

**ORIENTATION PUBLIC HEARING: HB 2130, HB 2133**

**PUBLIC HEARING & WORK SESSION: HB 2040**

**PUBLIC HEARING: 2049**

**TAPES 014 ñ 015 A/B, 016 A**

## **HOUSE REVENUE COMMITTEE**

**JANUARY 22, 1999 ñ 8:30 A.M. - HEARING ROOM A - STATE CAPITOL BUILDING**

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Members Present: Rep. Ken Strobeck, Chair

Rep. Anitra Rasmussen, Vice Chair

Rep. Deborah Kafoury

Rep. Jeff Merkley

Rep. Diane Rosenbaum

Rep. Jim Welsh

Rep. Max Williams

Rep. Bill Witt

Members Absent: Rep. Lane Shetterly

Staff: Lizbeth Martin-Mahar, Economist, Legislative Revenue Office

Ed Waters, Economist, Legislative Revenue Office

Richard Yates, Economist, Legislative Revenue Office

Barbara Guardino, Committee Assistant

Witnesses: Susan Browning, Oregon Department of Revenue

Diane Belt, Washington County Assessment & Taxation

Gary Bartholomew, Oregon Assoc. of County Tax Collectors

Dexter Johnson, Legislative Counsel

**TAPE 014, SIDE A**

010 Vice Chair Rasmussen Called meeting to order at 8:33 a.m. Opened public hearing on HB 2130.

**PUBLIC HEARING ñ HB 2130**

015 Ed Waters Gave brief overview of HB 2130. Introduced by Oregon Dept. of Revenue to change administrative procedures for taxpayer conference decisions for taxpayer tax audits. Distributed revenue impact statement and submitted testimony from Gary Carlson. **(EXHIBITS 3 and 4)**

025 Susan Browning Described Oregon Department of Revenue's procedure on the appeal process. Believes these changes will improve DOR's operations, some will improve taxpayer service. Several relate to appeals procedure. See

Income Tax Appeal Procedure **(EXHIBIT 1)**: Overview of procedure.

146 Rep. Welsh Asked why all documents must have the same date as certified mail.

156 Browning Appeal rights are driven by notice dates, so notice dates must match with mailing date. Logistics get awkward, which is why DOR is proposing a change. Taxpayers may still request items to be sent by certified mail.

Discussion and questions concerning eliminating certified mail.

260 Browning Directed members' attention to Oregon Department of Revenue 1999 Legislative Session Bill Summary HB 2130 **(EXHIBIT 2)**.

264 Browning Section 1, lines 10-11 ñ Deletes certified mailing requirement for Conference Decision Letters

Section 2, page 4, lines 5-9 ñ Deletes requirement that a conference decision letter must include a refund, a refund denial or a notice of assessment.

Section 3, page 5, lines 1-5: Clarifies that the department may disclose any tax information to an authorized representative.

288 Browning Section 4, page 8, lines 6-8: Provide that a person recognized as an authorized representative by the tax court is authorized for Department of Revenue purposes.

309 Browning Section 5: Placement of Section 6

Section 6, page 8, lines 16-18: Alternative Dispute Resolution processes administered by the Multistate Tax Commission are exempt from oversight by Oregon dispute resolution provisions.

333 All Discussion and questions interspersed.

**TAPE 015, SIDE A**

034 All Discussion and questions concerning whether taxpayers should be given a choice whether to have correspondence sent by certified mail. Discussion on how to allow taxpayers to make a choice. Suggestion on making regular mail the default option unless otherwise requested.

139 Browning Concerning Rep. Merkley's question on focus groups, DOR takes its concepts to CPA Association and Licensed Tax Practitioners.

Discussion and questions interspersed.

145 Browning Certified mail in this case does protect taxpayers. If regular mail is returned, DOR will send it certified. Few places where mail is sent certified, is being phased out in society.

171 Rep. Witt If this is to protect taxpayers, default practice should be certified mail.

194 Chair Strobeck Closed public hearing on HB 2130.

207 Chair Strobeck Introduced Paul Warner, new Legislative Revenue Officer.

212 Chair Strobeck **MOVED THAT HOUSE REVENUE COMMITTEE, ACTING UNDER THE AUTHORITY OF ORS 173.800, APPOINT PAUL D. WARNER TO BE LEGISLATIVE REVENUE OFFICER, EFFECTIVE FEB. 1, 1999. ASKED FOR OBJECTIONS TO MOTION. HEARING NO OBJECTION, THE CHAIR SO ORDERED.**

224 Paul Warner Gave introductory comments.

230 Chair Strobeck Opened public hearing on HB 2133

**PUBLIC HEARING n HB 2133**

239 Ed Waters Introduced HB 2133: Would allow a refund for personal and corporate income taxpayers based upon a "claim of right income adjustment." **(EXHIBIT 5)**

- 251      Browning      Gave brief description of HB 2133. Directed members' attention to Oregon Department of Revenue 1999 Legislative Session Bill Summary HB 2133 (**EXHIBIT 6**). This is a taxpayer fairness issue.
- Section 2: Establishes claim of right income tax credit. Proposes that state mirror the federal system of taking a state tax credit for amount of taxes already paid on income that was repaid. This seldom happens, but seems very unfair.
- 292      Browning      Section 3: No double benefit is allowed for amounts repaid. Revenue impact minimal. Discussion and questions interspersed.
- 374      Chair Strobeck      Closed public hearing on HB 2133. Opened public hearing on HB 2040.

#### **PUBLIC HEARING ñ HB 2040**

- 396      Lizbeth Martin-Mahar      Directed members' attention to proposed amendments (**EXHIBIT 7**). Update income levels for veterans due to passage of Veterans Commission Cost of Living Adjustment Act of 1998.
- Bill clarifies annual war veterans' exemption from property taxation to increase by 3% each year.
- Distributed fiscal impact statement. (**EXHIBIT 8**)
- 452      Chair Strobeck      Closed public hearing on HB 2040. Opened work session on HB 2040.

#### **WORK SESSION -- HB 2040**

- 453      Rep. Shetterly      **MOTION HB 2040-1 AMENDMENTS TO HB 2040 BE ADOPTED.**
- 457      Chair Strobeck      **ASKED MEMBERS FOR ANY OBJECTIONS TO MOVING HB 2040-1 AMENDMENTS INTO HB 2040. HEARING NO OBJECTIONS, THE CHAIR SO ORDERED.**
- 461      Vice Chair Rasmussen      **MOVED HB 2040-1 TO THE HOUSE FLOOR WITH A DO PASS AS AMENDED RECOMMENDATION.**
- 470      Chair Strobeck      **ASKED FOR OBJECTIONS TO MOVING HB 2040-1 TO THE FLOOR WITH A DO PASS AS AMENDED RECOMMENDATION.**

**TAPE 014, SIDE B**

028      **VOTE**

**ROLL CALL VOTE: MOTION PASSES 9-0-0**

**REPRESENTATIVES VOTING AYE: Rep. Kafoury, Rep. Merkley, Rep. Rosenbaum, Rep. Shetterly, Rep. Welsh, Rep. Williams, Rep. Witt, Vice Chair Rasmussen, Chair Strobeck**

**Rep. Merkley will carry the bill.**

040      Chair Strobeck

Closed work session on HB 2040. Opened public hearing on HB 2049.

**PUBLIC HEARING n HB 2049**

042      Lizbeth Martin-Mahar

Reviewed four types of garnishment (**EXHIBIT 9**).

1. Writ of Garnishment
2. Writ of Continuing Garnishment
3. Warrant & Notice of Garnishment
4. Notice of Continuous Garnishment: This is the one that HB 2049 is addressing. Continues until debts are paid.

075      Martin-Mahar

Directed membersi attention to HB 2049-1 Amendments (**EXHIBIT 10**): Corrects mistake: Page 1, line 19 delete "writ" and insert "notice".

091      Dexter Johnson

Legislative Counsel Office: Concurred with Martin-Mahar's testimony.

Discussion and questions interspersed.

149      Rep. Shetterly

Are county tax collectors authorized to issue a writ of continuing garnishment through county council?

155      Johnson

Must be a basis for garnishment a judgement or exercise of security interest. Cannot be pursuant to a warrant.

174      Rep. Witt

Asked questions in regard to who has priority in garnishment cases. Johnson will research this and provide information at later date.

Discussion and questions.

255      Gary Bartholomew

Provided additional information regarding January 21 testimony. County can have a garnishment that will continue indefinitely until debt is paid. It has to go through court system which inefficient.

- 293 Bartholomew Concerning page 2, lines 5-6 (will be deleted): This refers to notice served on employer or bank, not debtor.
- Agreed that all creditors should have equal opportunity to garnishee. But counties are collecting for government in order to provide services, and for this reason he believes counties should have a priority.
- 328 Diane Belt Testified, property taxes are a result of public decision to operate certain services. Tax collectors don't have the choice whom to give credit to. Trying to streamline system, make better use of taxpayer dollars.
- 355 Belt Testified regarding machinery and equipment, which is classified as real property. This property gets taken away, and counties have no way to collect on it. Counties have asked to include real property) machinery and equipment) with personal property so they can seize it before it leaves the state.
- Discussion and questions interspersed.
- 435 Vice Chair Rasmussen Point of discussion: Who should have priority in collecting unpaid debts.
- Concern about balancing local districts' abilities to collect debt with private companies collecting. Discussion and questions interspersed.

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**TAPE 015, SIDE B**

- 045 Rep. Witt Important that state be sensitive to the needs and rights of private creditors, and don't adopt policy that favors government over private parties.
- Discussion and questions.
- 078 Chair Strobeck Pointed out, on revenue impact statement (**EXHIBIT 11**) for FY 1996-97, there were \$104 million uncollected for property taxes, or 4% of total.
- 119 Chair Strobeck Closed public hearing on HB 2049. Will not hold work session.

**ORIENTATION to LOTTERY FUNDS**

- 116 Chair Strobeck Opened orientation meeting on lottery funds. Committee will stand at ease until slide show is set up. Committee will recess. 10:05 a.m. Reconvened at 10:10 a.m.
- 128 Richard Yates Directed members' attention to Oregon State Lottery slide presentation (**EXHIBIT 12**);

and Lottery history (**EXHIBIT 13**)

Oregon State Lottery

- Terminology
- History
- Net Proceeds
- Transfers
- Allocations

153	Yates	<p>Lottery Terminology</p> <ul style="list-style-type: none"><li>• Revenue</li><li>• Prizes</li><li>• Expenses</li></ul>
201	Yates	<p>Lottery History:</p> <ul style="list-style-type: none"><li>• 1984, Created, net proceeds dedicated to economic development.</li><li>• 1989, Legislative action</li><li>• 1991, Legislative action</li></ul>
217	Yates	<ul style="list-style-type: none"><li>• 1995: Referred Measure 21</li><li>• 1998: Initiative Petition (Ballot Measure 66)</li></ul>
239	Yates	<p>1997-98 Traditional Games: Pie chart shows instant scratch tickets generate 38% of revenue; Keno generates 32%</p>
263	Yates	<p>Traditional Game Revenue</p>
279	Yates	<p>Video Lottery Revenue 1991 - 1998</p> <p>Discussion and questions interspersed.</p>
363	Yates	<p>Lottery Transfers: Balance available to legislature for appropriation to either economic development of public education. Anticipates percentage for appropriation by the legislature will continue to decline.</p>

391	Yates	1997-99 Lottery: Pie chart indicates estimated 68% of lottery intake will go to education; 14% will go to education endowment fund (EEF). Figures came out of approved budget.
430	Chair Strobeck	Asked how Indian casinos affect state gaming revenues?
	Yates	<p>They are a substitute for video activity in taverns. Group that forecasts lottery revenues is concerned about that. Difficult to estimate how much lottery revenue was reduced because of Native American gaming.</p> <p>Indian casinos have slot machines, even though they are illegal in Oregon. What they can provide depends upon negotiations with state.</p> <p>Distributed orientation materials for excise taxes and Oregon Liquor Control Commission revenues. <b>(EXHIBIT 14)</b></p>

**TAPE 016, SIDE A**

035	All	Discussion and questions interspersed.
065	Chair Strobeck	Adjourned meeting at 10:31 a.m.

Submitted by, Reviewed by,

Barbara J. Guardino Kim T. James

Committee Assistant Revenue Office Manager

**Exhibit Summary:**

1. HB 2130, Browning, Income Tax Appeal Procedure chart, 1 p.
2. HB 2130, Browning, Oregon Department of Revenue 1999 Legislative Session Bill Summary HB 2130, 2 pp.
3. HB 2130, Waters, Revenue Impact of Proposed Legislation for HB 2130, 1 p.
4. HB 2130, Carlson, Testimony of HB 2130 Before The House Revenue Committee, 1 p.
5. HB 2133, Waters, Revenue Impact of Proposed Legislation for HB 2133, 1 p.
6. HB 2133, Browning, Oregon Department of Revenue 1999 Legislative Session Bill Summary HB 2133, 1 p.
7. HB 2040, Martin-Mahar, Proposed Amendments to House Bill 2040, 1 p.
8. HB 2040, Martin-Mahar, Legislative Fiscal Office Fiscal Impact Assessment, 1 p.



9. HB 2049, Martin-Mahar, 4 Types of Garnishment, 1 p.
10. HB 2049, Martin-Mahar, Proposed Amendments to House Bill 2049, 1 p.
11. HB 2049, Martin-Mahar, Fiscal Analysis of Proposed Legislation for HB 2049, 1 p.
12. Orientation, Yates, Oregon State Lottery, 4 pp.
13. Orientation, Yates, Lottery, 2 pp.
14. Orientation, Yates, Excise Taxes and OLCC Revenues, 2 pp.