

Tapes 16(A/B), 17(A)
Public Hearing: HB 2569, HB 2718 Work Session:
HB 2352, HB 2528, HB 2750

HOUSE COMMITTEE ON REVENUE AND SCHOOL FINANCE
SUBCOMMITTEE ON INCOME TAXATION

April 2, 1991 8:00 am Hearing Room A State Capitol Building

Members Present: Representative John Schoon, Chair
Representative Mike Burton
Representative Bev Clarno
Representative Mike Nelson

Members Excused: Representative Delna Jones

Witnesses: Senator Shirley Gold, Senate District #7
Representative Bev Stein, Representative District
#14 -
Representative Ron Cease, Representative District
#19
Representative Gail Shibley, Representative
District #12
George Starr, Oregon Fair Share
Rhys Scholes, Oregon Alliance for Progressive
Policy (OAPP)
Jeanine Meyer Rodriguez, Oregon Public Employees
Union (OPEU)
Mary Botkin, American Federation of State, County
and Municipal Employees (AFSCME)
Jack Sollis, Committee for Equalized Tax Treatment
of Public Retirement Benefits
Ed Hughes, Oregon Council of Federally Related
Organizations (OCOFRO)
Ted Demezas, Oregon Council of Federally Related
Organizations (OCOFRO)
Senator Bob Shoemaker

Staff: Dick Yates, Legislative Revenue Office
Marlene Stickley, Committee Assistant

TAPE 16. SIDE A

006 CHAIR SCHOON called the meeting to order at 8:16.

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 Subcommittee on Income Taxation April 2, 1991 Page 2

PUBLIC HEARING HB 2569

009 DICK YATES explained differences between Oregon and Federal Government in terms of standard deduction. Federal Government allows medical expenses to be itemized and explained the calculation, noting HB 2569 would require the taxpayer to recalculate for Oregon purposes.

PUBLIC HEARING HB 2718

033 SEN. GOLD read prepared testimony supporting HB 2718. Exhibit 1, Page 1

076 SEN. GOLD mentioned the analysis of HB 2718. Exhibit 1, page 2

082 REP. STEIN agreed that the key issue before the legislature is replacement revenue, but felt equity and fairness should be considered, explaining how HB 2718 is that foundation.

095 REP. STEIN explained how HB 2718 shifts the income tax burden.
109 SEN. GOLD emphasized fairness in HB 2718 and purposely achieving a revenue neutral bill.
122 REP. NELSON questioned the impact of increased income tax and its affect on economic development.
127 REP. STEIN responded there would be some offset in terms of State v. Federal, but not enough to compensate for additional taxation. In terms of economic development, businesses are not discouraged by some increase in personal income tax.
138 Questions and discussion regarding personal and corporate taxes.
171 REP. CEASE expressed concern regarding income tax being used as a source for the alternate revenue approach, noting his support of sales tax.
222 REP. CEASE interjected the craft of a bill can make it either progressive or regressive and HB 2718 would make the current process more progressive.
239 REP. SHIBLEY testified in support of HB 2718 because it is revenue neutral, reduces the tax burden, and an opportunity for a progressive tax system in Oregon.
270 REP. SHIBLEY described her interpretation of the responsibilities of legislative leaders.
320 REP. CEASE commented that replacement revenue, in relation to Ballot Measure 5, needs to be as progressive as possible.

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340 GEORGE STARR discussed the history of Oregon Fair Share and read prepared testimony. Exhibit 2
385 GEORGE STARR quoted language in SB 438 and continued with his prepared testimony. Exhibit 2
410 Questions and discussion regarding SB 437 and SB 438.
TAPE 17. SIDE A
,001 Questions and discussion regarding SB 437 and SB 438 continued.
042 RHYS SCHOLES read his prepared testimony supporting HB 2718. Exhibit 3
072 RHYS SCHOLES described raising income taxes as unpopular and felt the thinking of Oregonians needs to be changed in order to have a progressive system.
088 REP. BURTON discussed how HB 2718 shifts the tax burden but remains revenue neutral, questioning how to explain that to the public.
099 RHYS SCHOLES explained participatory education and community-wide learning.
122 REP. BURTON commented most people are willing to pay taxes as long as they are equitable.
130 JEANINE MEYER RODRIGUEZ rationalized her opinion of the current tax system being unbalanced by discussing statistics from a survey conducted by a Utah Tax Commission.
157 JEANINE MEYER RODRIGUEZ expressed concern regarding the Federal Government passing more taxes onto the states, resulting in more regressive taxation and recommended the passage of HB 2718 v. creating a new tax.
175 Questions and discussion regarding progressivity and HB 2718.
192 DICK YATES clarified that HB 2718 does not reinstate the minimum tax.
206 MARY BOTKIN declared HB 2718 would restructure the current tax system to achieve progressivity.
228 MARY BOTKIN discussed research showing how Oregon compares to the national average in relation to taxation.
262 MARY BOTKIN identified a regressive income tax system and layering a sales tax on top as concerns of AFSCME.

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275 MARY BOTKIN discussed corporate taxes in relation to Ballot Measure 5.
287 MARY BOTKIN favored a progressive system and encouraged the committee to consider HB 2718 as the first step to that process.
318 Questions and discussion regarding Oregon tax system.
372 REP. BURTON commented that all taxes are basically paid from some sort of income and debated the most equitable way to apply those taxes.
410 REP. BURTON focused on public reaction in relation to the passage of HB 271 8.
TAPE 16. SIDE B
001 REP. BURTON continued with public reaction in relation to the passage of HB 2718.
017 MARY BOTKIN commented that "tinkering" with the tax system makes the public nervous and suggested a package to achieve progressivity.
059 Questions and discussion followed regarding public reactions.
WORK SESSION HB 2352, HB 2528, HB
275 0
108 JACK SOLLIS explained an amendment to HB 2529 will be proposed to proportion the cost to revenue generated.
160 JACK SOLLIS updated the committee on litigation related to pensions, noting a case where Oregon was cited as having adopted the concept that pensions are in the nature of a contractual relationship.
170 Questions and discussion interspersed regarding the litigation presented.
183 JACK SOLLIS explained the planning of retirement pensions.
200 ED HUGHES mentioned a needed correction to Exhibit 5.
217 TED DEMEZAS introduced information that better explains the understanding of how HB 2750 affects PERS retirees. Exhibit 5
274 CHAIR SCHOON recessed the meeting at 9:32 and reconvened at 9:34 to reopen the public hearing on HB 2718.
PUBLIC HEARING HB 2718
275 SEN. SHOEMAKER reported his favorability of HB 2718 and felt moving towards a more progressive income tax is a good idea.

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302 SEN. SHOEMAKER maintained the public must be educated whenever there is any significant tax change.
335 SEN. SHOEMAKER expressed his feelings that a combination of high property and income tax rates are chilling, but half of that problem is solved, leaving more room on the income tax side.
350 Questions and discussion interspersed.
364 CHAIR SCHOON adjourned the meeting at 9:40.

Marlene Stickley, Committee Assistant
Kimberly Taylor, Office Manager
EXHIBIT SUMMARY

1. Making Taxes Fair, Senator Gold, 4/2/91 - HB 2718
2. Testimony, George Starr, 4/2/91 - HB 2718
3. Testimony, Rhys Scholes, 4/2/91 - HB 2718
4. Testimony, Jack Sollis, 4/2/91 - HB 2528
5. Correspondence, Ted Demezas, 3/29/91 - HB 2750
6. Analysis, LRO, 3/28/91 - HB 2718
7. Fiscal Analysis, LFO, 3/25/91 - HB 2718
8. Correspondence, Ione Curtis, 3/21/91 - HB 2750

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