

- HB 4079 By HOUSE SPECIAL SESSION COMMITTEE ON BUDGET RESTORATION
-- Relating to taxation; providing for revenue raising that requires approval by a three-fifths majority; and providing that this Act shall be referred to the people for their approval or rejection.
- 9-15(H) First reading. Referred to Speaker's desk.
Referred to Budget Restoration.
Public Hearing and Possible Work Session scheduled.
Recommendation: Do pass with amendments and be printed A-Engrossed.
Rules suspended. Second reading.
- 9-16 Rules suspended. Third reading. Carried by Westlund.
Passed.
Ayes, 36 --Nays, 21, Barnhart, Beck, Beyer, Butler, Close, Dingfelder, Gardner, Garrard, Hayden, Knopp, Kropf, Kruse, Lee, March, Merkley, Morgan, Nelson, Rosenbaum, Walker, V., Wilson, Wirth, Absent, 2--Schrader, Tomei, Excused, 1--Johnson.
- 9-16(S) First reading. Referred to President's desk.
Referred to Budget Solutions.
Public Hearing and Possible Work Session scheduled.
Recommendation: Do pass with amendments to the A-Eng. bill. (Printed B-Eng.)
(Amendments distributed 09-16.)
Rules suspended. Second reading.
Rules suspended. Third reading. Carried by Courtney.
Failed.
Ayes, 14 --Nays, 15, Atkinson, Beyer, Clarno, Corcoran, Dukes, Ferrioli, Fisher, George, Hannon, Metsger, Miller, Minnis, Starr, Yih, President Derfler, Excused, 1--Messerle.
Hannon changed from aye to nay, served notice of possible reconsideration and moved for immediate reconsideration.
Motion to reconsider carried on voice vote.
Motion to rerefer to Budget Solutions carried on voice vote.
- 9-17 Work Session scheduled.
Recommendation: Do pass with amendments to the B-Eng. bill. (Printed C-Eng.)
(Amendments distributed 09-17.)
Motion to rerefer to Budget Solutions carried on voice vote.
Public Hearing and Work Session scheduled.
Recommendation: Do pass with amendments to the C-Eng. bill. (Printed D-Eng.)
(Amendments distributed 09-17.)
Rules suspended. Bill read. Carried by Hannon. Passed.
Ayes, 18 --Nays, 10, Atkinson, Beyer, Clarno, Corcoran, Ferrioli, Fisher, George, Shields, Starr, Yih, Excused, 2--Harper, Miller.
- 9-17(H) House concurred in Senate amendments and repassed measure.
Ayes, 36 --Nays, 23, Beyer, Butler, Close, Dingfelder, Doyle, Garrard, Hayden, Knopp, Krieger, Kropf, Kruse, Lee, March, Morgan, Nelson, Rosenbaum, Schrader, Smith, G., Tomei, Wilson, Wirth, Zauner, Speaker Simmons, Excused, 1--Leonard.
- 10-8 Speaker signed.
10-8(S) President signed.

71st OREGON LEGISLATIVE ASSEMBLY--2002 Fifth Special Session

NOTE: Matter within { + braces and plus signs + } in an amended section is new. Matter within { - braces and minus signs - } is existing law to be omitted. New sections are within { + braces and plus signs + } .

LC 36-1

D-Engrossed

House Bill 4079

Ordered by the Senate September 17

Including House Amendments dated September 15 and Senate Amendments dated September 16 and September 17 and further Senate Amendments dated September 17

Sponsored by HOUSE SPECIAL SESSION COMMITTEE ON BUDGET RESTORATION

SUMMARY

The following summary is not prepared by the sponsors of the measure and is not a part of the body thereof subject to consideration by the Legislative Assembly. It is an editor's brief statement of the essential features of the measure.

Increases personal income and corporate excise or income tax rates. Applies increases to tax years beginning on or after January 1, 2002, and before January 1, { - 2003 - } { + 2005 + }.

{ - Takes effect on 91st day following adjournment sine die. - }

{ + Refers Act to people for their approval or rejection at special election on January 28, 2003. + }

A BILL FOR AN ACT

Relating to taxation; creating new provisions; amending ORS 316.037 and 317.061; providing for revenue raising that requires approval by a three-fifths majority; and providing that this Act shall be referred to the people for their approval or rejection.

Be It Enacted by the People of the State of Oregon:

SECTION 1. ORS 316.037 is amended to read:

316.037. (1)(a) A tax is imposed for each taxable year on the entire taxable income of every resident of this state. The amount of the tax shall be determined in accordance with the following table:

NOTE TO WEB CUSTOMERS:

THE FOLLOWING TABULAR TEXT MAY BE IRREGULAR.
FOR COMPLETE INFORMATION PLEASE SEE THE PRINTED MEASURE.

If taxable income The tax is:

NOTE TO WEB CUSTOMERS:
THE FOLLOWING TABULAR TEXT MAY BE IRREGULAR.
FOR COMPLETE INFORMATION PLEASE SEE THE PRINTED MEASURE.

Not over \$2,000 5% of

NOTE TO WEB CUSTOMERS:
THE FOLLOWING TABULAR TEXT MAY BE IRREGULAR.
FOR COMPLETE INFORMATION PLEASE SEE THE PRINTED MEASURE.

 taxable
 income
Over \$2,000 but not

NOTE TO WEB CUSTOMERS:
THE FOLLOWING TABULAR TEXT MAY BE IRREGULAR.
FOR COMPLETE INFORMATION PLEASE SEE THE PRINTED MEASURE.

over \$5,000 \$100 plus 7%

NOTE TO WEB CUSTOMERS:
THE FOLLOWING TABULAR TEXT MAY BE IRREGULAR.
FOR COMPLETE INFORMATION PLEASE SEE THE PRINTED MEASURE.

 of the excess
 over \$2,000

NOTE TO WEB CUSTOMERS:
THE FOLLOWING TABULAR TEXT MAY BE IRREGULAR.
FOR COMPLETE INFORMATION PLEASE SEE THE PRINTED MEASURE.

Over \$5,000 \$310 plus { -
9% - }
 { +
 9.5% + }

NOTE TO WEB CUSTOMERS:
THE FOLLOWING TABULAR TEXT MAY BE IRREGULAR.
FOR COMPLETE INFORMATION PLEASE SEE THE PRINTED MEASURE.

 of the excess
 over \$5,000

END OF POSSIBLE IRREGULAR TABULAR TEXT

(b) For tax years beginning in each calendar year, the Department of Revenue shall adopt a table which shall apply in lieu of the table contained in paragraph (a) of this subsection,

as follows:

(A) The minimum and maximum dollar amounts for each rate bracket for which a tax is imposed shall be increased by the cost-of-living adjustment for the calendar year.

(B) The rate applicable to any rate bracket as adjusted under subparagraph (A) of this paragraph shall not be changed.

(C) The amounts setting forth the tax, to the extent necessary to reflect the adjustments in the rate brackets, shall be adjusted.

(c) For purposes of paragraph (b) of this subsection, the cost-of-living adjustment for any calendar year is the percentage (if any) by which the monthly averaged U.S. City Average Consumer Price Index for the 12 consecutive months ending August 31 of the prior calendar year exceeds the monthly averaged index for the second quarter of the calendar year 1992.

(d) As used in this subsection, 'U.S. City Average Consumer Price Index' means the U.S. City Average Consumer Price Index for All Urban Consumers (All Items) as published by the Bureau of Labor Statistics of the United States Department of Labor.

(e) If any increase determined under paragraph (b) of this subsection is not a multiple of { - \$50 - } { + \$25 + }, the increase shall be rounded to the next lowest multiple of { - \$50 - } { + \$25 + }.

(2) A tax is imposed for each taxable year upon the entire taxable income of every part-year resident of this state. The amount of the tax shall be computed under subsection (1) of this section as if the part-year resident were a full-year resident and shall be multiplied by the ratio provided under ORS 316.117 to determine the tax on income derived from sources within this state.

(3) A tax is imposed for each taxable year on the taxable income of every full-year nonresident that is derived from sources within this state. The amount of the tax shall be determined in accordance with the table set forth in subsection (1) of this section.

SECTION 2. { + The amendments to ORS 316.037 by section 1 of this 2002 fifth special session Act apply to tax years beginning on or after January 1, 2002. + }

SECTION 3. ORS 316.037, as amended by section 1 of this 2002 fifth special session Act, is amended to read:

316.037. (1)(a) A tax is imposed for each taxable year on the entire taxable income of every resident of this state. The amount of the tax shall be determined in accordance with the following table:

NOTE TO WEB CUSTOMERS:

THE FOLLOWING TABULAR TEXT MAY BE IRREGULAR.
FOR COMPLETE INFORMATION PLEASE SEE THE PRINTED MEASURE.

If taxable income The tax is:

NOTE TO WEB CUSTOMERS:

THE FOLLOWING TABULAR TEXT MAY BE IRREGULAR.
FOR COMPLETE INFORMATION PLEASE SEE THE PRINTED MEASURE.

Not over \$2,000 5% of

NOTE TO WEB CUSTOMERS:
THE FOLLOWING TABULAR TEXT MAY BE IRREGULAR.
FOR COMPLETE INFORMATION PLEASE SEE THE PRINTED MEASURE.

taxable
income
Over \$2,000 but not

NOTE TO WEB CUSTOMERS:
THE FOLLOWING TABULAR TEXT MAY BE IRREGULAR.
FOR COMPLETE INFORMATION PLEASE SEE THE PRINTED MEASURE.

over \$5,000 \$100 plus 7%

NOTE TO WEB CUSTOMERS:
THE FOLLOWING TABULAR TEXT MAY BE IRREGULAR.
FOR COMPLETE INFORMATION PLEASE SEE THE PRINTED MEASURE.

of the excess
over \$2,000

NOTE TO WEB CUSTOMERS:
THE FOLLOWING TABULAR TEXT MAY BE IRREGULAR.
FOR COMPLETE INFORMATION PLEASE SEE THE PRINTED MEASURE.

Over \$5,000 \$310 plus { -
9.5% - }
{ +
9% + }

NOTE TO WEB CUSTOMERS:
THE FOLLOWING TABULAR TEXT MAY BE IRREGULAR.
FOR COMPLETE INFORMATION PLEASE SEE THE PRINTED MEASURE.

of the excess
over \$5,000

END OF POSSIBLE IRREGULAR TABULAR TEXT

(b) For tax years beginning in each calendar year, the Department of Revenue shall adopt a table which shall apply in lieu of the table contained in paragraph (a) of this subsection, as follows:

(A) The minimum and maximum dollar amounts for each rate bracket for which a tax is imposed shall be increased by the cost-of-living adjustment for the calendar year.

(B) The rate applicable to any rate bracket as adjusted under subparagraph (A) of this paragraph shall not be changed.

(C) The amounts setting forth the tax, to the extent necessary to reflect the adjustments in the rate brackets, shall be

adjusted.

(c) For purposes of paragraph (b) of this subsection, the cost-of-living adjustment for any calendar year is the percentage (if any) by which the monthly averaged U.S. City Average Consumer Price Index for the 12 consecutive months ending August 31 of the prior calendar year exceeds the monthly averaged index for the second quarter of the calendar year 1992.

(d) As used in this subsection, 'U.S. City Average Consumer Price Index' means the U.S. City Average Consumer Price Index for All Urban Consumers (All Items) as published by the Bureau of Labor Statistics of the United States Department of Labor.

(e) If any increase determined under paragraph (b) of this subsection is not a multiple of \$25, the increase shall be rounded to the next lowest multiple of \$25.

(2) A tax is imposed for each taxable year upon the entire taxable income of every part-year resident of this state. The amount of the tax shall be computed under subsection (1) of this section as if the part-year resident were a full-year resident and shall be multiplied by the ratio provided under ORS 316.117 to determine the tax on income derived from sources within this state.

(3) A tax is imposed for each taxable year on the taxable income of every full-year nonresident that is derived from sources within this state. The amount of the tax shall be determined in accordance with the table set forth in subsection (1) of this section.

SECTION 4. { + The amendments to ORS 316.037 by section 3 of this 2002 fifth special session Act apply to tax years beginning on or after January 1, 2005. + }

SECTION 5. ORS 317.061 is amended to read:

317.061. The rate of the tax imposed by and computed under this chapter is { - six and six-tenths - } { + 6.93 + } percent.

SECTION 6. { + The amendments to ORS 317.061 by section 5 of this 2002 fifth special session Act apply to tax years beginning on or after January 1, 2002. + }

SECTION 7. ORS 317.061, as amended by section 5 of this 2002 fifth special session Act, is amended to read:

317.061. The rate of the tax imposed by and computed under this chapter is { - 6.93 - } { + six and six-tenths + } percent.

SECTION 8. { + The amendments to ORS 317.061 by section 7 of this 2002 fifth special session Act apply to tax years beginning on or after January 1, 2005. + }

SECTION 9. { + (1) Notwithstanding ORS 316.162 to 316.212, the Department of Revenue may not adjust withholding tables for tax years beginning on or after January 1, 2002, and before January 1, 2003, to take into account the amendments to ORS 316.037 by section 1 of this 2002 fifth special session Act.

(2) Notwithstanding ORS 316.557 to 316.589, for tax years beginning on or after January 1, 2002, and before January 1, 2003, interest resulting from the underpayment of estimated tax may not be imposed if the sum of estimated taxes paid by the taxpayer would not have constituted an underpayment of estimated tax prior to the amendments to ORS 316.037 by section 1 of this 2002 fifth special session Act.

(3) Notwithstanding ORS 314.505 to 314.525, for tax years beginning on or after January 1, 2002, and before January 1, 2003, interest resulting from the underpayment of estimated tax may not be imposed if the sum of estimated taxes paid by a corporation would not have constituted an underpayment of estimated tax prior to the amendments to ORS 317.061 by section 5

of this 2002 fifth special session Act. + }

SECTION 10. { + This 2002 fifth special session Act shall be submitted to the people for their approval or rejection at a special election held throughout this state on January 28, 2003. + }

1 of 2 DOCUMENTS

Statesman Journal (Salem, OR)

September 19, 2002 Thursday

Governor cancels state cuts

SECTION: PAGE ONE; Pg. 1A

LENGTH: 1339 words

Trims to services still are possible if voters reject higher income taxes.

What's next

Gov. John Kitzhaber has until Oct. 30 to sign bills from the Legislature's fifth special session, veto them or let them become law without his signature. The exception is **House Bill 4079**, which refers a three-year income-tax increase to voters in a Jan. 28 election.

He said Wednesday that the only bill he has concerns about is House Bill 4077, which phases out Oregon estate taxes.

Ballots for the January election will be mailed starting Jan.10, three days before Kitzhaber leaves office.

BY PETER WONG

Statesman Journal

Gov. John Kitzhaber shelved \$482 million in cuts to state services Wednesday and praised the Legislature's plan to rebalance the budget.

Deep cuts are still possible because the centerpiece of the new plan is a three-year income-tax increase that voters will decide in a special election Jan. 28. Voters have not approved such an increase since 1930, when they upheld the Legislature's creation of an income tax.

The Democratic chief executive said he would have preferred outright approval of higher taxes by the Republican-led Legislature, which also borrowed \$150 million against future payments from the national tobacco settlement and cut spending by \$44 million.

"But I also have great confidence in Oregon voters," he said.

Voters approved millions for schools and health care Tuesday by tapping a reserve fund and increasing cigarette taxes. Two years ago, after a campaign Kitzhaber led, they also rejected an income-tax cut that would have cost state coffers \$1 billion.

"We connected those dollars with programs and services that are important to Oregonians and that add quality and meaning to our lives," Kitzhaber said. "I think the results suggest that Oregonians recognize the need for additional resources to support state services."

Kitzhaber said he would play "a central and active role" in the election, ballots for which will be mailed before he leaves office Jan. 13.

A declining economy has shrunk projected state income from \$12 billion to \$10.3 billion for the 2001-03 budget.

Faced with gaps between spending and income, Kitzhaber ordered across-the-board cuts triggering less aid for schools and universities, less care for the elderly and sick, layoffs of state police troopers and closures of prisons and youth corrections centers.

The governor cut spending selectively earlier this year, but the Legislature challenged his authority in court.

Carlos Barrientos, a Salem-based Oregon State Police trooper featured in a Sunday story about the looming layoffs, said he got word of the reprieve from his superiors a few hours after he completed his shift at 4 a.m. Wednesday.

"It really didn't sink in," he said. "But now I feel pretty much elated, and I know my wife is happy."

The state police had issued layoff notices to 160 employees, including 131 troopers.

"They're still concerned about the January election and what effect that will or won't have," said Jim Botwinis, president of the Oregon State Police Officers Association. "Does that mean potentially getting a layoff notice again? But right now, they're ecstatic it isn't going to happen Oct. 1."

Other major agencies hadn't gotten that far before Kitzhaber rescinded the cuts. The Department of Human Services, the largest in state government, planned to issue layoff notices next week.

Much hinges on the higher personal and corporate income taxes the Legislature referred to voters Jan. 28. The three-year increase would raise \$313 million for the 2001-03 budget period, which ends June 30.

For households making between \$40,000 and \$50,000, the tax rate increase from 9 to 9.5 percent would cost an average of \$107 annually - about \$9 per month. The Department of Revenue hasn't decided how it will collect the money on 2002 tax returns, which are due April 15.

Except for cigarette taxes, Oregon voters have not approved tax increases in recent years. The most recent income-tax increases were put to voters in 1973, when Gov. Tom McCall sought to cut property taxes, and in 1974 to supply more money for schools. They rejected sales taxes nine times between 1933 and 1993.

"I think the feeling of the people is that they are going to do what they have to do to get the ship righted again," trooper Barrientos said.

Still, a tax increase may be a tough sell.

"I asked 15 people how they felt, and not one of them would vote for a tax increase," said Lee Hazelwood of Stayton, who is active in senior issues and was a member of the Governor's Commission on Senior Services. "I think it's going to be a battle to convince people that if they want services, they need to pay for them."

Don McIntire of Gresham, chief sponsor of a property-tax limit that voters approved in 1990, said he doubts the tax proposal has a chance.

"We will see what we can do to raise money to make people aware of the failure of government to address budget problems in the right way - and that is through cuts," he said.

If it fails, state agencies will have to cut \$215 million and schools \$95 million more.

"If the tax measure passes, we'll be able to get by for the rest of the budget period," said Perrin Damon, spokeswoman for the Department of Corrections, which under a worst-case scenario would have freed up to 4,000 inmates, subject to legislative approval of early releases.

"But if we were to implement our share of the cuts identified in the latest bill, it would be even more dramatic than where we were yesterday."

Agencies are awaiting direction on preparing potential cuts.

"We would have only five months to make that reduction within the budget period," said Bobby Mink, director of the Department of Human Services. "As a result, this action - like the one we have just suspended - would involve major reductions in our activities."

House Speaker Mark Simmons, R-Elgin, said he thinks that the 2003 Legislature would intervene to avert the worst cuts. He said he still opposes increasing taxes but hasn't decided whether to campaign against the measure.

"There were only a couple of clear paths out of this special session," said Simmons, who isn't returning. "One of them was to send this to voters and put the question to them about whether they think it is appropriate to raise taxes. We trust what voters are going to say."

State universities and community colleges say they will have to prepare for cuts even if the tax increase is approved.

State universities stand to lose \$25 million, more than a third of their remaining support from the general fund, which would fall heaviest on instruction. Grattan Kerans, a lobbyist for the university system, said the timing is awkward because the election is two weeks after the start of the winter term.

"We cannot do what public schools can do to cut days at the end of a school year," Kerans said. "We cannot cut a third of the academic content of a term and call it a full term."

Kerans said the Board of Higher Education will consider cutting plans Oct. 18. The board may consider a tuition surcharge, refunding it for winter term and canceling it for spring term if the tax increase passes.

Gretchen Schuette, president of Chemeketa Community College, said her board already planned to slice \$1.75 million in anticipation of leaner times - the exact amount it stands to lose if the tax increase fails. It will lose \$350,000 under the Legislature's latest budget-balancing plan.

She said the board has not decided whether to stick to its planned cuts or accelerate them.

"We believe it would make sense to cut now," she said. "I am an incorrigible optimist. I will look for positive results in the January election. But I also think we need to be prudent in the context of uncertainty for the next budget period."

Statesman Journal reporter Alan Gustafson contributed to this report.

Peter Wong can be reached at (503) 399-6745 or pwong@StatesmanJournal.com

LOAD-DATE: October 25, 2002

LANGUAGE: ENGLISH

Copyright 2002 Statesman Journal (Salem, OR)
All Rights Reserved

2 of 2 DOCUMENTS

Statesman Journal (Salem, OR)

September 18, 2002 Wednesday

How they voted

SECTION: PAGE ONE; Pg. 2A

LENGTH: 133 words

The Senate passed **House Bill 4079**, which puts a three-year income tax hike on the Jan. 28 ballot, by a vote of 18-10. Here is how local senators voted:

Roger Beyer, R-Molalla: No Peter Courtney, D-Salem: Yes Gene Derfler, R-Salem: Yes Gary George, R-Newberg: No Charles Starr, R-Hillsboro: No

The Senate also passed, by a 16-11 vote, House Bill 5100, which makes \$27 million in permanent cuts to the state budget, plus another \$20 million in one-time cuts and money transfers. There's also another \$310 million in cuts that would only go into effect if voters turn down the income tax hike in January.

Here is how local senators voted:

Roger Beyer, R-Molalla: Yes Peter Courtney, D-Salem: Yes Gene Derfler, R-Salem: Yes Gary George, R-Newberg: No Charles Starr, R-Hillsboro: Yes

LOAD-DATE: October 25, 2002

LANGUAGE: ENGLISH

Copyright 2002 Statesman Journal (Salem, OR)
All Rights Reserved