

**PUBLIC HEARING**

**SB 480 A**

TAPES 153-154 A-B

**HOUSE REVENUE COMMITTEE**

**MAY 10, 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

Mike Roach, Member, National Federation of Independent Businesses and Oregon Business Assn.

Joe Schweinhart, Associated Oregon Industries (AOI)

Del Diebig, Resident of Salem

Merilee Karr, M.D., Member, Tax Fairness Oregon

Jack Munro, Oregon Land Title Assn. (OLTA)

Jody Wiser, Tax Coalition

Debra Buchanan, Dept. of Revenue

Staff Present: Paul Warner, Legislative Revenue Officer  
Kristi Bowman, Committee Assistant

**TAPE 153, SIDE A**

002 Chair Butler Calls meeting to order at 1:02 p.m.

OPENS PUBLIC HEARING ON SENATE BILL 480

010 Paul Warner Gives overview of SB 480 (Exhibit 1). Parts of this bill are contained in current session House Bills 2486, 2487, and 2455. Discusses the main points of SB 480 in the outline handout (Exhibit 2). Refers to the revenue impact statement (Exhibit 3) and fiscal impact statement (Exhibit 4). Comments that he used the Michigan Amnesty Program as an economic model. Discusses amnesty programs in Illinois and California.

190 Rep. Boquist Asks: 1) what the statute of limitations is for amnesty; 2) asks about the 3-4 month window used by other states.

196 Warner

Responds that there is no statute of limitations for non-filers. There is a three year limitation for those who have filed. In response to the 3-4 month window, the purpose of amnesty is to bring money in to the

state government in the shortest amount of time possible. Discussion with Rep. Boquist on fiscal and revenue amounts stated on handout.

249     Mike Roach             Testifies in support of SB 480 A. Reads verbatim from written testimony (Exhibit 5).

324     Del Diebig                Testifies in support of SB 480 A and reads from written testimony (Exhibit 6). It will give the public confidence that they are not the only ones who pay tax. Comments on improvements that could be made to SB 480.

#### **TAPE 154, SIDE A**

030     Dr. Merilee Karr           Testifies in support of SB 480 and reads verbatim from written testimony (Exhibit 7).

120     Joe Schweinhart            Testifies in opposition to SB 480. Reads verbatim from written testimony from the Oregon Bankers Assn. (Exhibit 8). Reads verbatim from AOI testimony (Exhibit 9).

158     Jack Munro                 Testifies in opposition to SB 480 even though the OLTA does not oppose the concept of tax amnesty. Comments that Sections 33 and 44 in the bill should have more consideration and scenario-testing. Expresses concern about:

- Real property costs and the inequities that will result
- Methodology for calculating basis amount is unclear
- Definitions need to be refined

- • Withholding requirements in the bill

In Section 44 he sees ambiguity about how various licensing agencies could use different criteria. Comments on privacy concerns regarding sharing tax returns with a state agency that grants an occupational license.

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| 305 | Rep. Hass    | Asks about location in the bill of a phrase he referred to in his testimony.   |
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| 315 | Munro        | Responds to Rep. Hass with the line number in the bill. Comments that he agrees with the concept of amnesty, but does not think this is a reasonable approach. It will create problems for real estate agents who close a transaction. There are other approaches that may achieve same objective. |
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| 334 | Rep. Hass    | Asks Schweinhart about a statement in his testimony that says that “this bill gives the Dept. of Revenue (DOR) entirely too much power over the taxpayer.” Asks for more specifics.  |
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| 353 | Schweinhart  | Responds that there are provisions in the bill that give the Dept. of Revenue too much authority in ruling what is abusive and not abusive.  |
|     |              |  |
| 356 | Chair Butler | Comments that IRS tax code defines what abusive tax shelters are, and the bill allows the Dept. of Revenue discretion by rule to develop another list of tax avoidance or tax evasion transactions.  |

370 Rep. Berger Asks Schweinhart for specifics about “certain legal activities” referred to in his testimony.

381 Schweinhart Responds that the DOR would be allowed to go back 10 years and determine if a shelter was abusive. Perhaps 10 years ago the shelter was not abusive, but now it is.

**TAPE 153, SIDE B**

012 Schweinhart Comments that other states do different things. Oregon wants to make the bill less punitive and fairer to the taxpayer by making the bill language more acceptable.

026 Jody Wiser Testifies in support of SB 480 and reads from written testimony (Exhibit 10). Comments on the importance of funding the Dept. of Revenue in order to investigate tax abuse. Reads paragraph from book Many Unhappy Returns. Comments on bank tax shelters that may not be violating the federal tax code but are violating state tax codes.

138 Rep. Greg Macpherson Testifies in support of SB 480 because “it is good citizenship to pay our taxes.” The aim of the 10-year roll-back is to replicate portions of the California amnesty program. The real estate withholding section of the bill is modeled on the Colorado amnesty program. The aim is to ensure that an out-of-state seller who owes tax in Oregon doesn’t “forget” about their tax liability to Oregon. Comments that he is open to other approaches if the withholding process is too cumbersome.

195 Chair Butler

Discussion with Rep. Macpherson and Rep. Esquivel regarding taxable property sales transactions with out-of-state filers.

- 266 Rep. Macpherson Comments on amnesty for occupational licensees. There would be a pilot program with two or three agencies to check on unpaid taxes of their licensees. The Dept. of Revenue does not disclose tax information to the public but only to the agency. Comments on collection of local income tax. There was a fiscal impact done relating to the timing of each local taxing agency's collection process. The DOR has some ideas regarding changes to this provision. Concludes by saying that "this is a good bill."
- 360 Chair Butler Discussion with Rep. Macpherson regarding the mechanics of local tax collection.
- 382 Rep. Macpherson Responds that the first dollars collected would go to the state. There is no new withholding system or estimated tax system created in this bill. The total local income taxes to be collected from an individual is capped at 1% to avoid stiff taxes beyond withholding.
- 415 Rep. Boquist Refers to Sections 43 and 44 regarding tax compliance for occupational licensees. Asks how an attorney gets his license, since the Bar Assn. is not a state agency.
- 430 Rep. Macpherson Responds that the Bar Assn. does perform a licensing function similar to other state agencies.

024	Debra Buchanan	Comments that this is a very wide-ranging bill. Expresses concerns about administrative issues such as the voluntary compliance initiative. Defines and discusses “reportable transactions” and “listed transactions.”
065	Chair Butler	Discussion with Buchanan regarding registration of tax shelter vendors.
115	Rep. Boquist	Asks for specifics on what kind of media campaign the DOR would have to promote the amnesty program.
116	Buchanan	Responds that there would be extensive media exposure similar to other states’ programs. There would be radio and TV public-service ads, as well as advertising through tax preparers and on the DOR Web site.
135	Chair Butler	Discusses proposed trial amnesty filing dates with Buchanan.
158	Rep. Berger	Asks about how success of the amnesty program would be measured.
167	Buchanan	Responds that the program provides for an application process for those who want to participate in amnesty, and the DOR will be able to track people who will be participating as well as the tax dollars involved.

- 171 Rep. Boquist Asks Buchanan to comment on language in the bill referring to “potential tax avoidance.”
- 185 Buchanan Responds that the reason that language is there is to allow the state to address “state-specific issues” that the federal government is not concerned about. California has similar language in their amnesty program regarding real estate transactions.
- 215 Rep. Esquivel Discusses a scenario of a property transaction and how the state would track it.
- 240 Chair Butler Responds that it is based on where you are currently living when the sale occurs.
- 249 Chair Butler Adjourns meeting at 2:43 p.m.

Tape Log Submitted by:

Reviewed by:

Kristi Bowman, Committee Assistant

Kim Taylor James, Committee  
Coordinator

Exhibit Summary:

- 1. SB 480, Staff Measure Summary (Revised), Warner, 1 pg., 03/22/05
- 2. SB 480, Handout: SB 480, Warner, 1 pg., 05/10/05



- 3. SB 480, Revenue Impact Statement (Revised), Warner, 1 pg., 03/22/05
- 4. SB 480, Fiscal Impact Statement, Hughes, 3 pp., 03/23/05
- 5. SB 480, Testimony, Roach, 2 pp., 05/10/05
- 6. SB 480, Testimony, Diebig, 8 pp., 05/10/05
- 7. SB 480, Testimony, Karr, 2 pp., 05/10/05
- 8. SB 480, Testimony, Oregon Bankers Assn., 1 pg., 05/10/05
- 9. SB 480, Testimony, Schweinhart, 1 pg., 05/10/05
- 10. SB 480, Testimony, Wiser, 3 pp., 05/10/05
- 11. SB 480, Testimony, Crosby, 5 pp., 05/10/05
- 12. SB 480, Testimony, Schaeffer, 1 pg., 05/10/05
- 13. SB 480, Testimony, Gribskov, 1 pg., 05/10/05
- 14. SB 480, SB 480 A-6 Amendment, Leg. Counsel, 9 pp., 05/10/05