

Tapes 199-202, (A\B)
Executive Reappointment
Work Session: HB 3048A, ~ 2162A,
HB 2178B
Public Hearing: HB 2715A, SJM2, SJM7, HB 2162A, HB 2178B -

SENATE COMMITTEE ON REVENUE AND SCHOOL FINANCE
June 13, 1991 1:00 PM Hearing Room A State Capitol Building
Members Present: Senator Jane Cease, Chair
Senator Joan Dukes, Vice Chair (excused 1:40-1:45)
Senator John Brenneman (arrived 1:35)
Senator Shirley Gold (excused 1:40-1:50)
Senator Ron Grensky (excused 1:50-2:10)
Senator Bill McCoy (arrived 1:35)
Senator Tricia Smith

Staff Present: Jim Scherzinger, Legislative Revenue Officer
Dick Yates, Legislative Revenue Office
Mary Ann Zimmermann, Committee Assistant

Witnesses Present: Richard Munn, Department of Revenue (DOR)
B.J. Smith, League of Oregon Cities, (LOC)
Jim Brown, DOR
Senator Lenn Hannon, District 26
Betty Cripe, Oregon Council of Federally-Related
Organizations (OCFRO)
Senator John Kitzhaber, District 23
Senator Wayne Fawbush, District 28
Senator Mae Yih, District 19
Karen Whitaker, Office of Rural Health
Jim Carlson, Oregon Medical Association
Brian DeLashmutt, Oregon Association of Nurse
Anesthetists
Ed Patterson, Oregon Association of Hospitals
Alan Yordy, Lebanon Community Hospital
Richard Wopat, M.D. Lebanon Community Hospital
Lynn Frank, Oil Heat Commission
TAPE 199 SIDE A

005 CHAIR CEASE called the meeting to order at 1:30 and conducted
administrative business.

EXECUTIVE REAPPOINTMENT OF RICHARD MUNN

048 CHAIR CEASE asked Mr. Munn why he wanted to be reappointed as Director
of the Department of Revenue.

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meetings. Text enclosed in quotation marks reports the speakers exact
words. For complete context of proceedings, please refer to the tape
recording.

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050 RICHARD MUNN responded the tax administration and study of taxation has
always been an interest and there is unfinished business that needs to be
done. An historical background was presented.

064 SEN. SMITH noted major change of the Oregon tax system is coming and asked how Mr. Munn was preparing employees for the change.

073 RICHARD MUNN discussed the DOR has been experiencing change in many areas for a long time and the employees are prepared for any upcoming change.

092 SEN. SMITH questioned the morale of the DOR employees.

095 RICHARD MUNN responded there have been disappointments in the DOR but the employees have worked through the difficulties well. Reference is made to the overall morale of the employees being good.

115 Discussion follows regarding employee morale at the DOR.

131 SEN. MCCOY asked if substantial budget cuts have taken place.

135 RICHARD MUNN explained the budget has not yet passed out of Ways and Means but there will not be drastic cuts. The budget of the DOR was further addressed. Reference is made to staff development.

170 Two documents were submitted from the Governor's Office regarding the reappointment of Richard Munn. EXHIBIT 1 and 2

177 MOTION SEN. MCCOY moved that the committee recommend to the full Senate the reappointment of Richard A. Munn as Director of the Department of Revenue.

195 VOTE In a roll call vote the motion passed (5-0). AYES:

Senators Grensky, McCoy, Smith, Brenneman, Cease.

Senators Gold and Dukes were excused. Senator McCoy will carry the reappointment on the Floor of the Senate.

Sen. Gold changed her vote from excused to AYE making the vote (6-0). (See Meter #392, Tape 199 Side A)

WORK SESSION - HB 3048A

200 JIM SCHERZINGER presented an overview of HB 3048A which expands the Bancroft bonding authority and the ability to use other revenues to back up debt.

234 JIM SCHERZINGER presented HB 3048-All amendments which allow the use of a licensed appraiser to assess the value of property subject to special assessment for purposes of the Bancroft bonding authority. The property would be assessed at real market value. EXHIBIT 3

248 JIM SCHERZINGER explained the HB 3048-All amendments. A correction was noted regarding a reference in Line 3 of the amendments. EXHIBIT 3

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258 SEN SMITH asked if a licensed real estate broker was required to receive instruction in property appraisal.

263 B.J. SMITH explained that before a broker can get certification from the real estate agency they must have the ability to perform technical competitive market analysis and appraisal.

279 SEN. SMITH asked if the DOR has any objection to the proposed amendments. The response was no.

285 SEN. MCCOY clarified that a broker is certified to do appraisals.

299 SEN. DUKES questioned the use of two different values of the property; specially assessed at one time and real market value another.

308 JIM SCHERZINGER responded the assessed value is used for purposes of imposing property tax. Lines 6-10 in EXHIBIT 3 were documented. The amendment does not relate to the taxes paid but deals with bonding the property.

330 SEN. DUKES asked why the language refers to the utilization of real market value.

333 JIM SCHERZINGER responded it would permit the application to spread and

bond the payments. Discussion follows. It was clarified that a different assessment would be used for purposes of bonding.

355 MOTION SEN. SMITH moved to adopt HB 3048-All (LC 3437) amendments dated 6/13/91. EXHIBIT 3

360 CONSENSUS CHAIR CEASE noted no objection to the motion.

366 MOTION SEN. SMITH moved HB 3048A as amended to the floor of the Senate with a do pass recommendation.

385 VOTE In a roll call vote the motion passed (6-0). AYES:
Senator Gold, McCoy, Smith, Brenneman, Dukes, Cease.
Senator Grensky was excused. Senator Brenneman will carry the bill on the floor.

392 CONSENSUS CHAIR CEASE noted no objection to allow Sen. Gold to be recorded as an AYE vote for the reappointment for Richard A. Munn. (See Meter #177 on the current Tape 199 Side A.

425 CHAIR CEASE conducted administrative business.

TAPE 200 SIDE A

WORK SESSION - HB 2715A

020 DICK YATES gave an explanation of HB 2715A which allows deduction against Oregon individual income tax for taxes paid to another state on

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certain contributions to IRA or pension income. The controversy of the bill was addressed with regard to a tax becoming exempt because a person has been involved in a retirement plan in one state and then moves to another state.

061 DICK YATES addressed the problem of an individual paying taxes and consumer services in Oregon but the taxes are really going to California.

064 SEN. DUKES asked if Oregon taxes a retiree that has moved to California.

072 DICK YATES responded with an explanation of the policy in Oregon which does not tax the earnings of the pension plan but California taxes everything. It was clarified that current law gives a credit so people are not taxed twice. Discussion follows.

102 Discussion continues regarding taxation of retirees that have moved to Oregon from California.

111 SEN. BRENNEMAN asked how aggressive is Oregon in helping other states collect from retirees that have moved into Oregon.

123 DICK YATES responded there has been no action to make it more difficult for California to collect on a pension.

127 JIM BROWN explained the DOR, as an agency, does not help other states with their collections

140 SEN. BRENNEMAN noted the state of Nevada restricts their DOR from assisting other states on collection of source taxes.

152 DICK YATES explained that if someone comes into an Oregon court the court will respect another state's law but Nevada will not honor a California request.

160 SEN. SMITH questioned the intent of HB 2715A.

182 DICK YATES responded the bill addresses a narrow issue and the preceding explanations deal with background of the issue involved in HB 271 5A

PUBLIC HEARING SJM2 AND SJM

7

194 SEN. LENN HANNON testified in support of SJM7 which memorialize

Congress to enact legislation to prohibit the individual states from enacting source tax measures for their states. Discussion follows regarding the source tax of retirees that currently live in Oregon.

220 SEN. LENN HANNON explained SJM7 would allow retirees living in Oregon to pay the taxes where they are receiving services and asked for support of the committee in urging Congress to address the issue.

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240 SEN. BRENNEMAN discussed the figures on Lines 20-23 of SJM2 regarding income tax returns to other states. SJM2 would get a correction at the federal level of retired people living in Oregon but pay taxes to another state.

267 SEN. GRENSKY questioned the taxation by California if a retiree brought all assets to Oregon.

275 DICK YATES responded intangibles are taxable in the state of residence.

288 SEN. GRENSKY questioned how the retirees are still being taxed in California.

306 JIM BROWN responded it depends on the type of retirement income being received. California has the ability to tax individual retirement accounts regardless of where the money is currently.

320 Discussion follows regarding taxation of retirees.

356 SEN. GRENSKY asked if Oregon tax the retiree accounts.

359 JIM BROWN responded that Oregon does not tax the interest but does the principle. Discussion follows and an example comparison between Oregon and California was presented.

383 JIM BROWN discussed how Oregon made the decision not to aggressively search out Oregon retirees in other states because there are substantial under-reporting and other types of income that deserve more focus from the DOR.

398 SEN. GRENSKY asked how the state employees are tracked down from other states.

407 JIM BROWN responded first they would be expected to voluntarily file a tax return with the state of Oregon. A high percentage of government retirees are tracked down.

430 DICK YATES explained the accounts under discussion are pension plans that have been approved for tax exemptions or tax deferral therefore there are records and information returns available. Discussion follows.

TAPE 199 SIDE

B

025 SEN. SMITH asked if SJM2 and SJM7 are compatible.

030 Discussion follows regarding SJM2, SJM7, and HB 2715A.

040 BETTY CRIPE testified to the joint memorials and explained the reduced income of a retired widow. It was urged to address the issue of the source tax. Prepared testimony was presented. EXHIBIT 4

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062 SEN. GRENSKY asked if the tax credit is not enough to offset the amount of taxes paid.

065 BETTY CRIPE responded that it depends on the individual's financial situation.

069 JIM SCHERZINGER noted a conflict in that Oregon can not legally tax a California IRA once the retiree moves to Oregon. If source taxation was banned then no one could tax the deferred income.

PUBLIC HEARING AND WORK SESSION - HB

216 2A

105 SEN. KITZHABER testified in support of HB 2162A dealing with tax credits on type (B) hospitals.

114 Discussion follows regarding the classification of hospitals having to do with the size and remoteness of the hospital as to whether it would be classified as a type (A), (B), or (C).

145 KAREN WHITAKER presented a description of the three types of hospitals.

158 SEN. KITZHABER addressed the trouble being encountered by type (B) hospitals and explained HB 2162A will increase primary health care service in rural areas.

202 SEN. SMITH asked if hospitals would experience a tax credit as well as the medical professionals.

209 SEN. FAWBUSH responded the hospitals qualify for full payment on medicaid patients. Only the individual providers will be given the tax break.

221 CHAIR CEASE presented amendment HB 2162-A4 which would include chiropractic physicians as qualifying for the tax credit. EXHIBIT 5

225 Discussion follows regarding the tax credit for employees in the type (B) hospitals. The main thrust is to redefine the type (B) hospital making the physicians that practice in a type (B) eligible for the tax credit.

278 DICK YATES discussed the January 1, 1989 deadline for qualifying as a type (B) hospital.

298 SEN. KITZHABER explained the intent of trying to get health care services to rural areas.

305 WAYNE FAWBUSH presented an example of two hospitals, one being class (A) and the other (B) and explained the importance of the tax credit to track physicians into the class (B) facilities. HB 2162 will even out health care in the state.

348 SEN. MCCOY asked if the problem will be solved with the bill.

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355 SEN. FAWBUSH responded HB 2162A will attempt to get physicians to move into areas they would not normally move to.

378 SEN. MCCOY pointed out the problem has been around for a long time and maybe it is time to try a different approach to solve the problem of rural health care services.

396 KAREN WHITAKER discussed the tax credit is a new incentive tool to get physicians to practice in rural communities.

TAPE 200 SIDE

B

015 SEN. MAE YIH testified on the need of incentives in rural areas to attract and maintain physicians. It was urged to adopt an amendment that would change the effective date from 1989 to 1991 to include Redmond and Lebanon Hospital as class (B). A discussion of the two hospitals and community problems were addressed. EXHIBIT 6

042 SEN. MAY YIH noted documentation that a tax credit is an essential tool in helping rural health care service. EXHIBIT 7

045 SEN. FAWBUSH emphasized the importance of adequate health care in the

rural areas in Oregon.

075 KAREN WHITAKER presented a report on Health Care Practitioners in Rural Oregon. Discussion included physician recruitment. EXHIBIT 7

118 KAREN WHITAKER discussed the status of physician resources in Oregon counties. It was noted that out-migration of physicians has decreased from rural areas. Page 7, EXHIBIT 7

150 KAREN WHITAKER continued addressing EXHIBIT 7 explaining the tax credit is helping the rural area health care facilities.

162 SEN. MCCOY referred to a program in Oregon which trained and encouraged physicians to go to rural areas.

173 Discussion follows regarding physician training in rural areas. The recruitment program was addressed.

244 JIM CARLSON testified in support of HB 2162A with emphasis on Section 16, Lines 43-44.

270 JIM CARLSON discussed the changes in Lines 16, Subsection 3. -

286 JIM CARLSON continued addressing the various Sections in HB 2162A. Reference is made to the slow movement on the federal level to address the issues of rural health.

309 BRIAN DELASHMUTT referred to Lines 28, Page 23, Section 17 of HB 2162A and the deletion of the "can cause" issue. There is also reference to Lines 33-34 dealing with nurse anesthetists.

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343 ED PATTERSON testified in support of HB 2162A.

355 ALAN YORDY addressed the date change amendment from 1989 to 1991 with reference to the written testimony by Sen. Yih. Discussion included the Lebanon Community Hospital. EXHIBIT 6

384 RICHARD WOPAT testified in support of HB 2162A asking for help to recruit physicians to the rural areas of Oregon by the attraction Of the tax break.

TAPE 201 SIDE A -

027 Discussion continued regarding the issue of the lack of physicians in the rural areas of Oregon. Reference is made to the need for family practitioners.

074 JIM BROWN explained the HB 2162A was introduced by DOR after the implementation of the credit to rural medical concerns. There were many problems with professional corporations qualifying for the tax credit.

110 JIM BROWN presented a list of the tax credits that could be found in HB 216 2A. EXHIBIT 8

123 JIM BROWN referred to dates in HB 2162A in which the credit is tied to federal law and there is consistency with the reconnect bill. Section 36, Page 40, HB 2162A.

131 JIM BROWN discussed the two credits being repealed in Section 41, Page 44 of the bill. Discussion and questions are interspersed.

156 Discussion follows regarding the suggested amendments on Page 24 of HB 216 2A.

167 CHAIR CEASE questioned the revenue impact of HB 2162A without the proposed amendments.

178 DICK YATES replied with reference to EXHIBIT 9. The impact of changing the date on Page 24, Line 9 from January 1, 1989 to January 1, 1991 would \$105 to \$500 thousand. EXHIBIT 9

197 Discussion follows regarding the reason for the revenue impact.

240 SEN. DUKES questioned the original opinion of HB 2162 with regard to the tax credit but feels the issue of physician recruitment is very

important.

293 Discussion follows regarding the concern of health care in rural areas.
311 MOTION CHAIR CEASE moved to adopt the proposed amendment to change the
date from January 1, 1989 to January 1, 1991 on Page 24, Line 9 in HB
216 2A.

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315 VOTE In a roll call vote the motion passed (5-1). AYES:

Senators Smith, Brenneman, Gold, Dukes, Cease. NAYS:

Senator Grensky. Senator McCoy was excused.

333 Discussion follows regarding EXHIBIT 5 and opening the door for the tax
credit to other medical professions.

357 MOTION SEN. DUKES moved HB 2162A as amended to the floor with a do pass
recommendation.

370 DISCUSSION

375 SEN. GRENSKY questioned the tax credit concept as an incentive to
encourage physicians to rural areas. He will vote for the bill but would
like to see health care delivered to rural areas in another way than
through a tax credit.

408 VOTE In a roll call vote the motion passed (7-0). AYES: Senators McCoy,
Smith, Brenneman, Gold, Grensky, Dukes, Cease. Senator Dukes will carry the
bill on the floor.

TAPE 202 SIDE A

PUBLIC HEARING AND WORK SESSION - HB 2178B

005 LYNN FRANK presented and addressed prepared testimony in support of HB
217 8B. EXHIBIT 10

066 CHAIR CEASE discussed the revenue impact of HB 2178B. EXHIBIT 11

082 DICK YATES discussed the three year biennium 1989-91. EXHIBIT 11

091 SEN. DUKES questioned the amount of money that is invested for
reimbursement for the cost of oil tank replacement.

097 LYNN FRANK responded Oil Heat Commission would contribute to everyone
that qualified for the reimbursement based on the standards established by
the Commission.

114 MOTION SEN. WKES moved HB 2178B to the floor of the Senate
with a do pass recommendation.

120 VOTE In a roll call vote the motion passed (7-0). AYES:

Senators McCoy, Smith, Brenneman, Gold, Grensky, Dukes,
Cease. Senator Dukes will carry the bill on the floor.

125 CHAIR CEASE adjourned the meeting at 4:00.

Mary Ann Zimmermann, Committee Assistant
Kimberly Taylor, Office Manager

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EXHIBIT SUMMARY

1. Letter of Appointment, Governor's Office, 6/4/91 - Richard Munn Reappointment
2. Conflict of Interest Form, Governor's Office, 6/13/91 - Richard Munn Reappointment
3. Proposed Amendments HB 3048-All (LC 3437), 6/13/91 - HB 3048A
4. Written Testimony, Betty Cripe, 6/6/91 - SJM2
5. Proposed Amendments HB 2162-A4 (LC 981), 4/1/91 - HB 2162A
6. Written Testimony, Sen. Mae Yih, 6/13/91 - HB 2162A
7. Health Care Practitioners in Rural Oregon, Karen Whitaker, 6/13/91
- HB 2162A
8. Outline of HB 2162, DOR, 6/13/91 - HB 2162A
9. Revenue Analysis, LRO, 1/21/91 - HB 2162A
10. Written Testimony, Lynn Frank, 6/13/91 - HB 2178
11. Revenue Analysis, LRO, 4/1/91 - HB 2178
12. Fiscal Analysis, LFO, 4/2/91 - HB 2178
13. Staff Measure Summary, LRO, 6/13/91 - HB 2162A
14. Fiscal Impact Assessment, LFO, 1/17/91 - HB 2162A
15. Staff Measure Summary, LRO, 6/13/91 - HB 2178B
16. Staff Measure Summary, LRO, 6/13/91 - HB 2715A
17. Revenue Analysis, LRO, 5/19/91 - HB 2715A
18. Fiscal Analysis, LFO, 5/21/91 - HB 2715A
19. Administration Statute, Governor's Office, 6/13/91 - Richard Munn Reappointment

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