110 STEVE MEYER reviewed his Staff Measure Summary ' What the Bill Does. Exhibit 2 130 Questions and discussion. 158 JIM KENNEY explained what the Senate Revenue and School Finance Committee deleted from SB 175. The remaining issue in SB 175A addresses a problem resulting from the transfer of ownership of an estate. He reviewed amendments from Oregon Bankers and the Bar Association regarding personal representatives deed. He reviewed Section 5 of SB 175A relating to cancellation of personal property assessment when the total value for a taxpayer is less than \$2,000 because of collection costs. 210 Questions and discussion. WORK SESSION - SB 175A 236 Questions and discussion regarding collection of personal property taxes. 264 MOTION REP. WHITTY moved SB 175A to the floor with a do pass recommendation. 270 VOTE In a roll call vote the motion was adopted (8- 0). AYES: Rep. Parkinson, Rep. Schoon, Rep. Whitty, Rep. Clark, Rep. Clarno, Rep. Nelson, Rep. Hosticka, Rep. Jones. EXCUSED: Rep. Burton. WORK SESSION - HB 216 6 296 CHAIR JONES noted that HB 2166 was heard in the Subcommittee on Income Taxation. 300 DICK YATES reviewed HB 2166 and noted Section 1 relates to warrants in garnishment proceedings (allows use of copies). Section 2 allows grouping of a \$5 processing fee from lending institutions. Section 3 relates to a process for uncollectible debts and allows old accounts to be destroyed. He pointed out that the Secretary of State sets rules for certifying when a debt is uncollectible. 342 Questions and discussion regarding Section 3 of HB 2166. 352 REP. SCHOON added that the debts in discussion are debts for which all collection options have been exhausted. 366 Questions and discussion regarding a process for assigning uncollectible debt files to the Department of Revenue and storage of files.

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 May 10, 1991 Page 4 TAPE 186 SIDE B 002 Questions and discussion regarding uncollectible debt (reviewing, renewing, determination when a debt is uncollectible). 031 JIM BROWN pointed out that Section 3 does not apply to tax debt. He referred to page 2, lines 33-36 of HB 2166 which is current statute and provides strict requirements for what is determined uncollectible. 051 DICK YATES reviewed Section 4 of HB 2166 which relates to ,frivolous appeals and allows the Department of Revenue to begin collection procedures when an appeal is determined frivolous. 060 Questions and discussion regarding definition of "frivolous" in statute. Exhibit 3, subsection (5) 083 DICK YATES reviewed Sections 5 and 6 relating to amusement device tax which requires a payment to be credited first to any outstanding penalties. 093 Questions and discussion regarding payments of delinquent taxes for property taxes (taxpayer allowed to choose year, but payment must first apply to penalties and interest before principal). 118 Questions and discussion. 126 DICK YATES reviewed Section 8 which provides effective dates. 128 REP. SCHOON commented that HB 2166 comes from the Subcommittee on Income Taxation with a do pass recommendation. 132 MOTION REP. SCHOON moved HB 2166 to the floor with a do pass recommendation. 135 VOTE In a roll call vote, the motion was adopted (8-0). AYES: Rep. Schoon, Rep. Whitty, Rep. Burton, Rep. Clarno, Rep. Nelson, Rep. Parkinson, Rep. Hosticka, Rep. Jones. EXCUSED: Rep. Clark. WORK SESSION - HB 244 1 158 REP. SCHOON commented that HB 2441 comes from the Subcommittee on Income Taxation and addressed a nonexistent problem. He explained that OLCC has a specific reason for not collecting taxes on imported sacramental wines. HB 2441 proposed to exempt distributors in Oregon who sell sacramental

wines. The subcommittee did not support the proposed exemption.

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170 REP. SCHOON explained proposed amendments presented in the subcommittee which allows production for brewery-public house licensees to increase from 25,000 to 60,000 barrels per year. The Subcommittee on Income Taxation recommends adoption of Proposed Amendments to HB 2441-3, 5/8/91. Exhibit 4 188 Questions and discussion. - 212 Questions and discussion regarding proposed increased in gallonage on premises. 224 REP. BURTON pointed out a letter from the Oregon Liquor Control Commission regarding payment of privilege taxes on sacramental wines. Exhibit 6 236 REP. SCHOON pointed out that OLCC failed to present information requested by the Subcommittee on Income Taxation (the information is being presented today to the full committee). 245 STEVE BENDER reviewed original language in HB 2441 and summarized the following: 1) What HB 2441 does. 2) Current practice. 3) Current law. Exhibit 7 285 STEVE BENDER pointed out that the letter from OLCC indicates that OLCC has statutory authority to exempt tax on imports on the grounds that the purchasing religious organization is not in the business of importing wine. Exhibit 6 282 Questions and discussion regarding where wine is purchased for sacramental purposes (manufacturer, distributor, grocery store). 308 REP. BURTON discussed why he believed the original intent of HB 2441 may be needed (full committee presented with new information from OLCC). 357 REP. SCHOON discussed his understanding of the original intent of HB 244 1. He reviewed direct purchase from a manufacturer compared to purchase from a distributor (for profit). 371 MIKE REED explained that the OLCC does not maintain records on the sales and purchases of sacramental wines. OLCC does not determine what standard of wine is sacramental. OLCC does not have authority to impose a tax on a winery, distributor or private individual selling wine to an Oregon church. 400 Questions and discussion regarding who can bring wine into Oregon and required reports from Oregon manufacturers.

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TAPE 187 SIDE B 005 MIKE REED explained Legislative change is needed if the committee wants to exempt Oregon wineries and distributors from paying privilege taxes on sacramental wine sold to churches. 018 Questions and discussion clarifying that churches are not "engaging in business" as a wine importer. 026 REP. CLARK was concerned with a possible constitutional problem relating to separation of church and state. 049 MIKE REED clarified that the Attorney General agrees with OLCC'S analysis of where the incidence of tax falls and whether OLCC has the authority to tax. 051 Questions and discussion regarding an opinion from the Attorney General as related by Mike Reed. 053 REP. BURTON summarized the original proposal for exemption was requested because an

Oregon distributor's wine was not price competitively for churches compared to wine bought directly from out of state locations. He did not support a policy to make an exemption because of the use of the wine. 065 CHAIR JONES summarized a policy issue before the committee: Provide or not provide a tax exemption to a wine distributor because the end result is for religious purposes (and the distributor is in the business for a profit). 075 REP. CLARK questioned any constitutional ramifications if the committee chooses to provide an exemption (exemption created to protect a church). He did not believe the proposed exemption would create a constitutional problem. 076 REP. SCHOON pointed out two issues discussed in the Subcommittee on Income Taxation: 1) Many religious organizations buy wine for sacramental purposes from grocery stores and pay the tax. 2) The proposed exemption could lead to other exemptions for religious items in the future. 091 MOTION REP. SCHOON moved adoption of Proposed Amendments to HB 2441-3, 5/8/91. 094 AMENDED MOTION REP. CLARK moved to amend REP. SCHOON'S motion by deleting line 3 of Proposed Amendments to HB 244 1-3, 5/8/91.

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103 REP. CLARK did not see a constitutional problem with the proposed tax exemption which affects one distributor in Oregon. 107 REP. SCHOON opposed REP. CLARK'S motion which would grant a small favor for one person by creating an exemption to a general policy. The religious aspect may be used to help a profit making corporation increase their profits. 115 REP. BURTON agreed with Rep. Schoon and supported a state policy of not exempting Oregon distributors from paying the privilege tax. 30 VOTE In a roll call vote, REP. CLARK'S motion to amend REP. SCHOON'S motion was defeated (2-7). AYES: Rep. Whitty, Rep. Clark. NAYS: Rep. Burton, Rep. Clarno, Rep. Nelson, Rep. Parkinson, Rep. Schoon, Rep. Hosticka, Rep. Jones. 140 VOTE In a roll call vote, REP. SCHOON'S motion was adopted (7-2). AYES: Rep. Burton, Rep. Clarno, Rep. Nelson, Rep. Parkinson, Rep. Schoon, Rep. Hosticka, Rep. Jones. NAYS: Rep. Clark, Rep. Whitty. 150 MOTION REP. HOSTICKA moved HB 2441 as amended to the floor with a do pass recommendation. 160 VOTE In a roll call vote, the motion was adopted (7-2). AYES: Rep. Clarno, Rep. Nelson, Rep. Parkinson, Rep. Schoon, Rep. Burton, Rep. Hosticka, Rep. Jones. NAYS: Rep. Clark, Rep. Whitty. 165 REP. CLARK gave notice of a possible minority report. 173 CHAIR JONES conducted administrative business and adjourned the meeting at 9:50.

Linda Leach, Committee Assistant Kimberly Taylor, Office Manager

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Page 8 EXHIBIT SUMMARY 1. Staff Measure Summary SB 1185A, LRO, 5/10/91 - SB 1185 2. Staff Measure Summary SB 175A, LRO, 5/10/91 - SB 175 3. ORS 316.992, LRO, 5/10/91 - HB 2166 4. Proposed Amendments to HB 2441-3, 5/8/91, LRO - HB 2441 5. Memo from Steven Bender, HB 2441-3 Amendments, 5/9/91 - HB 2441 6. Letter from Chris Lyons, OLCC, 5/10/91 - HB 2441 7. HB 2441, LRO, 4/29/91 - HB 2441 8. Revenue Analysis SB 175A, LRO, 3/28/91 - SB 175 9. Fiscal Analysis SB 175A, LFO, 4/1/91 - SB 175 10. Revenue Analysis SB 1185A, LRO, 4/16/91 - SB 1185 11. Fiscal Analysis SB 1185A, LFO, 4/17/91 - SB 1185 12. Fiscal Impact HB 2441, LFO, 4/29/91 - LFO

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