

PUBLIC HEARING HB 2542

TAPES 47-48, A-B, 49 A

HOUSE REVENUE COMMITTEE

FEBRUARY 21, 2005 1:00 PM STATE CAPITOL BUILDING

Members Present: Rep. Tom Butler, Chair
 Rep. Vicki Berger, Vice-Chair
 Rep. Mark Hass, Vice-Chair
 Rep. Brian Boquist
 Rep. Sal Esquivel
 Rep. Larry Galizio
 Rep. Betty Komp
 Rep. Andy Olson

Members Excused: Rep. Chuck Riley

Witnesses Present: Rob Douglas, Oregon Society of Certified Public Accountants
 Kim Spaulding, Oregon Society of Certified Public Accountants
 Robert Carus, Oregon Society of Certified Public Accountants
 Bruce Krohn, Oregon Society of Certified Public Accountants

Staff Present: Paul Warner, Legislative Revenue Officer

Lizbeth Martin-Mahar, Economist

Kristi Bowman, Committee Assistant

TAPE 47, SIDE A

002 Acting Chair Berger Calls meeting to order at 1:06 p.m.

OPENS DISCUSSION FOR HOUSE BILL 2542

005 Lizbeth Martin-Mahar Gives overview of Certified Public Accountants' (CPA) presentation. Revenue impact will be discussed on Tuesday, 2/22. ORS 316.012 discussion (Exhibit 1) pertaining to needed legislation for reconnecting to Federal tax laws. One of the components of House Bill 2542 is to establish a connection date of 12/31/04 for changes to the Internal Revenue code that are unrelated to the definition of taxable income.

033 Rob Douglas Gives overview of booklet (Exhibit 2) published by the Oregon Society of Certified Public Accountants. Introduces speakers from Oregon CPA Society.

055 Kim Spaulding Gives overview of sections: A pertains to various federal tax laws and the recommendations by the Oregon Society of Certified Public Accountants automatically reconnecting Oregon tax laws with federal tax laws. Items in Section A do not need legislative action. Section B pertains to federal credits that do not impact OR tax law. Section C items need legislative action in order to conform to federal law because of enactment dates or they fall outside of taxable income.

- 070 Spaulding Begins discussion of Section A, p. 1.
- 079 Chair Butler Questions and answers exchanged regarding Section A.
- 145 Robert Carus Continues with discussion of Section A., beginning with paragraph 244, p. 7.
- 170 Rep. Boquist Asks about ownership of railroad tracks referred to in Section 245.
- 172 Carus Responds that this section refers to Class II and Class III railroads with multi-state operations.
- 228 Chair Butler Questions and answers exchanged regarding Section A recommendations. Rep. Butler has submitted a Legislative Concept on amortization issues.
- 260 Carus Clarifies use tax imposed on owners of aircraft. (Section 336).
- 374 Rep. Boquist Clarifies that Section 901 changes the depreciation period from 7 to 20 years and is related to section 706 regarding natural gas development costs in OR.

- 29 Bruce Krohn Continues discussion of Section A, Sections 101-204, p. 12, pertaining to the Pension Funding Equity Act of 2004.
- 91 Krohn Discussion of Section A, Sections 316-408, p. 15, pertaining to the Working Families Tax Relief Act of 2004.
- 115 Chair Butler General comments about depreciation and amortization.
- 121 Rep. Hass Asks whether the amount stated in section 910, p. 12, is the same amount that was allowed in 2003.
- 123 Carus Responds that the cap was reduced slightly to \$25,000.
- 152 Spaulding Begins discussion of Section C recommendations on p.40 pertaining to OR tax laws that do not automatically connect to federal tax laws
- 198 Rep. Berger Asks about dates of enactment that do not automatically connect federal tax laws to OR tax laws.
- 200 Chair Butler Responds that any enactments after January 1, 2003, are not connected to federal tax laws.

- 217 Chair Butler Questions and answers exchanged regarding amortization.
- 234 Martin-Mahar Comments that there may be confusion about what is current law prior to December 2002 regarding capitalization costs and that she has discussed these issues with Linda Spaulding.
- 343 Rep. Boquist Comments that the IRS is considering a retroactive increase of the death gratuity for a military member to \$100,000. How would that impact this provision? (refer to Section 102, p. 42)
- 360 Martin-Mahar Responds that if HB 2542 is enacted, the impact would be \$12,000, not \$97,000 as it is currently.

TAPE 47, SIDE B

- 015 Carus Continues overview of recommendations for Section C, p. 45.
- 030 Chair Butler Suggests including a graph or timeline of the enactment dates of the federal laws discussed in the booklet as an aid to the committee members.
- 105 Carus

Discusses definitions of S-corporations and needed legislation to tie the definitions to federal law that would result in an automatic reconnect between federal law and OR law.

220 Krohn Continues overview of recommendations for Section C.

260 Chair Butler Asks about status of income averaging in OR.

266 Krohn Responds that currently only farmers can income average. The recommendation in Section 314, p. 49, is to provide equity to fisherman regarding income averaging.

310 Rep. Komp Provides definition of food products fed to livestock (Section 316, p. 50).

TAPE 48, SIDE B

009 Rep. Hass Asks what is the goal of the policy stated in Section 335 (p. 52)

020 Rep. Berger Responds that some whaling activities can be considered a charitable deduction.

- 026 Rep. Boquist Asks about how new legislation will be applied to the various provisions stated in the bill.
- 033 Martin-Mahar Responds that HB 2542 will connect to a specific date for adjustment purposes on OR tax return.
- 045 Rep. Boquist Clarifies purpose of section C recommendations. Questions and answers exchanged with Chair Butler.
- 060 Spaulding Comments that there are some provisions discussed in Section C that would not automatically reconnect with Federal law, such as credits or S-corporations.
- 091 Carus Continues overview of Section C.
- 150 Chair Butler Comments that the foreign earnings issue stated in Section 422, p. 56, will be discussed in depth on 2/22.
- 214 Carus Due to committee time constraints, Mr. Carus reads only the titles of the remaining recommendations in Section C beginning at Section 801 (p. 58) to Section 838 (p. 61).
- 236 Spaulding Continues reading titles of Sections 838 (p. 61) to 909 (p. 67).

- 289 Krohn Reads titles of sections 503 (p. 67) to 314 (p. 73).
- 361 Krohn Refers to supplement handout (Exhibit 3) that includes federal legislation that took place after the booklet was published.
- 399 Chair Butler Makes general comments about today's meeting. HB 2542 discussion will be carried over to Tuesday, 2/22.
- 422 Rep. Komp General comments about the Working Family Tax Relief Act.
- 446 Rep. Berger Asks about the Tsunami Relief section that hasn't been yet resolved and how taxes are being done currently.
- 471 Chair Butler Responds that tax returns affected will be amended.

TAPE 49, SIDE A

- 042 Chair Butler Adjourns meeting at 2:59 p.m.

Tape Log Submitted by:

Reviewed by:

Kristi Bowman, Committee Assistant

Kim Taylor James, Committee
Coordinator

Exhibit Summary:

1. 1. HB 2542, Handout: ORS 316.012, Martin-Mahar, 1 pg., 02/21/05
2. 2. HB 2542, Booklet: An Analysis of Changes, Oregon Society of Certified Public Accountants,

87 pp., 02/21/05

1. 3. HB 2542, Handout: Supplement to booklet, Oregon Society of Certified Public Accountants,

2 pp., 02/21/05