

April 29, 1991 1:00 PM Hearing Room C State Capitol Building

Members Present: Senator Jane Cease, Chair
Senator Joan Dukes, Vice Chair
Senator John Brenneman (arrived 1:52)
Senator Shirley Gold (arrived 1:26)
Senator Ron Grensky
Senator Bill McCoy
Senator Tricia Smith (arrived 1:18)
Staff Present: Jim Scherzinger, Legislative Revenue Officer
Steve Bender, Legislative Revenue Office
Terry Drake, Legislative Revenue Office
Mary Ann Zimmermann, Committee Assistant

TAPE 131. SIDE A

005 CHAIR CEASE called the meeting to order at 1:16 and conducted administrative business.

WORK SESSION - HB 2550-

A

025 REP. HOSTICKA presented amendments HB 2550-A41 (LC 2386) regarding amusement devices. The intent is to distinguish games of chance from games of skill, music devices, kiddie rides, and tests of strength. The amendments place a \$500 tax on the games of chance and the intent is to make it revenue neutral. EXHIBIT 1

062 SEN. DUKES asked what type of amusement devices would no longer be taxed.

065 REP. HOSTICKA responded amusement devices such as video games, kiddie rides, juke boxes, and the games of strength excluding games of chance.

072 SEN. DUKES questioned why the taxes should be eliminated on these amusement devices.

075 REP. HOSTICKA explained the gambling devices have a better ability to pay and there is such a variance on the other amusement devices it is difficult to come up with a principle of taxation.

081 SEN. DUKES asked if there is an impact on the city or county's ability to tax the devices. The response was no the amendment does not address the city or county's ability to tax the devices.

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086 SEN. DUKES questioned switching to a gross receipt tax as opposed to a flat fee tax.

093 REP. HOSTICKA responded a gross receipt tax raises the cost of administration and a flat fee would simplify the administration.

098 SEN. DUKES asked what other machines will be taxed beside poker machines.

113 STEVE BENDER presented a document explaining the amusement device tax including which devices will be taxed. Discussion includes the rate of tax along with who owes the tax. EXHIBIT 2

156 STEVE BENDER explained the Attorney General reconsidered his opinion of the amusement device falling inside the limits of Measure 5 and ruled the tax does not fall within the limits. The Attorney General suggests the language be changed from the tax liability on the owner to the user of the machine. EXHIBIT 3

192 STEVE BENDER explained the language has been deleted from HB 2550A. It was clarified that under current law the tax is on the owner of the device.

219 Discussion follows regarding to include the suggestions from the Attorney General.

231 CHAIR CEASE asked to have amendments drafted to include the Attorney General's suggestions regarding amusement devices.

242 STEVE BENDER commented on related bills which are being addressed in other committees. Reference is made to HB 3151 and the inconsistency involved between HB 3151 and HB 2550-A. EXHIBIT 2

272 STEVE BENDER explained how the revenue collected from the amusement devices would be used. Currently 50 percent goes to the Oregon Youth Conservation Core (OYCC), 30 percent to the State General Funds, and 20 percent to the County General Funds. The Governor's recommended budget has proposed to eliminate OYCC, therefore something would have to be done to the statute to decide what should be done with the revenue collected from the amusement devices.

315 Discussion follows regarding where the money collected from amusement devices should be distributed.

330 STEVE BENDER presented a revenue impact analysis of the amendments proposed by Rep. Hosticka, HB 2550-A41. EXHIBIT 4

366 CHAIR CEASE referred to a drafting of the suggestions by the Attorney General.

377 JIM SCHERZINGER reviewed the issues dealing with timber of whether the severance rate should be lowered. The second issue was making timber severance a resource as opposed to an offset.

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400 JIM SCHERZINGER addressed the main issue before the committee regarding the reduction of the severance tax rate. The committee had asked for other methods in estimating the amount of tax rate reductions then those used by the forest industry.

TAPE 132 SIDE

A

015 JIM SCHERZINGER presented and explained a summary of the effective tax rate reductions in Western Oregon, Eastern Oregon and the Statewide tax rate. The reductions are compared using: all areas, non-city and timber land. EXHIBIT 5

033 Discussion and questions follow regarding EXHIBIT 5.

045 JIM SCHERZINGER continued discussing EXHIBIT 5 with regard to the tax rate reductions for non-school and bonds.

060 Discussion and questions continue regarding EXHIBIT 5.

154 JIM SCHERZINGER continued addressing the tax rate reductions with reference to Eastern Oregon. EXHIBIT 5

187 JIM SCHERZINGER discussed the statewide totals of the tax rate reductions in EXHIBIT 5. Discussion and questions are interspersed.

224 JIM SCHERZINGER presented the average tax rates broken down by county. The county by county breakdown is given for all areas, for timber land, and for outside city areas. It was pointed out that the figures only refer to 199 1-92 estimates. EXHIBIT 6

271 Discussion follows regarding the assumption that if all levies would pass then the figures in EXHIBIT 6 would be higher. The depicted figures are based on the 6 percent increase.

305 STEVE BENDER presented and discussed the Measure 5 effects by economic sector. EXHIBIT 7

330 SEN. DUKES asked if the effect of Measure 5 by economic sector could be provided by county. Discussion follows.

367 JIM SCHERZINGER referred to the breakdown by districts found in the Research Report on the Implementation of Measure 5. Information is not available on district between owner occupied, rental and nonresidential property. EXHIBIT 8

389 Discussion follows regarding taking aggregate data combined with information from the DOR on the amount of property of different types as seen in EXHIBIT 7. Reference is made to Section 308 broken down by county in EXHIBIT 8.

416 JIM SCHERZINGER discussed the chart regarding the impact of Measure 5 and HB 2550A. EXHIBIT 8, Page 13

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TAPE 131 SIDE B

003 SEN. DUKES asked if there could be a breakdown by county of the amount of property tax relief each county will receive.

014 SEN. SMITH questioned if the figures of the owner-occupied housing take into account the rise in assessments. EXHIBIT 7

020 JIM SCHERZINGER responded that rising home values have not been factored in the figures.

030 Discussion follows regarding the rise in property value. It was clarified that the comparison is between what the figures would be with and without Measure 5. EXHIBIT 7

066 SEN. BRENNEMAN questioned the increase assessment for counties. Reference is made to the increase in Yamhill County.

085 JIM SCHERZINGER explained the county assessment used the county wide average, and individual districts may have a different rate.

100 STEVE BENDER continued explaining Measure 5 effects by economic sector with reference to state income tax feedback. EXHIBIT 7

125 STEVE BENDER continued discussing EXHIBIT 7.

144 STEVE BENDER discussed the nonresidential property tax relief included in timber/forest land, farm land and improvements, and other nonresidential property. Questions are interspersed. EXHIBIT 7

221 SEN. GRENSKY questioned the estimated harvest value of timber.

225 TERRY DRAKE responded the figures on harvest volume is about six billion board feet which is a substantial reduction in volume. Reference is made to a shift in tax to the private sector as a severance tax. Discussion includes how the figures of harvest value are derived.

289 Discussion follows regarding the agenda.

300 VICE CHAIR DUKES conducted administrative business and adjourned the meeting at 2:26.

Mary Ann Zimmermann, Committee Assistant

--- Kimberly Taylor, Office Manager

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EXHIBIT SUMMARY

1. Proposed Amendments HB 2550-A41 (LC 2386), 4/29/91 - HB 2550-A
2. Amusement Device Tax, LRO, 4/29/91 - HB 2550-A
3. Attorney General's Opinion, Department of Justice, 3/29/91 - HB 2550-A

4. Revenue Impact of HB 2550-A41 Amendments, LRO, 4/29/91 - HB 2550-A
5. Summary of Effective Tax Rate Reductions, LRO, 4/29/91 - HB 2550-A
6. Average Tax Rates, LRO, 4/29/91 - HB 2550-A
7. Measure 5 Effects by Economic Sector, LRO, 4/29/91 - HB 2550-A
8. Research Report: Implementation of Measure 5, LRO, 3/25/91 (See

Exhibit 1, Senate Revenue Committee Meeting 4/3/91 - HB 2550-A)

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