

HOUSE COMMITTEE ON STATE AND FEDERAL AFFAIRS

February 8, 1991 Hearing Room E 8:30 a.m. Tapes 29 - 31
MEMBERS PRESENT: Rep. Bill Markham, Chair Rep. Larry Sowa, Vice-Chair
Rep. Marie Bell Rep. Mary Alice Ford Rep. Tom Novick Rep. Carolyn Oakley
Rep. Lonnie Roberts MEMBER EXCUSED: None

VISITING MEMBER: James Edmundson, State Representative, District 39
Randy Miller, State Representative, District 24 STAFF
PRESENT: Randall Jones, Committee Administrator Carolyn Cobb,
Committee Assistant MEASURES CONSIDERED: HB 2061 - Exempts certain
Units of Government From Contractor Registration Requirement, PH, WS HB
2479 - Eliminates Income Tax Credit for Political Contributions HB 2480
- Permits Personal Income Taxation Deduction for Contribution Made to
Political Parties, PH, WS HB 2510 - Prohibits Candidates and Political
Committees from Using Political Contributions to Pay Election Law Civil
Penalties, PH, WS

These minutes contain materials which paraphrase and/or summarize
statements made during this session. Only text enclosed in quotation
marks report a speaker's exact words. For complete contents of the
proceedings, please refer to the tapes.

TAPE 29, SIDE A

003 CHAIR MARKHAM: Calls the meeting to order at 8:36 a.m.

006 CHAIR MARKHAM: Discusses a bill the committee has been asked to
introduce (EXHIBIT A).

010 MOTION: REP. OAKLEY moved to introduce LC 1257-7 (EXHIBIT A) as a
committee bill. House Committee on State and Federal Affairs February 8,
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012 CHAIR MARKHAM: Hearing no objections, it is so ordered.

HB 2061 - EXEMPTS CERTAIN UNITS OF GOVERNMENT FROM CONTRACTOR
REGISTRATION REQUIREMENT - WORK SESSION

018 RANDALL JONES, COMMITTEE ADMINISTRATOR: Presents hand-engrossed HB
2061 including LC dash two amendments proposed by Rep. Sowa (EXHIBIT B).
-Discusses hand-engrossed HB 2061 including the LC dash three amendments
(EXHIBIT C).

062 REP. SOWA: There was an omission in the bill in that there is no
provision for a limited contractor to be on Construction Contractors
Board. An amendment has been added so they may have a limited contractor
on the board.

083 MOTION: REP. SOWA moved to adopt the dash two LC amendments dated
2/4/91 to HB 2061 (EXHIBIT E). 085 CHAIR MARKHAM: Hearing no
objections, it is so ordered. 097 MOTION: REP. ROBERTS moved to adopt
the dash three LC amendments dated 2/4/91 to HB 2061 (EXHIBIT F). VOTE:
In a roll call vote, the motion carried, with Rep. Bell, Rep. Ford, Rep.
Novick, Rep. Oakley, Rep. Roberts, Rep. Sowa, and Chair Markham voting
AYE. 134 MOTION: REP. ROBERTS moved HB 2061 as amended to the floor
with a "do pass" recommendation. VOTE: In a roll call vote, the motion
carried, with Rep. Bell, Rep. Ford, Rep. Novick, Rep. Oakley, Rep.

Roberts, Rep. Sowa, and Chair Markham voting AYE.

HB 2479 - ELIMINATES INCOME TAX CREDIT FOR POLITICAL CONTRIBUTIONS -
PUBLIC HEARING Witnesses: Lonnie Roberts, State Representative, District
21 Mary Botkin, AFSCME Randy Miller, State Representative, District 24
Pat West, Firefighters Jeanine Meyer/Rodriquez, Oregon Public Employees
Union Phil Keisling, Secretary of State, State of Oregon Mary Ann Getz,
Oregon School Employees Association Pat West, Oregon State Firefighters
Council

162 LONNIE ROBERTS, STATE REPRESENTATIVE, DISTRICT 21: HB 2479 is a
very short bill, but a very damaging one. -Present law allows the
average person to get involved in the political system. House Comm~tee
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-Gives the taxpayers the opportunity to tell the government how to spend
their tax money.

225 MARY BOTKIN, AFSCME: We have a system within our union which allows
employees to contribute directly through payroll deduction. -When
federal credit was eliminated, we worked to increase state credit. This
is a way of combining funds to have a bigger voice. -It is a big
incentive to participate in the political system for folks who do not
make a lot of money. -The union's political decisions are made by a
voice of the membership. -HB 246 9 is not a good idea.

349 JONES: Presents written testimony (EXHIBIT G) submitted by STEVE
LANNING, POLITICAL EDUCATION COORDINATOR, OREGON AFL-CIO.

354 RANDY MILLER, STATE REPRESENTATIVE, DISTRICT 24: The repeal of the
political contribution tax credit can be replaced by placing a deduction
in the tax code. -There are very few things in the tax code that can be
more self-serving to politicians. -This bill does not eliminate
participation in the political process by people of any income level.
-Low income citizens do not benefit from the tax credit as do those with
higher incomes.

TAPE 30, SIDE A

016 REP. MILLER: -To have politicians establish a tax credit for
contributions for politicians and political parties is so self-serving
it should not continue. 043 REP. NOVICK: To have a \$100 tax liability
a taxpayer would not have to earn much more than \$3,000 or \$4,000.

046 REP. MILLER: There is a possible constitutional challenge under
the "equal protection" clause to the tax credit. 050 REP. FORD: Tax
liability has nothing to do with the level of your income. 097 REP.
ROBERTS: Everyone, no matter how wealthy, is treated exactly the same by
the tax credit. 102 REP. MILLER: -Discusses the difference between
deductions and tax credits. -There are very few participants in the tax
credit scheme. -The state may recover some small amount of revenue
through repeal. 128 REP. BELL: What percentage of Oregonians fall
into the category of less than \$100 tax liability? 134 REP. MILLER: I
do not know the answer. - House Committee on State and Federal Affairs
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172 REP. NOVICK: This bill would send a message individuals cannot get
a tax benefit from political contributions, but corporations can
contribute large amounts of money.

186 REP. MILLER: I don't doubt the ease tax credits provide, but the

deduction, if it is adopted, does not prohibit anyone from contributing.
-This bill does not prevent anyone from giving to political campaigns.

196 REP. FORD: I support the bill because I resent a candidate's
negative campaigning being paid for out of public funds.

Public Hearing on NB 2479 re-opens on page 5.

HB 2480 - PERMITS PERSONAL INCOME TAXATION DEDUCTION FOR CONTRIBUTION
MADE TO POLITICAL PARTIES - PUBLIC HEARING Witnesses: Randy Miller,
State Representative, District 24 Linda Mathewson, Department of
Revenue, State of Oregon

224 RANDY MILLER, STATE REPRESENTATIVE, DISTRICT 24: HB 2480 would
allow contributions to a political candidate, measure or party as a
deduction. 234 REP. SOWA: Do you support campaign finance reform?
237 REP. MILLER: I would include this bill as part of a campaign
finance reform package. 241 REP. SOWA: This bill increases the
maximum political donation that could have an income tax impact.
254 REP. MILLER: In terms of benefits under the tax code, this bill
would tend to drive down contributions. 279 REP. BELL: How important
is it that these deduction levels be raised so high? 287 REP. MILLER:
My principal thrust is HB 2479, repealing the tax credit. HB 2480 was
drafted as an alternative. 313 REP. BELL: Contrasts what average
citizen can give, versus the wealthy. 324 REP. MILLER: Currently the
largest associations that make political contributions are not those
operated by the wealthy. 340 LINDA MATHEWSON, DEPARTMENT OF REVENUE,
STATE OF OREGON: Discusses the difference between a tax credit and a tax
deduction. Explains amount of political contributions required to reduce
tax liability by \$100. Explains that corporations do not received a tax
credit or a tax deduction for political contributions.

TAPE 29, SIDE B

These minutes contain materiab which paraphrare and/or summarlze
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019 REP. MILLER: Is the treatment you have given this, the standard
treatment for all types of deductions?

024 MATHEWSON: No, other deductions are not limited to \$1,250.
-Submits and summarizes written testimony (EXHIBIT H) concerning
language in the bill which would cause the taxpayer to have to complete
his state tax return twice. 062 REP. MILLER: My intent was not to
cause the taxpayer to have to go through the return twice.
085 MATHEWSON: Recites statistics on how many taxpayers took the
political contribution credit (EXHIBIT I). 169 REP. OAKLEY: A lot of
citizens could not afford to contribute if they did not get the tax
credit. 170 REP. MILLER: I think it is likely they would still
participate. 180 REP. BELL: You are asking us to pay for political
campaigns by taking money out of the general fund.

HB 2479 - ELIMINATES INCOME TAX CREDIT FOR POLITICAL CONTRIBUTIONS -
PUBLIC HEARING

196 PHIL KEISLING, SECRETARY OF STATE, STATE OF OREGON: The State of
Oregon already provides general fund dollars for the political process

such as the voters pamphlet. -The tax credit was put in the law to encourage participation in the political process, particularly through small contributions. -You can give an unlimited amount of money to state races. -There are no expenditure limits, including voluntary expenditure limits. -There are house district races in Oregon that cost as much as \$250,000. -There are philosophical arguments against expending any public funds for political purposes. -I do not support the bill's approach because I think the tax credit may provides a key mechanisMfor dealing with some of these problems of escalating campaign costs. -I urge the committee to consider looking at limiting use of the tax credit to contributions to candidates that agree to certain voluntary expenditure limits. -Campaign finance reform is an important issue for this legislature.

326 MARY ANN GETZ, OREGON SCHOOL EMPLOYEES' ASSOCIATION: We are opposed to this measure. -Once our members understood about the tax credit, they were more likely to participate in the political process. -Many participated for the first time ever. -Until there are limits on expenditures, we have got to be able to participate through the tax credit.

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371 PAT WEST, OREGON STATE FIREFIGHTERS' COUNCIL: My organization is opposed to this measure. The reason our members got politically involved was because of the tax credit. It is good for the State of Oregon and good for the Srefighters.

389 REP. BELL: If the tax credit takes more out of the general fund, which affects public employees, how would you feel about that?

TAPE 30, SIDE B

005 GETZ: You are making decisions about our members lives and this is the only way we have to participate.

014 REP. BELL: This is not the only way you have. You can educate your people and have a greater impact on races by having them work on campaigns.

021 GETZ: I agree with you. But until there are limits on campaign spending, we need to participate through the tax credit.

027 REP. FORD: How many of your members thought they would get a refund or a greater refund from the tax credit?

037 GETZ: We will be asking that question, but our brochures gave examples of what a tax credits does so they would understand.

055 REP. BELL: Have you looked at some of the other reform measures?

060 GETZ: We have not as an organization.

HB 2510 - PROHIBITS CANDIDATES AND POLITICAL COMMITTEES FROM USING POLITICAL CONTRIBUTIONS TO PAY ELECTION LAW CIVIL PENALTIES - PUBLIC HEARING Witnesses: James Edmundson, State Representative, District 39 Jack Graham, Director, Elections Division Linda Mathewson, Oregon Department of Revenue

097 JAMES EDMUNDSON, STATE REPRESENTATIVE, DISTRICT 39: This measure is a part of a package of campaign finance reform. -The public perceives this practice to be a major corruption of the political system. -This bill says if you are fined for an election law violation, you cannot shake down the lobby to pay for it. -Contributions can be received to pay election law violation fines, but they would not have the same tax treatment as political contributions.

125 REP. ROBERTS: What if you have money left over in your campaign account and there was a violation, but no bad intent?

148 REP. EDMUNDSON: I believe we are subject to a much higher standard than the

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public. It is a serious public policy question. Do contributors expect to have their contributions spent to pay fines? There may need to be a test for intent in the law. 176 REP. ROBERTS: Soon we may have the bureaucrats running our campaigns. How far do we go in this?

199 CHAIR MARKHAM: Please explain in layman's language the section regarding the tax credit.

204 REP. EDMUNDSON: If a candidate were to use contributors' money to pay a fine, then the contributors would lose their credits against taxes.

267 REP. BELL: Then the Department of Revenue might have to contact all those contributors. -What would the fiscal impact be on the Department of Revenue?

301 REP. SOWA: How is it going to be known whether contributions were to the campaign or to the person to pay the fine?

321 REP. EDMUNDSON: If there is nothing hidden about the intended use of the contributed money, it is legal.

365 CHAIR MARKHAM: Denying the tax credit is going to create a tremendous problem for the Department of Revenue.

380 REP. FORD: Is it your intent that the campaign committee of candidate "A" cannot contribute toward the fine of candidate "B"?

390 REP. EDMUNDSON: I believe that is correct.

392 REP. SOWA: This bill means campaign finance reform does not prohibit taking money for fines as long as you report it. You can pay a fine by hiding it in the reports you file.

TAPE 31 SIDE A

022 REP. EDMUNDSON: Public officials are prohibited from taking gifts in excess of \$50, they must reported to the Ethics Commission. I would not anticipate the hiding of money.

043 REP. SOWA: Reports to the Ethics Commission come out once a year, so the public might not hear about it until after you are elected.

048 REP. EDMUNDSON: It may be necessary to also look at the ethics reporting laws to require officials to report funds raised for the payment of fines.

063 LINDA MATHEWSON, OREGON DEPARTMENT OF REVENUE: We would have a problem enforcing this bill, specifically the denial of the tax credit. -As the bill is drafted, it does not require any action by the Department of Revenue. -The bill is asking taxpayer to realize the candidate has violated Section 2. House Committee on State and Federal Affairs February 8, 1991 - Page 8

084 REP. FORD: What would the taxpayer's liability be?

087 MATHEWSON: If they claimed a \$50 or \$100 tax credit, that is what they would pay back plus interest. 092 CHAIR MARKHAM: Would your problems be solved if we got rid of the penalty clause?

094 MATHEWSON: In section 5, page 2, yes they would because Revenue then basically has no involvement. 104 JACK GRAHAM, DIRECTOR, ELECTIONS DIVISION: The Secretary of State does support the concept of the bill, but has concerns about section 5 because of the potential punitive impact on contributors. Submitted by: Carolyn Cobb Randall Jones Assistant Administrator
Reviewed by:

EXHIBIT LOG:

A - LC 1257-7 Draft - Chair Markham - 1 page B - Hand-engrossed HB 2061-2 - Randall Jones - 3 pages C - Hand-engrossed HB 2061-3 - Randall Jones - 11 pages D - Hand-engrossed HB 2061-2/3 - Randall Jones - 11 pages E - Amendments to HB 2061 - Rep. Sowa - 1 page F - Amendments to HB 2061 - Rep. Roberts - 2 pages G - Testimony on HB 2479 - Steve Lanning - 2 pages H - Testimony on HB 2480 - Linda Mathewson - 1 page I - Testimony on HB 2479 - Linda Mathewson - 1 page

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