

MINUTES OF DIRECTORS MEETING

LANE COUNTY MASS TRANSIT DISTRICT

February 6, 1975

A special meeting was called by the board of directors of Lane County Mass Transit District on February 6, 1975 at 7:30 a.m. in Ford's Dinner House.

Present:

Jack J. Craig, Treasurer
W. Gene Davis
Daniel M. Herbert, President, presiding
Kenneth H. Kohnen, Vice President
Glenn E. Randall, Secretary
Richard Bryson, Counsel

Absent:

Richard A. Booth
Ruth Shepherd
Fred C. Dyer, General Manager

Mavis Skipworth, administrative secretary, served as recording secretary for the meeting.

Mr. Herbert introduced the special guests: Orlando J. Hollis, chairman of the Special Advisory Committee on Revenue Sources; Thomas J. Wurtz, a member of that committee who initiated the bill on income tax; and Mrs. Bean McFadden, an assistant to the legislative counsel.

PROPOSALS FOR LEGISLATION: Mr. Herbert asked Mr. Kohnen to outline the three legislative proposals that were previously distributed to board members, as prepared by Mr. Bryson with Mr. Kohnen assisting, to carry out the recommendation of the Special Advisory Committee pertaining to an income tax. Mr. Herbert stated that the committee had recommended an income tax on individuals residing within the district, based on residence rather than source of income, and also, that corporations be included.

Proposal No. I. Mr. Kohnen said that with corporations having their headquarters in other areas but operating within the district, the question was how much of that income should be allocated to the district and what allocation of their excise tax would be subject to a surcharge to the district. He added that this bill specifies the same formula used by the state to allocate income from other states; payroll, sales and property, with a percentage of each factor in the taxable area. He said that the bill also has a provision for sales and use tax, as in the present law.

Mr. Craig expressed the opinion that the board should limit itself to a consensus on the bills at this meeting because of the early deadline to introduce legislation, and that just the differences in the three bills should be pointed out. Mr. Herbert said that the board needs to understand the intent to deal with them.

Proposal No. II. Mr. Kohnen said that this bill is basically the same as No. I for non-business income, rent, royalty and interest, but that business income would be allocated on the basis of payroll within the district as compared to total payrolls in the state.

Proposal No. III. Mr. Kohnen explained that this bill further simplifies the tax, as all non-business as well as business income would be allocated on the single factor of payroll within the district compared to total payrolls in the state. He said that the bill includes the provision for avoidance of double taxation, allowing a credit against the tax in the amount of payroll tax levied against the employer.

Mr. Herbert invited the special guests to participate and to address the board members directly rather than through the chair.

Mr. Craig suggested that if a surtax could be imposed in an amount as low as 50¢ a month on an individual tax, it would be more viable than if it were higher. Mr. Kohnen said that this bill includes a surtax of up to 10% of the income tax. Mr. Bryson reminded the board members that 1% tax on income is presently authorized, but the statute is just not properly written to use it. Mr. Craig added that people should realize the district is not trying to take advantage of them, but there should be just a participatory tax.

Mrs. Loobey distributed a sheet indicating the possible yield from an individual income tax, but not including the corporation excise tax.

In response to a question by Mr. Hollis asking in what category loan companies would be considered, Mr. Kohnen replied that most operate in corporate form. Mr. Randall said they should be included under financial institutions.

Mr. Craig moved that the board approve proposal No. III with the intent that the district can regulate the tax levied. He expressed the opinion that this would permit individual taxpayers to assist transit with a token amount each year.

Mr. Herbert asked for further discussion to decide which of the proposals should receive endorsement from the board. Mr. Kohnen recommended having the proposal as simple as possible. He believed that proposal No. III would be a simpler approach in taxing corporations. He spoke of the difficulty of forecasting revenues from the tax because of the credit to be allowed for the payroll tax paid.

Mr. Hollis spoke in favor of proposal No. III as (1) the information is available, (2) it is easier to understand and the collection would be less complex and less expensive, and (3) that he liked the payroll factor as it is appropriate to the LTD operation involving people-hauling.

Mr. Wurtz expressed agreement with Mr. Hollis on No. III, and referred to the meeting of the Special Advisory Committee attended by Gregory Pierce from the Oregon State Department of Revenue, at which time Mr. Pierce indicated that the income tax proposal would be hard to collect. To make this work, Mr. Wurtz added, the Department of Revenue would have to accept it, and he felt that since the complicating factor of collection is not so great, this would be a reason to adopt No. III. Mr. Bryson reminded the members that the Department of Revenue passes the collection charges on to the district.

Mr. Herbert asked what proportion of corporation income tax there is in relation to individual income tax, for an estimate of possible yield. Mr. Hollis also said that the board should have that figure, and added that at no time did the Special Revenue Committee recommend that the district operate on a single revenue basis. Mr. Bryson left the meeting briefly to obtain information on the possible capture from corporate income, and upon return, informed the board that the corporate excise tax paid in the state is approximately \$50 million dollars, and that a rough estimate might be 10% of that in Lane County, which would make a possible yield of about \$500,000. Mr. Randall expressed the opinion that passage by the Legislature to make such a tax available was the most important issue; that rates could be adjusted at a later time.

Discussion followed on the possibility of different revenue yields from a 10% surcharge on the income tax paid, or from a 1% tax on taxable income.

Mr. Davis asked if it would not be better to correct the language of the present law allowing 1% of taxable income so that it can be used, rather than to present one of these proposals. Mr. Herbert said that 1% of defined income gets into a non-progressive, sliding scale computation, and that it would be difficult to make it progressive. Mr. Hollis believed that a straight 1% tax on all economic levels of income would not be accepted and the board should not take the responsibility of such a step, as the low income people would suffer. He reminded the members that the government is presently attempting to help the low income people and the unemployed. He added that the district does presently have a .006 maximum on the payroll tax, and he would suggest a .06 surcharge on the income tax. He said that if this could be accomplished, there would be some increase in total yield as the tax on individuals brings in new income, and the higher of the two on businesses would bring in more tax. Mr. Wurtz commented that businessmen are not complaining about the payroll tax, but they are complaining that they are the only ones paying.

Mr. Kohnen asked if they should consider dropping the income tax on corporations, but Mr. Herbert believed that it should be retained, so if the payroll tax should be reduced, the surtax on corporation excise tax could take over.

Due to lack of a second to the motion, there was no action on Mr. Craig's motion.

Mr. Craig moved that the board adopt draft No. III with a 6% maximum. Mr. Davis seconded the motion and it carried unanimously. Mr. Craig asked for a draft for introduction and Mr. Randall said he would submit it February 7th.


Mr. Craig reported that the Budget Law proposal has been prepared by Legislative Counsel in the same form as proposed by Mr. Bryson and is ready to go to the Legislature.

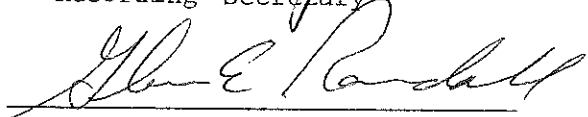
Mr. Craig reported that Legislative Counsel has drafted a bill which would call for an election on a "local option" constitutional amendment permitting transit district voters to vote on a gasoline tax. He referred to Mr. Eymann meeting with the board on December 17, 1974 and the request for drafting.

Mr. Randall moved that the board give tentative approval to provisions for constitutional amendment to permit the use of a gasoline tax on local option. The motion was seconded and carried.

Mr. Randall moved that as a housekeeping measure for bid procedure, the board reduce the figure from \$50,000 to \$10,000. The motion was seconded and carried.

Meeting adjourned.


Recording Secretary


Secretary