

BILL INTRODUCTION
PUBLIC HEARING & WORK SESSION
HB 2448, HB 2451
PUBLIC HEARING HB 2449

TAPES 35 A, 36 A

HOUSE REVENUE COMMITTEE

FEBRUARY 9, 2005 1:30 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: Debra Buchanan, Finance Director, Dept. of Revenue
 Bob Castagna, Oregon Catholic Conference
 Wanda Eickhoff

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

TAPE 35, SIDE A

003 Chair Butler Calls meeting to order at 1:36 p.m.

004 Rep. Komp Extends courtesies to students from Parrish Middle School.

010 Chair Butler Committee business.

OPENS PUBLIC HEARING FOR HOUSE BILLS 2448 AND 2451

040 Lizbeth Gives summary of House Bill 2451 (Exhibit 1). The bill concerns the working family/child care tax credit, and the changes that are going to be made to that requirement. Discusses current law and proposed changes in more detail. Specifically, current law does not specify where that income is derived; the new bill would specify Oregon income only.
Martin-Mahar

067 Chair Butler Asks whether a revenue analysis has been done for two scenarios: all income sources and only OR income sources.

- 070 Martin-Mahar Responds that the Dept. of Revenue did an analysis of tax returns for OR taxpayer, and the information is contained in the staff measure summary (Exhibit 1). However, the Dept. of Revenue cannot track out-of-state income by OR residents.
- 090 Bob Castagna Testifies to seek an amendment to the proposed bill. The Catholic Conference was involved in the creation of the working family/child care credit law in 1997. Gives background information on the program. Expresses concern about the unintended consequence of OR residents being taxed for income earned while working in a neighboring state.
- 110 Debra Buchanan The bill is designed to match up the earned income provision with the working family/child care tax credit provision. Under current law, for example, a Washington resident not working or living here but having rental income from OR can use their Washington earnings to claim the refundable credit on the OR tax return and could exceed their tax liability. Dept. of Revenue supports an amendment to clarify the language.
- 133 Chair Butler Asks the Dept. of Revenue to work with the Revenue Office staff and Mr. Castagna to develop more information for the committee for an eventual amendment.

CLOSES PUBLIC HEARING FOR HOUSE BILL 2451

- 140 Chair Butler Continues public hearing for house bill 2448.

- 147 Martin-Mahar Gives summary (Exhibit 3). The bill clarifies how refunds would be processed after more than 3 years after the due date of the tax return. The rest of the bill is conforming language. No revenue or fiscal impact (Exhibits 4 and 6)
- 165 Buchanan Testifies in support of HB 2448. Discusses current law regarding timeliness of filing. There is an anomaly in the current statute because the law does not differentiate between a tax refund claimed and tax owed after the 3 year filing time limit. This bill would allow a refund of amounts paid within the prior 2 years of the original filing. Provides a scenario that describes the current situation.
- 212 Chair Butler Asks for discussion of sending this bill to the House consent calendar.
- 250 Paul Warner Adds that there would be no floor discussion if a bill is sent to the consent calendar. Any four representatives can file dissent within two days, but then the process has to start over again. If a DO PASS recommendation is made today, the revenue office can start on the bill immediately and the bill can get to the House floor sooner.

CLOSES PUBLIC HEARING FOR HOUSE BILL 2448

OPENS WORK SESSION FOR HOUSE BILL 2448

- 260 Rep. Berger MOTION: MOVES HB 2448 WITH A DO PASS RECOMMENDATION AND TO THE CONSENT CALENDAR.

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

CLOSES WORK SESSION FOR HOUSE BILL 2448

OPENS PUBLIC HEARING FOR HOUSE BILL 2449

275 Martin-Mahar Gives overview of HB 2449 (Exhibit 7). Allows the Dept. of Revenue the flexibility to accept other methods of apportioning personal tax refunds. No revenue or fiscal impact (Exhibit 8).

294 Buchanan Testifies in support of HB 2449 because it aligns the statute with an estimated tax payment and refundable tax credit. The apportionment language is a clean-up provision. Apportionment would be a 50/50 split unless otherwise stated by the couple.

320 Chair Butler Asks, is the standard apportionment that has been used for a long time a statutory requirement?

335 Buchanan Responds that it is statutory.

343 Chair Butler Questions and further discussion with Ms. Buchanan regarding withholding.

- 363 Buchanan Discusses the concept in domestic law regarding marital assets.
- 398 Rep. Hass Asks about the child support issue regarding withholding and debt owed to the state. What is the current policy regarding an outstanding judgment against one of the parents?
- 410 Buchanan Under current law, Dept. of Revenue would look at who has all of the wages and all of the withholding, and the refund would go to offset the debt. The proposed bill would help sort out refund apportionment in complex family situations.

TAPE 36, SIDE A

- 010 Buchanan Continues with discussion.
- 021 Wanda Eickhoff Provides informational testimony regarding child support issues pertaining to this bill.
- 038 Chair Butler Comments about the term “intercepts” in current law. States that on a joint return, whoever had the gross income and withholdings owes the debt.
- 045 Eickhoff Explains that there is a process in the Dept. of Justice for handling a joint tax return filing intercept that is disputed by an injured spouse.

- 065 Chair Butler Comments about a possible scenario with a non-paying parent who might intentionally attempt to evade a debt by overestimating their tax withholdings and later claim a refund.
- 096 Chair Butler Requests Dept. of Revenue to get further assistance from the Dept. of Justice intercept group.
- 100 Rep. Riley Asks what takes precedence: this bill or a judgment of the court?
- 113 Buchanan Responds that she does not have that information but will meet with the Dept. of Justice representatives to get an answer. Will provide further information to the committee at that time.

CLOSES PUBLIC HEARING FOR HOUSE BILL 2449

WORK SESSION – BILL INTRODUCTION

- 135 Warner Discusses LC 1955 (Exhibit 11). It is a major reconnect bill to changes in the IRS code.
- 152 Rep. Komp MOTION: MOVES THAT LC 1955 BE INTRODUCED AS A HOUSE REVENUE COMMITTEE BILL AT THE REQUEST OF THE DEPT. OF REVENUE.

- 156 Chair Butler ORDER: THERE BEING NO OBJECTION, THE CHAIR SO ORDERS. MOTION PASSES 9-0-0. ANSWERING AYE: BERGER, HASS, BOQUIST, ESQUIVEL, GALIZIO, KOMP, OLSON, RILEY, BUTLER.
- 164 Warner Discusses LC 2363 (Exhibit 12). It concerns a major restructuring of the school districts, and changes the percentages of funds going to Education School Districts (ESD) as opposed to going to the schools directly.
- 170 Rep. Hass MOTION: MOVES THAT LC 2363 BE INTRODUCED AS A HOUSE REVENUE COMMITTEE BILL.
- 175 Chair Butler ORDER: THERE BEING NO OBJECTION, THE CHAIR SO ORDERS. MOTION PASSES 9-0-0. ANSWERING AYE: BERGER, HASS, BOQUIST, ESQUIVEL, GALIZIO, KOMP, OLSON, RILEY, BUTLER.
- 181 Chair Butler Adjourns meeting at 2:15 p.m.

Tape Log Submitted by:

Reviewed by:

Kristi Bowman, Committee Assistant

Kim Taylor James, Committee
Coordinator

Exhibit Summary:

1. 1. HB 2451, Staff Measure Summary, Martin-Mahar, 1 pg., 2/9/05
2. 2. HB 2451, Minimal Expenditure Impact Statement, Fiscal Office, 1 pg., 2/9/05
3. 3. HB 2448, Staff Measure Summary, Martin-Mahar, 1 pg., 2/9/05
4. 4. HB 2448, Minimal Expenditure Impact Statement, Legislative Fiscal Office, 1 pg., 2/9/05
5. 5. HB 2448, Written Testimony, Buchanan, 1 pg., 2/9/05
6. 6. HB 2448, Revenue Impact, Martin-Mahar, 1 pg., 2/9/05
7. 7. HB 2449, Staff Measure Summary, Martin-Mahar, 1 pg., 2/9/05
8. 8. HB 2449, Minimal Expenditure Impact Statement, Legislative Fiscal Office, 1 pg., 2/9/05
9. 9. HB 2449, Written Testimony, Buchanan, 1 pg., 2/9/05
10. 10. LC Summary, LRO Staff, 1 pg., 2/9/05
11. 11. LC 1955 Draft, 35 pps., 2/9/05
12. 12. LC 2363 Draft, 35 pps., 2/9/05