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76th Legislative Assembly HOUSE REVENUE COMMITTEE

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Committee Work Plan 2011 Regular Session

MEASURE: INFORMATIONAL
EXHIBIT: A
HOUSE REVENUE COMMITTEE
DATE: 2/1/2011 PAGES: 3
SUBMITTED BY: PAUL WARNER

Overview

The House Revenue Committee has a large number of revenue issues to discuss, develop and possibly take action on during the shortened 2011 session. This work plan will lay out procedures, strategy for accomplishing work load and discuss some of the major issues the committee will address.

Procedures

- In accordance with House rules, bills scheduled for first public hearing must be posted 72 hours prior to the hearing. Hearings can be carried over to the next meeting day if announced by one of the co-chairs during the meeting.
- The co-chairs will agree on the contents of all agendas before posting.
- The co-chairs will share the gavel on an alternating meeting basis. This pattern may vary in the case of schedule conflicts.
- The co-chairs will meet regularly with the co-vice chairs to develop committee agendas and overall committee strategy.
- The co-chairs will meet regularly with their counterparts in the senate to ensure a smooth flow of revenue bills.

Strategies

- The committee will schedule bills with similar themes together as much as possible.
- The committee will move quickly to take action on bills where there is a clear consensus among the members.
- The committee will have a series of informational hearings on major issues to ensure that members have ample time to raise questions and develop a full understanding on the background of these issues.
- The committee will serve the role of a policy committee on new tax credit proposals that have been initially assigned to it by the Speakers. The committee will address a series of fundamental questions regarding the goals, effectiveness and efficiency of these proposals. The committee will then decide if the bill should be referred to the Joint Committee on Tax Credits for further consideration.

- Committee members are encouraged to actively participate in committee deliberations and to propose suggestions or raise concerns with either of the co-chairs.
- Committee members are encouraged to use the staff resources of the Legislative Revenue Office in addressing general revenue questions or developing specific revenue proposals.
- While there is a series of identifiable major issues listed below, it is important for the committee to maintain the flexibility to address other unforeseen revenue issues that may arise during the 5-month regular session.

Major Issues

Based on interim work and discussion with leadership, members and committee staff, the co-chairs have identified the following major issues:

- **Connection to the Federal Income Tax Base**
 - Congress has been busy since adjournment of the February 2010 special session, passing 3 major tax bills. Under current Oregon law there are some elements of these provisions the state is connected to (unless the Legislature votes to disconnect) and some which the Legislature must vote to reconnect to. The committee will seek the help of the Oregon Society of CPAs for background on these issues.
- **Tax Credit Review Process**
 - A process to implement a thorough review of tax credits scheduled to sunset under HB 2067 from the 2009 session was developed during the interim. The committee will initially examine new credit proposals and take all steps necessary to prepare the groundwork for the Joint Committee on Tax Credits which is likely to start meeting in late April or May.
- **Senior Property Tax Deferral Program**
 - Interim work has concluded that this program is not financially viable in its present form. The committee will build on this interim work to develop the best policy solution for restoring financial stability to the program.
- **Senior Medical Deduction Reform**
 - The revenue impact of this deduction has grown rapidly in recent years and is expected to exceed \$150 million in the 2011-13 biennium. The committee will consider proposals to modify key elements of the deduction that change the distribution of tax benefits. Since this is a deduction it does not fall under the tax credit sunset process.
- **Corporate Tax Base Issues**
 - The committee will examine issues that have risen during implementation of the state's new corporate minimum tax and consider modifications to the base. The committee will also look at issues that have arisen around the net income corporate tax base due to actions of other states and a changing national economy.

- **Estate Tax Reform**
 - The 2009 Legislature provided funding to the Oregon Law Commission to study Oregon's estate tax and make recommendations for updating the tax in light of major federal law changes that have occurred over the past decade. The Law Commission established a work group of practitioners who have produced a bill for discussion and refinement by the committee.

- **Income Tax Administration, Compliance and Enforcement**
 - The committee will work with the Department of Revenue to review past tax compliance efforts and develop potential tools for making the state's compliance and enforcement efforts more effective and efficient.

- **Capital Gains Taxation**
 - Under current law, income from capital gains is treated as ordinary income for tax purposes. A number of proposals to reduce the effective tax rate on capital gains have been introduced in recent years, including the 2011 session. The committee will examine these proposals, as well as a proposal being developed by the Governor, to determine their efficacy in the current economic and fiscal environment.

- **Expansion of local option under the property tax system**
 - The current property tax system provides a mechanism for school districts and local governments to adopt local taxes with voter approval. The committee will explore several proposals designed to increase the ability for local tax districts to generate additional revenue for local purposes including school operating revenue.

- **Enterprise Zone Sunset Review**
 - The enterprise zone has been a major property tax exemption tool for local governments to encourage economic development. Though not part of the tax credit sunset process, the exemption program is scheduled to sunset 7-1-13. The committee will discuss evidence of the program's effectiveness and receive input from the Business Oregon Department and local sponsoring governments.

- **Senate Bills**
 - The committee anticipates receiving major policy bills from the Senate Finance and Revenue Committee during the latter stages of the session. The committee will give these measures a full review.