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**76th Legislative Assembly**  
**SENATE FINANCE & REVENUE COMMITTEE**  
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**Committee Work Plan**  
**2011 Regular Session**

**Overview**

The Senate Finance and 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 Senate rules, bills scheduled for first public hearing must be posted 48 hours prior to the hearing. Hearings can be carried over to the next meeting day if announced by the chair during the meeting.
- With a four member committee, three members must be present to constitute a forum.
- The chair and vice-chair will meet regularly to develop committee agendas and overall committee strategy.
- The chair and vice-chair will meet regularly with their counterparts in the house to ensure a smooth flow of revenue bills.

**Strategies**

- 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.
- Committee members are encouraged to actively participate in committee deliberations and to propose suggestions or raise concerns with either the chair or the vice-chair.
- 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

- **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 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.
- **Reserve Funds/ Kicker Reform**

A clear lesson from the Great Recession is the need for a strong state reserve fund policy. This means mechanisms to refill reserve funds in preparation for future revenue volatility. A series of reserve fund proposals have been developed during the interim. The committee will focus considerable time on analyzing these approaches and determining the most effective way to meet Oregon's long-term fiscal needs in an increasingly unstable revenue environment.
- **Measure 50 Reform**

The committee has gathered substantial evidence over the past two interims on the arbitrary taxpayer inequities that result from the Measure 50 property tax assessment system. The committee will explore options for correcting these inequities and evaluate the various potential solutions.
- **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.
- **Corporate Tax Base Issues**

The committee will examine a number of 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.
- **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.

The committee can also expect a number of measures from the house. Among the possibilities are:

**Senior Property Tax Deferral Program**

Interim work has concluded that this program is not financially viable in its present form. A plan to restore balance to the program is being developed in the house.

**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 house is considering 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.

**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 committees.

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