

Tapes 44-45 (A/B), 46-47 (A)
Work Session: HB 2352,
HB 2555, HB 2528,
HB 2750
Public Hearing: HB 2424

HOUSE COMMITTEE ON REVENUE AND SCHOOL FINANCE
SUBCOMMITTEE ON INCOME TAXATION
May 1, 1991 8:00 a. Hearing Room 357 State Capitol Building

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

Witnesses: Norma Paulus, State Superintendent of Salem Public
Schools
Greg McMurdo, Deputy to Norma Paulus
Merrily Haas, Oregon Association for Education of
Young Children (OAEYC)
Gene Gaines, Salem, Oregon
Gayle McMurria, Program Information Committee for
Oregon Headstart Association
Judith Newman, State Early Intervention Coordin
ating Council and Alliance
Minalee Saks, Birth to Three and Oregon Family
Resource Coalition
Jim Brown, Department of Revenue (DOR)
Staff: Dick Yates, Legislative Revenue Office
Marlene Stickley, Committee Assistant

TAPE 44. SIDE A

005 CHAIR SCHOON called the meeting to order at 8:19 and conducted
administrative business.

PUBLIC HEARING HB
242 4

009 NORMA PAULUS testified in support of HB 2424 and explained one
important aspect of the bill in relation to the constitution, noting
legislation can direct the Common School Fund distribution but not the
management.

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meeting. Text enclosed in quotation marks reports the speakers exact words.
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030 NORMA PAULUS encouraged the committee to direct the board to distribute
the funds in the same manner as it is currently done, but once the money is
received, for the board to spend it on early childhood.

049 NORMA PAULUS discussed another aspect of HB 2424 as it relates to
constituency, presenting history regarding early childhood education.

106 NORMA PAULUS clarified her purpose in asking for the consideration of
HB 2424 is that it is powerful for the legislature to address early
, childhood education.

131 Questions and discussion regarding allocation to schools and the
definition of early childhood.

155 NORMA PAULUS compared past and present definitions of early childhood, noting that early childhood can include prenatal and teen mother education.
165 REP. BURTON questioned the possibility of communication difficulties regarding the vagueness of the "zero" language in HB 2424.
173 GREG MCMURDO perceived no problem regarding the age limitations in HB 242 4.
180 NORMA PAULUS interjected that other programs qualifying in this age limitation are increasing.
185 Questions and discussion interspersed regarding distribution flexibility and the definition of early in relation to education.
208 NORMA PAULUS felt funding schools to be more important than funding elderly programs.
230 NORMA PAULUS clarified what is considered to be early childhood.
240 CHAIR SCHOON questioned how the diversion of funds could be alleviated.
-
245 NORMA PAULUS felt if there was commitment then efforts would be made in every district.
255 Questions and discussion regarding constitutional language in relation to early childhood.
270 NORMA PAULUS compared past and present school funding.
280 CHAIR SCHOON questioned if pregnant teen babies are included in early childhood.

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286 NORMA PAULUS explained debate regarding whose responsibility it is to take care of society's problems, noting her feeling that schools should because that is where the children are. Provided examples of programs that fall in the early childhood category and how some are incorporated in home economics.
320 NORMA PAULUS clarified that funding is flexible, as long as the definition of early childhood is followed.
335 NORMA PAULUS mentioned there is a bill regarding daycare that will provide more flexibility.
355 MERRILY HAAS read prepared testimony supporting HB 2424. Exhibit 1
403 GENE GAINES began his testimony in support of HB 2424.
TAPE 45. SIDE
A
001 GENE GAINES continued with his testimony supporting HB 2424.
035 GAYLE MCMURRIA expressed her feelings in favor of HB 2424 and urged the committee to support HB 2424.
052 MINALEE SAKS felt that using the Common School Fund for early childhood would be the best way to serve the needs of communities and improve education.
073 JUDITH NEWMAN noted her advocacy for early childhood; described HB 2424 as an investment policy for future society and discussed how HB 2424 would support the consensus regarding early childhood.
109 Discussion followed regarding testimony relating to the funding of early childhood education.
WORK SESSION HB 2555 opened and then closed due to no new information.
WORK SESSION HB 2352 ~
173 DICK YATES referred to HB 2352-7 proposed amendments (Exhibit 2) and illustrated the revenue impact in relation to the pension credit. Exhibit 3
211 DICK YATES discussed itemizing medical expenses in relation to the

federal and Oregon income tax forms, noting Section 4 of HB 2352 deals with this issue, and continued with his illustration. Exhibit 3
246 DICK YATES discussed age limitations as identified in HB 2352-7 proposed amendments and the relation to annual gross income (AGI). Exhibit 2, page 3

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323 Questions and discussion interspersed regarding the illustration. Exhibit 3

350 DICK YATES explained how the tax credit would be administered.

360 Questions and discussion continued regarding the illustration. Exhibit 3

398 DICK YATES explained DOR's process regarding the Homeowner and Renter Refund Program (HARRP) and amended returns.

TAPE 44. SIDE B

001 DICK YATES continued explaining DOR's process regarding HARRP and amended returns with questions and discussion interspersed.

014 DICK YATES discussed HB 2352-7 amendments relating to pension income and addressed:

-calculation of the pension credit eligibility of the credit

-taxpayers filing single and joint. Exhibit 2, page 1, line 5

058 DICK YATES illustrated the pension credit calculation for taxpayers filing a joint return with questions and discussion interspersed. Exhibit 4

114 DICK YATES noted if the credit amount is higher than the tax owed, there would not be a refund. Exhibit 4

123 DICK YATES demonstrated the tax credit for a single taxpayer. Exhibit 4

162 Questions and discussion interspersed regarding social security in relation to the determination of the pension credit. Exhibit 4

188 DICK YATES clarified that according to the Attorney General social security could be used for the computation of the credit. Under the constitution social security can not- be used in the -calculation of taxable income or the amount of the tax.

190 Questions and discussion continued regarding the illustration. Exhibit 4

216 DICK YATES discussed an alternative method for computing the pension credit considered by the joint task force and felt his illustrated method was simpler. Exhibit 4

259 Questions and discussion regarding the pension credit calculation. Exhibit 4

273 DICK YATES mentioned the calculation illustrated benefits those with low pension income. Exhibit 4

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276 REP. BURTON questioned an exemption v. a credit.

300 DICK YATES displayed the option of an exemption, noting the calculation is similar to the credit but is done at a different time. Questions and discussion interspersed.

376 JIM BROWN suggested language changes to the HB 2352-7 proposed amendments which would read "for taxable years beginning on or after Jan 1,

199 1 and before Jan. 1, 1993, the individual must attain age 58 before the close of the taxable year." Exhibit 2, page 1, line 7

TAPE 45. SIDE

B

001 JIM BROWN continued with his suggestion to change language in the HB 235 2-7 proposed amendments. Exhibit 2, page 1, line 7

006 DICK YATES clarified the proposed language change would control the beginning date of the tax year.

014 JIM BROWN requested further language change to HB 2352-7 proposed amendments regarding the base amount for individuals filing a joint return in relation to social security benefits received by the spouse or dependents of the individual. Exhibit 2, lines 2 and 6

025 CHAIR SCHOON did not recall previous discussion regarding social security of a dependent being included as retirement income.

028 JIM BROWN explained that for the computation of HARRP refunds, social security received for minor children in the home is included in HHI.

032 CHAIR SCHOON did not have a problem with it being included in HHI, but did not recall hearing any indication this would be used as an offset for the purpose of computing the retirement credit.

038 DICK YATES referred to page 5, line 11 of HB 2352 which defines social security benefits and clarified these would only be retirement benefits, noting the dependents would--be limited to someone over age 62 who is actually receiving retirement benefits.

048 CHAIR SCHOON commented the deduction of social security from the income of the retiree.

053 DICK YATES responded start with base amount and subtract the social security of the taxpayer, parent, or retirement income received by a dependent.

058 CHAIR SCHOON expressed his feeling that social security would be better in HHI for dependents rather than the income of the individual who is filing the return.

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059 REP. BURTON quoted average social security benefits.

077 CHAIR SCHOON clarified his feeling that anything other than social security, paid directly to the filer, should be included in HHI where it will be taken into account rather than into the deduction of social security benefits paid to the taxpayers.

088 Questions and discussion followed regarding dependents.

107 JIM BROWN commented page 4, line 32 of HB 2352 deals with dependents.

113 CHAIR SCHOON noted consensus of the committee that the social security income of the dependent be included in the HHI but not in the deduction for social security received by the taxpayer.

127 Questions and discussion followed regarding social security income in relation to HHI.

152 DICK YATES noted HB 2352 in relation to HHI is consistent with ORS 310 .630 in the sense that HHI does not include social security. The HB 235 2-7 amendments require that social security be subtracted from the base so social security of a dependent should be added back to HHI.

160 REP. JONES questioned if Oregon currently includes social security for a dependent in the calculation of tax.

170 DICK YATES responded that social security is totally exempt by constitution and will not be taxed under Oregon income tax.

174 Questions and discussion regarding social security in relation to the determination of HHI.

183 DICK YATES explained the medical expense deduction in Section 6 of the

HB 2352-7 proposed amendments and discussed the age eligibility being phased up to age 62. Exhibit 2, pages 2 and 3

205 CHAIR SCHOON suggested consistency during the phase up period for the credit by moving the age to 58 and phasing it up for the medical expense also. Exhibit 2, page 3

210 Discussion followed regarding eligibility of medical expenses. Exhibit 2, page 3

221 DICK YATES pointed out that the language in HB 2352-7 proposed amendments state that if either taxpayer is over age 62 the medical expenses can be claimed. Exhibit 2, page 3

241 Discussion followed regarding medical expenses. Exhibit 2, page 3

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260 DICK YATES explained the amendment which changes the HHI limit and the computation of the refund for the Elderly Rental Assistance. Exhibit 2, page 7

270 Questions and discussion followed regarding Elderly Rental Assistance. Exhibits 2 and 5

284 CHAIR SCHOON requested an overview of HB 2352 as if HB 2352-7 proposed amendments were adopted. Exhibit 2

291 DICK YATES noted PERS benefits being subject to state personal income tax is likely to be challenged in court regarding contractual agreement.

303 DICK YATES explained ORS 316.087 is being amended to make all pension income taxable.

339 DICK YATES pointed out different treatment for joint and single filers regarding the pension credit and discussed the age eligibility being phased up.

364 DICK YATES clarified the definition of HHI has been changed by the committee not to include social security benefits of the taxpayer and spouse, but will include those of the dependents.

374 DICK YATES described "net pension income" in relation to separate treatment for joint and single filers.

420 DICK YATES explained the definitions of pension income, social security benefits and other language regarding nonresident individuals are unchanged.

445 Questions and discussion followed regarding the definition of pension income.

TAPE 46. SIDE A

001 Questions and discussion continued regarding the definition of pension income.

018 DICK YATES described pension funds that qualify for tax exemption under Internal Revenue Code (IRC); compared to state programs and definition of retirement income.

073 Questions and discussion followed regarding retirement income in relation to HB 2352.

090 REP. BURTON expressed concern regarding consistency of definitions relating to HHI, exemptions and credits and debated phasing up the age eligibility.

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120 REP. JONES felt that moving the age up in relationship to people living longer and leading more active lives makes sense in terms of future liabilities.

138 CHAIR SCHOON added that elderly have substantial benefits in regards to when people start paying taxes and felt that phasing the age up one year for each calendar year would prevent an individual from not being able to "catch up".

160 REP. JONES commented that the definition of retirement income in HB 235 2 and HB 2750 are agreeable.

166 DICK YATES presented the calculation for claiming itemized deductions on the Oregon return in relation to federal return medical expenses.

186 DICK YATES summarized the amendment regarding the Elderly Rental Assistance program qualifications.

201 CHAIR SCHOON clarified the effective date is for the tax year beginning Jan 1, 1991.

215 CHAIR SCHOON requested additional computations regarding the tax credit.

216 REP. BURTON asked for an illustration showing the relationship between AGI and the tax credit.

250 DICK YATES illustrated the calculation of AGI in relation to the pension credit with questions and discussion interspersed. Exhibit 6
TAPE 47. SIDE A

001 DICK YATES continued with the illustration showing the calculation of AGI in relation to the pension tax credit with questions and discussion interspersed. Exhibit 6

168 MOTION Chair Schoon moved that the language of HB 2352-7 regarding HHI be changed to include social security benefits of the individual filing the return and the spouse of the individual.

Questions and discussion.

186 ORDER There being no objections, Chair Schoon so ordered.

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188 MOTION Chair Schoon moved the adoption of HB 2352-7 proposed amendments with exceptions:
-change the date December 31, 1992 to January 1, 1993 and make consistent for (a) through (d) on page 1
-remove "or dependents" so that social security benefits are not included for anyone other than the taxpayer and spouse on page 2
-on page 3, change age 62 to 58 and use the phase up language to phase it up to age 62 with 2 calendar years for each year increase in chronological age.

Discussion

233 ORDER There being no objection, Chair Schoon so ordered.

235 MOTION Chair Schoon moved HB 2352 as amended to full committee with a do pass recommendation.

Discussion

263 VOTE In a roll call vote, the motion passed. (5/0)

267 CHAIR SCHOON adjourned the meeting at 10:59.

Marlene Stickley, Committee Assistant

Kimberly Taylor , Office Manager

EXHIBIT SUMMARY

1. Testimony, Merrily Haas, 4/24/91 - HB 2424
2. Proposed Amendments HB 2352-7, LRO, 4/30/91 - HB 2352
3. Illustration of HB 2352-7, LRO, 5/1/91 - HB 2352
4. Illustration of Computations, LRO, 5/1/91 - HB 2352
5. Elderly Rental Assistance Graph, LRO, 5/1/91 - HB 2352
6. Illustration of Computations, LRO, 5/1/91 - HB 2352
7. Fiscal Analysis, LFO, 2/6/91 - HB 2555

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