

**WORK SESSION HB 2127**

**PUBLIC HEARING HB 2455, 2486, 2487**

TAPES 56-57, A-B

**HOUSE REVENUE COMMITTEE**

**FEBRUARY 24, 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
- Rep. Chuck Riley

Witnesses Present:

- Rep. Greg MacPherson, District 38
- Dale Diebig, Tax Fairness Organization
- Judy Wiser, Tax Fairness Organization

Staff Present: Paul Warner, Legislative Revenue Officer  
Mazen Malik, Economist  
Lizbeth Martin-Mahar, Economist  
Kristi Bowman, Committee Assistant

**TAPE 56, SIDE A**

002 Chair Butler Calls meeting to order at 1:01 p.m.

OPENS WORK SESSION FOR HOUSE BILL 2127

029 Mazen Malik Gives overview of HB 2127 that establishes a new employer tax rate, adjusts the unemployment tax trust fund, and allows the reserve fund to be used for payments of benefits.

091 Chair Butler Discusses economic impacts of bill. Reviews benefits of bill.

103 Rep. Berger MOTION: MOVES HB 2127 TO THE HOUSE FLOOR WITH A DO PASS RECOMMENDATION.

109 Rep. Boquist Supports the bill and expresses concerns about performance measures pertaining to Supplemental Employment Department Administrative Fund (SEDAF).

126 Chair Butler ORDER: THERE BEING NO OBJECTION, THE CHAIR SO ORDERS. MOTION PASSES 9-0-0. VOTING AYE: BERGER, BOQUIST, ESQUIVEL, GALIZIO, HASS, KOMP, OLSON, RILEY, BUTLER.

OPENS PUBLIC HEARING FOR HOUSE BILLS 2486, 2487, 2455

140 Rep. MacPherson Testifies in support of HB 2486 pertaining to abusive tax shelters. States that the main purpose of HB 2486 is to ensure fairness to taxpayers and should generate additional revenue.

301 Rep. MacPherson Testifies in support of HB 2487 pertaining to mandatory withholding of income tax from distributions from employer-sponsored retirement plans. Supports the bill because it aligns OR income tax law with federal tax law regarding withholdings. It helps local governments with taxing authority an efficient mechanism to collect the tax. Discusses withholding capital gains tax on real estate in OR owned by a non-Oregon resident at the time of closing escrow. The bill is patterned after a similar statute in Colorado.

395 Rep. MacPherson Discusses another component of HB 2487 that allows any state agency or board that issues occupational licenses, to make the licensee demonstrate that they have complied with personal income tax laws.

**TAPE 57, SIDE A**

019 Rep. MacPherson

Continues discussion of HB 2487 pertaining to occupational licenses. Supports this component because it gives an agency the authority to act.

- 044 Rep. Riley Asks whether it would be easier to establish one system of withholding for all property owners rather than for only out-of-state owners.
- 058 Rep. MacPherson Responds that applying the proposed withholding process to all residential sales would be burdensome. The process is aimed at a small group of sellers.
- 066 Rep. Boquist Asks about the occupational licensee component of HB 2487. Asks without creating more bureaucracy, what is the revenue impact of all the double-checking with the revenue department.
- 070 Rep. MacPherson Agrees that those issues are being looked at to achieve the most efficiency. The bill provides authorization rather than a mandatory requirement. There would probably be pilot programs with one or two licensing agencies to verify a licensee's income tax payment. This would have an "encouraging effect" for an applicant to be aware that their income tax payment status may be checked before a license was issued.
- 101 Rep. Boquist Asks about local income tax collection by the Dept. of Revenue. Are there other areas other than Multnomah County that have this issue?
- 103 Rep. MacPherson

Responds that the bill is a result of the recent experience in Multnomah County of outstanding tax debt by residents. Because of so many taxing authorities in the state, it would be more efficient to create one system for all taxing authorities to use.

- 133 Rep. Boquist Asks about tax amnesty issues proposed in HB 2486.
- 140 Rep. MacPherson Responds that HB 2486 will have some significant cost to implement because of the need to communicate the opportunity to make the filing. A fiscal analysis will need to be done to determine whether the investment in education will derive enough revenue to make a return-on-investment.
- 177 Acting Chair Hass Comments that general education was a key part of the CA program.
- 190 Acting Chair Hass Discusses HB 2455 which establishes a tax amnesty for individuals and businesses who have avoided taxes by investing in an abusive tax shelter. Supports the bill because it demonstrates to taxpayers who do pay their taxes that Oregon is going to actively pursue those who don't (Exhibit 1).
- 215 Paul Warner Refers to SB 480 recently proposed that also pertains to tax amnesty. Gives overview of policy issues (Exhibit 2), frequently asked questions (Exhibit 3), who's eligible, how to apply, etc., (Exhibit 4), and a list of other state amnesty programs (Exhibit 5).
- 325 Acting Chair Hass Asks about the CA amnesty program pertaining to voluntary compliance issues such as information sharing between state and federal tax agencies.

330 Warner Responds that CA has a written policy in their voluntary compliance program that states that any information they receive about a taxpayer will be shared with the IRS, and vice-versa. More discussion follows regarding the CA amnesty and voluntary compliance programs.

**TAPE 56, SIDE B**

080 Acting Chair Hass General comments about whether civil or criminal penalties should be assessed, and how much to spend on the program to capture revenue.

082 Dale Diebig Submits written testimony (Exhibit 6). Supports HB 2455, 2486, and 2487 because they will capture lost revenue. Discusses HB 2455 and why language in the bill does not address penalties (p. 1-2 of Exhibit 6).

160 Acting Chair Hass Asks witness whether the penalties should be civil or criminal.

162 Diebig Responds that he would not recommend criminal penalties because of the high cost of criminal trials. Provides anecdotal information about the number of criminal cases the IRS handles each year.

175 Diebig Discusses HB 2487, section 17, which gives the Dept. of Revenue a good deal of latitude regarding withholding. Supports this provision if used judiciously.

207 Judy Wisner Submits written testimony (Exhibit 7). Supports all three bills because they will generate revenue over long-term and restore integrity of the

voluntary tax system. In Oregon, approximately \$1 B is not collected from individual and corporate taxpayers annually.

343 Wiser Suggests recommendations for changes. Regarding HB 2455, she recommends clarification of penalty periods. Provides further information regarding penalties as applied in other states.

**TAPE 57, SIDE B**

010 Acting Chair Hass Discussion with witness about penalties and interest.

056 Wiser Additional recommendations: increase funding of Dept. of Revenue, use effective communication about the programs, and increase audits and enforcement of penalties.

111 Acting Chair Hass Asks about general tax amnesties and abusive tax shelters as an approach to capturing lost revenue.

113 Wiser Responds that tax administrators around the country don't like tax amnesties because there is not a good return.

120 Debra Buchanan Provides information from the Dept. of Revenue regarding monies captured in calendar year 2004.

- 142 Wisner General comments about abusive tax shelter legislation.
- 153 Rep. Berger Requests more information to update non-collections status from Dept. of Revenue. General comments about the state collection method, such as complicated tax forms. Wants to see comparison of SB 480 and this HB in order to make informed policy decisions.
- 213 Acting Chair Hass Adjourns meeting at 3:05 p.m.

Tape Log Submitted by:

Reviewed by:

Kristi Bowman, Committee Assistant

Kim Taylor James, Committee  
Coordinator

Exhibit Summary:

1. 1. HB 2455, Handout: House Bill 2455 Tax Amnesty Program, Hass, 2 pp., 02/24/05
2. 2. HB 2455, HB 2486, Handout: Considerations for Voluntary Compliance Initiative and General Amnesty Programs, Warner, 1 pg., 02/24/05
3. 3. HB 2455, HB 2486, Handout: Frequently Asked Questions: Abusive Tax Shelters & Transactions, Warner, 4 pp., 01/28/05
4. 4. HB 2455, HB 2486, Handout: Who's eligible, how to apply, etc., Warner, 1 pg., 02/24/05
5. 5. HB 2455, HB 2486, Handout: State Tax Amnesty Programs, Warner, 3 pp., 02/24/05
6. 6. HB 2455, HB 2486, HB 2487, Written Testimony, Diebig, 5 pp., 02/24/05
7. 7. HB 2455, HB 2486, HB 2487, Written Testimony, Wisner, 7 pp., 02/24/05
8. 8. HB 2487, Staff Measure Summary, Martin-Mahar, 1 pg., 02/24/05
9. 9. HB 2487, Revenue Impact Statement, Martin-Mahar, 2 pp, 02/24/05