

PUBLIC HEARING

HB 2469, 2542, 2629

TAPES 78-79 A

HOUSE REVENUE COMMITTEE

MARCH 15, 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:

- Paul Phillips, Smart Growth Coalition
- Don Lance, Tax Director, Monaco Coach
- Bill Linden, Oregon Metals Industry Council
- Lincoln Cannon, Oregon Forest Industries Council (OFIC)
- Karey Schoenfeld, Tax Section, Oregon State Bar

Mark Huglin, Tax Section, Oregon State Bar

Jody Wiser, Tax Fairness Oregon

Staff Present: Paul Warner, Legislative Revenue Officer

Lizbeth Martin-Mahar, Economist

Kristi Bowman, Committee Assistant

TAPE 78, SIDE A

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

OPENS PUBLIC HEARING FOR HOUSE BILLS 2542 AND 2629

025 Paul Phillips Testifies in support of HB 2542. The bill would allow businesses to remain competitive and prevent unnecessary duplication of reports. Discusses the need to connect to the American Jobs Creation Act of 2004, especially with the Deduction for Income Attributable to U.S. Production Activities. States that Oregon's economic health is dependent on manufacturing jobs that would be adversely affected by a disconnect to the Jobs Creation Act.

056 Don Lance Testifies in support of HB 2542 in order to eliminate uncertainties when filing quarterly tax estimates and returns. Discusses connecting to all elements of the bill rather than disconnecting from certain components, e.g., the domestic manufacturing deduction. Having an automatic reconnect to federal tax code will provide consistency for all businesses.

150	Bill Linden	Testifies in support of HB 2542 and recommends to fully connect to the federal tax code. His organization supports reconnecting to the domestic manufacturing deduction because it encourages more investment in domestic manufacturing.
182	Chair Butler	Asks how the domestic manufacturing deduction affects the Oregon Metals Industry Council members, and how many employees are affected.
184	Linden	Responds that the members see it as an incentive to increase their production capability, and it is a trade-off for the phase-out of the extraterritorial income (ETI) deduction at the federal level. About 60,000 employees are in the metals industry in OR.
223	Rep. Galizio	Asks Phillips about his earlier statement that opposing a full reconnect is approval for taking jobs overseas. Comments about the federal subsidies for prescription drug plans not covered by company insurance plans that will have a revenue impact for Oregonians.
236	Phillips	Clarifies that his testimony was specific to the manufacturing industry and did not include the pharmaceutical issue. Adds that he supports a full reconnect.
257	Rep. Hass	Comments that it is his understanding that Nike would not receive benefit under the qualified production component.

258	Phillips	Clarifies previous testimony given about Nike.
274	Lincoln Cannon	Testifies in support of HB 2542. Paraphrases from written testimony (Exhibit 1). Discusses the differences of federal and state amortization on forest land. The problem with not reconnecting is that it would force owners to create two sets of books. HB 2542 is a balanced compromise and comments that it is good tax policy to reconnect.
311	Chair Butler	Asks what other components would affect Cannon's organization, the OFIC.
313	Cannon	Comments that the ETI and domestic manufacturing deductions would also affect his members. It would be a competitive disadvantage not to reconnect.
333	Phillips	Comments on the Revenue Estimates of the Major Components of Federal Legislation table (Exhibit 15 from 03/09/05). ETI and the manufacturing tax break affect Monaco Coach.
357	Chair Butler	Asks about the number of Monaco employees in Oregon.
360	Phillips	Responds there are about 1400 Monaco employees in Oregon. Overall sales are \$1.4 B; roughly half of those are in Oregon.

- 378 Chair Butler Asks Phillips if the weighted sales factor passed in the 2003 legislature helps Monaco with filing returns in multiple states.
- 380 Phillips Responds that the weighted sales factor will be advantageous to Monaco when fully phased-in (in 2008) given the multistate competition that Monaco has.
- 400 Karey Schoenfeld Testifies in support of HB 2542 in order to prevent a high number of amended tax returns. A rolling reconnect is very important to accountants.

OPENS PUBLIC HEARING FOR HOUSE BILL 2469

TAPE 79, SIDE A

- 030 Mark Huglin Testifies in support of HB 2469 because it allows the deferral of taxation until the death of the surviving spouse. The Oregon Bar Assn. is a sponsor of the bill.
- 052 Martin-Mahar Refers to Staff Measure Summary (Exhibit 2) and Revenue Impact Statement (Exhibit 3). The bill will expand the definition of what is special marital property.
- 087 Schoenfeld Testifies in support of HB 2469 because it will fix current state law by deferring the estate tax until the death of the surviving spouse and can use those funds for health care or care of minor children. It will

also provide the surviving spouse to make changes or corrections to their will or trust without having to go through an attorney.

CLOSES PUBLIC HEARING FOR HOUSE BILL 2469

ADDITIONAL INFORMATION FOR HOUSE BILL 2542 (PUBLIC HEARING STILL OPEN)

129 Jody Wiser Submits informational handout (Exhibit 4) to committee members regarding which states have disconnected from federal tax code.

133 Martin-Mahar Refers to HB 2542 Reconnect to Federal Law Changes handout with updated changes (Exhibit 5). Discusses reconnect tax components of amendments 2542-1 and 2542-2 (see testimony on 03/09/02).

CLOSES PUBLIC HEARING FOR HOUSE BILLS 2542 AND 2629

201 Chair Butler Adjourns meeting at 1:50 p.m.

Tape Log Submitted by:

Reviewed by:

Kristi Bowman, Committee Assistant

Kim Taylor James, Committee
Coordinator

Exhibit Summary:

1. 1. HB 2542, Testimony, Cannon, 1 pg., 03/15/05
2. 2. HB 2469, Staff Measure Summary, Martin-Mahar, 1 pg., 03/15/05
3. 3. HB 2469, Revenue Impact Statement, Martin-Mahar, 1 pg., 03/15/05
4. 4. HB 2542, Handout: "Decoupling" State Estate Taxes from the Federal Estate Tax, Wiser, 2 pp., 03/15/05
5. 5. HB 2542, Handout: Reconnect to Federal Law Changes, Martin-Mahar, 7 pp., 03/15/05