

# Senate Bill 1083

Senate Amendments ( [html](#) | [pdf](#) )

A-Engrossed ( [html](#) | [pdf](#) )

Enrolled ( [html](#) | [pdf](#) )

Introduced ( [html](#) | [pdf](#) )

- SB 1083** By Senator SCHRADER -- Relating to farm employment tax credits.
- 04/20 (S) Motion to lay bill, together with Governor's message, on the table carried. Ayes, 20; Nays, 10--Atkinson, Beyer, Ferrioli, Kruse, Morse, Nelson, Starr, B., Starr, C., Whitsett, Winters.
- 06/21 (S) Introduction and first reading. Referred to President's desk.
- 06/22 (S) Referred to Rules, then Revenue.
- 06/28 (S) Work Session held.
- 06/30 (S) Recommendation: Do pass and be referred to Revenue by prior reference.
- 06/30 (S) Referred to Revenue by prior reference.
- 07/06 (S) Public Hearing held.
- 07/07 (S) Public Hearing and Work Session held.
- 07/08 (S) Work Session held.
- 07/11 (S) Recommendation: Do pass with amendments. (Printed A-Eng.)
- 07/12 (S) Second reading.
- 07/13 (S) Third reading. Carried by Schrader. Passed. Ayes, 25; Nays, 4--Morrissette, Ringo, Shields, Walker; Excused, 1--Burdick.
- 07/13 (S) Beyer, George, Kruse, Schrader declared potential conflict of interest.
- 07/15 (H) First reading. Referred to Speaker's desk.
- 07/15 (H) Referred to State and Federal Affairs.
- 07/20 (H) Public Hearing and Work Session held.
- 07/26 (H) Work Session held.
- 07/28 (H) Work Session held.
- 07/28 (H) Recommendation: Do pass.
- 07/29 (H) Second reading.
- 07/30 (H) Motion to refer to Ways and Means failed. Ayes, 27; Nays, 33--Anderson, Berger, Boquist, Brown, Bruun, Burley, Butler, Cameron, Dallum, Dalto, Esquivel, Farr, Flores, Garrard, Gilman, Hanna, Jenson, Kitts, Krieger, Kropf, Krummel, Lim, Morgan, Nelson, Olson, Richardson, Scott, Smith G., Smith P., Sumner, Thatcher, Whisnant, Speaker Minnis.
- 07/30 (H) Third reading. Carried by Flores, Kropf. Passed. Ayes, 33; Nays,

27--Ackerman, Avakian, Barker, Barnhart, Berger, Beyer, Buckley, Dalto, Dingfelder, Farr, Galizio, Greenlick, Hansen, Hass, Holvey, Komp, Macpherson, March, Merkley, Nolan, Riley, Roblan, Rosenbaum, Shields, Tomei, Wirth, Witt.

- 07/30 (H) Vote explanation(s) filed by Hunt.
- 08/02 (S) President signed.
- 08/04 (H) Speaker signed.
- 09/02 (S) Governor vetoed.

73rd OREGON LEGISLATIVE ASSEMBLY--2005 Regular 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 3687

A-Engrossed

Senate Bill 1083  
Ordered by the Senate July 11  
Including Senate Amendments dated July 11

Sponsored by Senator SCHRADER

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.

Establishes credit against income or corporate excise taxes for wage increases paid by employers to employees engaged in activities that constitute farm use, when increases are caused by increase in minimum wage. Limits credit to percentage of wage increases paid.

Applies to tax years beginning on or after January 1, 2006 { + , and before January 1, 2010 + }.

A BILL FOR AN ACT

Relating to farm employment tax credits.

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

SECTION 1. { + Section 2 of this 2005 Act is added to and made a part of ORS chapter 315. + }

SECTION 2. { + (1) An individual taxpayer is allowed a credit against the taxes otherwise due under ORS chapter 316 or, if the taxpayer is a corporation, under ORS chapter 317 or 318 if:

(a) The taxpayer is primarily engaged in activities that constitute farm use;

(b) The taxpayer employs one or more employees who are unrelated to the taxpayer exclusively in the activities described in paragraph (a) of this subsection; and

(c) The employees described in paragraph (b) of this subsection are employed at an hourly rate that equals or exceeds the hourly minimum wage as provided by law.

(2) (a) For tax years beginning on or after January 1, 2006, and before January 1, 2007, the amount of the credit shall equal 50 percent of the wages paid during the tax year that are attributable to increases in the minimum wage required by law to be paid for employment in farming or ranching activities.

(b) For tax years beginning on or after January 1, 2007, the amount of the credit shall equal the wages paid during the tax year that are attributable to increases in the minimum wage

required by ORS 653.025 to be paid for employment in farming or ranching activities. ]

(3) (a) Amounts paid by an employer that exceed the minimum wage but that are not attributable to increases in the minimum wage required by law do not qualify for a credit under this section.

(b) A taxpayer eligible for a credit under this section may sell or otherwise transfer the credit in exchange for cash payment.

(c) A transferee of a credit under this section shall be allowed the credit for the tax years that would have been allowable to the transferor had the transfer not occurred.

(d) The Department of Revenue shall establish by rule procedures for selling or otherwise transferring a credit under this section.

(4) Except as provided in subsection (5) of this section, the credit allowed under this section may not exceed the liability of the taxpayer for the tax year.

(5) Any tax credit otherwise allowable under this section that is not used by the taxpayer in a particular tax year may be carried forward and offset against the taxpayer's tax liability for the next succeeding tax year. Any credit remaining unused in the next tax year may be carried forward and used in the second succeeding tax year, and likewise, any credit not used in that second succeeding tax year may be carried forward and used in the third succeeding tax year, and any credit not used in that third succeeding tax year may be carried forward and used in the fourth succeeding tax year, and any credit not used in that fourth succeeding tax year may be carried forward and used in the fifth succeeding tax year, but may not be carried forward for any tax year thereafter.

(6) A nonresident shall be allowed the credit under this section in the proportion provided in ORS 316.117.

(7) If a change in the status of a taxpayer from resident to nonresident or from nonresident to resident occurs, the credit allowed by this section shall be determined in a manner consistent with ORS 316.117.

(8) If a change in the taxable year of a taxpayer occurs as described in ORS 314.085, or if the Department of Revenue terminates the taxpayer's taxable year under ORS 314.440, the credit allowed under this section shall be prorated or computed in a manner consistent with ORS 314.085.

(9) As used in this section, 'farm use' means the current employment of land for the primary purpose of obtaining a profit in money by:

(a) Raising, harvesting and selling crops;

(b) Feeding, breeding, managing or selling livestock, poultry, fur-bearing animals or honeybees or the produce thereof;

(c) Dairying and selling dairy products;

(d) On-site constructing and maintaining equipment and facilities used for the activities described in this subsection;

(e) Preparing, storing or disposing of, by marketing or otherwise, the products or by-products raised for human or animal use on land described in this section; or

(f) Except as provided in subsection (10) of this section, using land described in this section for any other agricultural or horticultural use or animal husbandry or any combination of agricultural, horticultural and animal husbandry use.

(10) As used in this section, 'farm use' does not include:

(a) The use of land subject to timber and forestland taxation

under ORS chapter 321, except land used exclusively for growing cultured Christmas trees or land described in ORS 321.267 (3) or 321.824 (3) (relating to land used to grow certain hardwood timber, including hybrid cottonwood);

(b) Stabling or training equines, including but not limited to providing riding lessons, training clinics and schooling shows;

(c) Breeding, raising, kenneling or training greyhounds for racing; or

(d) Propagating, cultivating, maintaining or harvesting aquatic species and bird and animal species, if the propagating, cultivating, maintaining or harvesting requires allowance under rules adopted by the State Fish and Wildlife Commission.

(11) The definitions in ORS 308A.056 (4) apply to this section. + }

SECTION 3. { + Except as provided in section 2 (5) of this 2005 Act, section 2 of this 2005 Act applies to tax years beginning on or after January 1, 2006, and before January 1, 2010. + }

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The Oregonian

September 3, 2005, Saturday

## Oregon veto leaves cities able to regulate businesses

**BYLINE:** By Michelle Cole

**LENGTH:** 625 words

The state won't limit Portland's efforts to regulate bars and restaurants that serve alcohol after Gov. Ted Kulongoski vetoed a bill Friday that would have curbed the city's authority.

"I do not support limiting local governments in this way," Kulongoski said in a letter explaining his veto of House Bill 2056.

Passed in the final days of the 2005 session, the bill would have restricted Portland's "time, place and manner" ordinance that allows city officials to force businesses serving liquor to limit their hours or add security if they are the subject of numerous complaints.

Mayor Tom Potter and City Commissioner Randy Leonard lobbied for the veto.

The restaurant industry pushed for the bill, arguing that the city ordinance goes too far and is unfair to bar and restaurant owners who would have to go to court to challenge the city's law.

"The city has chosen to use this bill as a scapegoat for their inability to control downtown violence and, unfortunately, the governor has bought into it," said Michael McCallum, president and CEO of the Oregon Restaurant Association.

The governor also vetoed:

--**Senate Bill 1083**, intended to shield Oregon's farmers from the effects of the automatic annual increase in the state's minimum wage. Kulongoski said the bill was so broadly drafted that it could cost the state \$ 244.2 million through the 2009 tax year.

Oregon's agricultural lobby will try again in 2007, said Don Schellenberg, of the Oregon Farm Bureau. "Agriculture simply can't sustain yearly increases in the minimum wage and survive," he said.

--**House Bill 2588**, which would have allowed chiropractors to serve as attending physicians for injured workers covered by the state Workers Benefit Fund.

Proponents said chiropractic care can be both a preferable and cost-effective approach to worker injuries. But Kulongoski said the worker's compensation program already offers sufficient access to such care.

--**House Bill 3463**, which was narrowly drafted to allow mini-motorcycles -- so-called "pocket bikes" -- to race at a Canby track.

The governor said using such methods to skirt the state's land-use laws was "inherently unfair to those who have acted in good faith under existing law." But the bill's sponsor, Rep. Derrick Kitts, R-Hillsboro, said the bill was a "minimal adjustment" and Kulongoski an "extremist on land-use policy."

--In addition, the governor signed Senate Bill 408, legislation intended to ensure that Oregon utilities do not charge ratepayers for income taxes the utilities never actually pay.

Kulongoski had said earlier that he would sign the bill, which was backed by consumer groups. But, in a letter released Friday, the governor said the bill fell short of addressing many concerns that had been raised.

"In the end, we need to do all we can to ensure the lowest possible rates for consumers in Oregon, while also creating a stable and investment worthy environment for utilities, preferably an environment that encourages Oregon as the headquarters for businesses, including utilities," he said.

"I'm not sure that this legislation moves us with certainty in that direction, and any unintended consequences could actually undercut that goal."

The governor has until Sept. 16 to sign or veto remaining bills passed by the 2005 Legislature or they become law without his signature.

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The Register-Guard (Eugene, OR)

August 28, 2005

Wrong kind of farm aid;  
 Editorials;  
 Governor should veto minimum wage tax credit;  
 Editorial

SECTION: Pg. B2

LENGTH: 534 words

Byline: The Register-Guard

Oregon's inflation-indexed minimum wage - second-highest in the nation behind Washington's - is intended to help low-income workers keep pace with the steadily increasing costs of essentials such as fuel, food and health care.

But annual increases in the minimum wage are having the opposite effect on the state's agriculture industry, taking increasingly bigger bites out of farmers' income and causing double-digit reductions in overall farm employment.

There's little disagreement about the problem, but the agriculture industry's first crack at a legislative remedy - **Senate Bill 1083** - takes the wrong approach to a solution. The bill deserves its place on Gov. Ted Kulongoski's most recent "intent to veto" list.

**Senate Bill 1083** attempts to insulate agricultural employers from the automatic increases in the minimum wage since inflation indexing was approved by voters in 2003. Prior to indexing, the state minimum wage stood at \$6.90 per hour; it's currently at \$7.25. The bill would establish a new state income tax credit to reimburse agricultural employers for wages paid above \$6.90.

The issue **SB 1083** tries to address is real and serious. Labor is the single highest cost for Oregon farmers, and can represent up to 70 percent of all expenses for labor-intensive crops such as berries and tree fruit. Since 1990, when Oregon farm labor expenses amounted to a little over half of net farm income, labor costs have skyrocketed to twice net farm income in 2003.

These costs can't be passed on to consumers, because the global market sets the price for farm commodities, and Oregon is competing with lower-wage producers in other states and countries. In the short run, the only thing Oregon farmers can do is employ fewer workers, and that's why farm jobs are down by 14 percent since minimum wage indexing began in 2003.

Unfortunately, the solution sought by **SB 1083** is to pass the cost of farm labor on to the taxpayers, to the tune of \$244 million over the four-year span of the bill. To avoid being construed as providing farmers with an incentive to keep employees at minimum wage, the bill's language includes all farm workers in all agricultural operations. That provides a tax credit for every farm, regardless of size or need, and includes almost 46,000 farm workers, many making far more than minimum wage.

It doesn't make sense to use scarce tax dollars to reward large, wealthy agribusinesses when the actual objective is to help struggling family farmers stay competitive. Then there's the "me-too" dilemma. Even though farmers have the best argument for minimum-wage relief, they don't have the only argument. Family-run fishing businesses, restaurants, day-care centers, furniture stores, ho-

tels and motels could all make a strong case for inclusion in a program that eases the burden of an indexed minimum wage.

Many farmers need help coping with increases in the minimum wage, and the next Legislature should make it a priority to determine the best and fairest way to accomplish that. But despite the likelihood that political opponents will try to paint him as "anti-farmer," Kulongoski should veto SB 1083. The taxpayers shouldn't be paying the wages of farm workers.

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The Sunday Oregonian (Portland, Oregon)

July 31, 2005 Sunday  
Sunrise Edition

## Legislators find agreement on cold pills, mental health

**BYLINE:** JEFF MAPES and JAMES MAYER, The Oregonian

**SECTION:** Local Stories; Pg. A01

**LENGTH:** 1009 words

**SUMMARY:** Saturday's work is notable for its bipartisan accomplishments as several significant measures are approved

SALEM -- Oregon legislators passed two landmark bills Saturday that improve health coverage for mental illness and combat the methamphetamine epidemic by imposing the nation's toughest controls on many decongestants.

Following a 25-5 vote in the Senate, Oregon is now on the verge of becoming the first state to require a doctor's prescription for cold and allergy drugs that contain pseudoephedrine. While it's the most common over-the-counter decongestant, it's also the key ingredient in the illegal manufacture of methamphetamine.

The House is expected to quickly agree with minor changes senators made to the meth bill and speed it to Gov. Ted Kulongoski, who says he'll sign it into law.

In another significant move, the House gave final approval on a 59-1 vote to require health insurers to provide the same level of coverage for mental illness and drug abuse as for physical ailments.

The measure has long been sought by mental-health advocates but had been blocked by business and insurance groups worried it would drive up health costs and lead more employers to drop all health insurance. However, similar requirements have not caused a major cost increase in the 35 states that now have them, supporters said.

The two bills passed in a flurry of activity Saturday by legislators hoping they can wind up one of the longest sessions in Oregon history sometime next week.

Among dozens of bills, lawmakers also sent the governor a bill funding a pesticide-use reporting system and the House approved a measure that seeks to prevent utilities from charging ratepayers for income taxes the energy companies don't actually pay. Both chambers reconvene Monday.

Action on the anti-meth legislation comes just as Congress and an increasing number of states step up efforts to prevent the illegal diversion of pseudoephedrine.

Several states, including Oregon, now require consumers to show their identification and sign a log when obtaining these cold and allergy medicines from pharmacies. Congress is moving toward similar restrictions nationally.

However, Oregon lawmakers -- with prodding from law enforcement -- say they don't think that is enough to stop people from buying enough supplies to stock home-grown meth labs.

"We can't soft-pedal this," said Sen. Jeff Kruse, R-Roseburg. "This is war."

Lt. Craig Durbin, who heads the Oregon State Police's drug enforcement section, said he's already heard from states interested in following Oregon's lead in requiring prescriptions. He lauded lawmakers for being willing to "stand up to the pharmaceutical companies" that lobbied against the bill.

However, Sen. Vicki Walker, D-Eugene, warned her colleagues that voters will be angry when they have to obtain prescriptions for such common drugs as Sudafed and Claritin D. She said it would drive up health costs and particularly hurt the 600,000 Oregonians who don't have health insurance.

But supporters said several companies are rushing to reformulate their drugs so they don't contain pseudoephedrine. Sudafed, for example, also comes in a version that contains phenylephrine, which supporters of the bill say works just as well for most consumers.

In addition, Sen. Alan Bates, D-Ashland, a physician, downplayed the importance of decongestants and said it is more important to restrict access to the key ingredient used by meth cooks.

Most meth sold in the state comes from Mexican drug cartels. But backers hope the new restrictions will drive out local meth labs that contaminate homes and endanger children.

#### House moves on mental health

In the House, one speaker after another lined up to praise the bill requiring parity for mental health coverage. The bill had been stalled in the House, but Republican leaders began to move it after they reached agreement with the Democratic Senate on a budget plan.

Rep. Linda Flores, R-Oregon City, said it is wrong that many health plans now have strict caps on the number of therapy sessions they will cover.

"We don't say to a cancer patient, you only have 10 days, sorry," said Flores. "After that, you have to pay for your own radiation or chemotherapy."

While the session has been dominated by sharp partisan differences, Saturday's session was notable for its bipartisan tone on several big issues. In addition to the strong votes for the mental health and meth bills, House members of both parties joined on a 54-6 vote to approve the measure dealing with utility taxes.

Oregon utility regulators have long set rates based on rough estimates of how much a utility would pay in state and federal income taxes. But those estimates have been wildly off as Portland General Electric and PacifiCorp were bought up by large companies that can use tax write-offs from their other operations to offset local utility profits.

The measure, Senate Bill 408, now goes back to the Senate. Gov. Ted Kulongoski said he supports the concept of adjusting rates to reflect actual taxes paid but has not yet studied the bill's language.

#### Agricultural tax credit

Kulongoski said he would sign the meth and mental-health bills. But the governor is threatening to veto a bill -- on tax credits for the agricultural industry -- that prompted the biggest partisan debate of the day. Senate Bill 1083 would give farmers a tax credit worth nearly \$140 million over the next four years to compensate for increases in the minimum wage.

The bill's language didn't change after it left the Senate, but the legal interpretation did, dramatically expanding the revenue impact.

House Republicans refused to restore the bill's original meaning, arguing the broader interpretation is what they always intended. It passed the House 33-27.

But Rep Mark Hass, D-Raleigh Hills, said the result will be that farmers get nothing.

"There's nothing wrong with making a mistake," Hass said, "But let's not respond with an encore."

Michelle Cole of The Oregonian staff contributed to this report.

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The Oregonian (Portland, Oregon)

July 14, 2005 Thursday  
Sunrise Edition

## Two tax breaks for agriculture pass Senate

**BYLINE:** JAMES MAYER, The Oregonian**SECTION:** Business; Pg. B02**LENGTH:** 374 words**DATELINE:** SALEM

**SUMMARY:** One bill, which is opposed by unions, would help farmers; the other would aid food processors

The Oregon Senate on Wednesday approved two tax breaks for the agriculture industry, one to help food processors and one aimed at reducing the cost to farmers for paying increases in the minimum wage.

**Senate Bill 1083** is the more controversial of the two bills. It would provide an income tax credit for farm labor costs resulting from annual inflation increases in the state's minimum wage that's mandated by voters. The cost to the state in lost tax revenue would be \$1.3 million in 2005-07.

"This is an essential bill to protect Oregon farmers, so they can compete in the global marketplace," said Sen. Kurt Schrader, D-Canby, the measure's sponsor.

The bill is opposed by unions and some Democrats, and it could become entangled in the end of session negotiations. The bill passed, 25-4, with Democrats providing all the no votes.

In voting against the bill, Sen. Frank Shields, D-Portland, cited union criticism that it subsidizes farmers regardless of their size or financial situation, and that the credit could encourage employers to keep workers at the minimum wage.

Sen. Ryan Deckert, D-Beaverton, revenue committee chairman, said the bill was part of a package that includes expanding a credit for the working poor. Under Deckert's plan, the credits would be paid for by rejecting a \$16 million state income tax cut for manufacturers resulting from changes in federal law.

Parts of that package are expected to be rejected in the House and end up in a conference committee.

Some Senate Democrats wanted to hold on to the bill to use it as leverage with House Republicans who have killed an amnesty program aimed at taxpayers who use illegal tax shelters to avoid paying taxes.

The fate of Senate Bill 479 is clearer. It would provide a five-year property tax break for the purchase of new equipment by companies engaged in processing fruit, vegetables, legumes, nuts or seafood. Food processing representatives say the industry has suffered from international competition and consolidation in recent years.

The exemption would cost local governments about \$1 million over the next two years.

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Two tax breaks for agriculture pass Senate The Oregonian (Portland, Oregon) July 14, 2005 Thursday Page 9

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