

**PUBLIC HEARING & WORK SESSION**

**SB 363 A, SB 840 A, SB 32**

**PUBLIC HEARING**

**SB 33**

**TAPES 155-156 A**

**HOUSE REVENUE COMMITTEE**

**MAY 11, 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:

- Bill Perry, Oregon Restaurant Assn. (ORA)
- Gary Conkling, Oregon Winegrowers Assn.
- Debra Buchanan, Dept. of Revenue (DOR)

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

**TAPE 155, SIDE A**

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

OPENS PUBLIC HEARING FOR SENATE BILL 363 A

007 Mazen Malik Gives overview of SB 363 A (Exhibit 1). This bill modifies the disclosure requirements of lottery game retailers. This bill allows the Lottery Commission to make a waiver after the Director makes a recommendation for it. There is no fiscal or revenue impact.

030 Chair Butler Reads submitted testimony verbatim from Dale Penn (Exhibit 2).

038 Bill Perry Testifies in support of SB 363 A and submits written testimony (Exhibit 3). Discusses Oregon Liquor Control Commission (OLCC) waiver policy currently in place. SB 363 A will allow the Lottery Commission to have the same policy as OLCC. The bill will save time and costs for the Lottery Dept.

055 Chair Butler Comments that this bill is long overdue. The Lottery needs to be aligned with OLCC's waiver policy.

CLOSES PUBLIC HEARING FOR SENATE BILL 363 A

OPENS WORK SESSION FOR SENATE BILL 363 A

065 Rep. Berger MOTION: MOVES SB 363 A TO THE HOUSE FLOOR WITH A DO PASS RECOMMENDATION.

067 Chair Butler ORDER: THERE BEING NO OBJECTION, THE CHAIR SO ORDERS. MOTION PASSES 8-0-1. VOTING AYE: BOQUIST, ESQUIVEL, GALIZIO, OLSON, RILEY, BERGER, HASS, BUTLER. EXCUSED: KOMP.

CLOSES WORK SESSION FOR SENATE BILL 363 A

OPENS PUBLIC HEARING FOR SENATE BILL 840 A

080 Malik Gives overview of SB 840 A (Exhibit 4). This bill is enabling legislation. It allows wine manufacturers that do not expect to owe privilege tax to file annual statements instead of monthly statements of quantities produced, purchased or received.

097 Chair Butler Comments that SB 840 A mirrors the federal exemption for the small winery tax.

103 Gary Conkling Testifies in support of SB 840 A and submits written testimony (Exhibit 5). Reporting yearly instead of monthly will reduce paperwork costs for the wineries and the OLCC.

CLOSES PUBLIC HEARING FOR SENATE BILL 840 A

OPENS WORK SESSION FOR SENATE BILL 840 A

122 Rep. Berger MOTION: MOVES SB 840 A TO THE HOUSE FLOOR WITH A DO PASS RECOMMENDATION.

133 Chair Butler ORDER: THERE BEING NO OBJECTION, THE CHAIR SO ORDERS. MOTION PASSES 7-0-2. VOTING AYE: BOQUIST, ESQUIVEL, GALIZIO, OLSON, RILEY, BERGER, BUTLER. . EXCUSED: KOMP, HASS.

CLOSES WORK SESSION FOR SENATE BILL 840 A

## OPENS PUBLIC HEARING FOR SENATE BILL 32

- 140 Lizbeth Martin-Mahar Gives overview of SB 32 (Exhibit 6). This bill allows the Dept. of Revenue to establish rules for waiver of tax penalties. The bill changes the definition of “good and sufficient cause.” Refers to the revenue impact (Exhibit 7), which would be a minimal amount each year.
- 161 Chair Butler Asks how the waiver of penalties would be affected by SB 480 [tax amnesty bill].
- 164 Martin-Mahar Comments that the Senate discussed SB 32 and SB 480 at the same time. Discussion with Chair Butler about waiver of penalties for first-time offenders.
- 173 Debra Buchanan Gives informational testimony and submits Executive Summary handout (Exhibit 8). This bill adds criteria to the current penalty-waiver statute. There is no authority in current statute to waive a penalty for a first-time offense. Another example would be when the DOR believes that it would enhance the long-term effectiveness of the system.
- 195 Chair Butler Discusses a taxpayer situation in eastern Oregon that would benefit from a waiver. Asks how the waiver program would “play out” with SB 480.
- 215 Buchanan Responds that the Senate Revenue Committee amended the waiver language into SB 480 and provided direction to the DOR that they would have latitude to provide waivers in certain situations.

220 Rep. Galizio Asks about whether the DOR knows if the taxpayer has broken the law at the federal tax level.

223 Buchanan Responds that the DOR receives information from the IRS regarding adjustments they have made to tax returns, as well as for individuals in listed transactions or abusive tax shelters. Discussion with Rep. Galizio about a taxpayer scenario.

238 Chair Butler Comments that the DOR is easier to work with than the IRS in adjustment situations. Discusses a limited partnership situation in Harney County regarding an IRS ruling.

CLOSES PUBLIC HEARING FOR SENATE BILL 32

OPENS WORK SESSION FOR SENATE BILL 32

273 Rep. Berger MOTION: MOVES SB 32 TO THE HOUSE FLOOR WITH A DO PASS RECOMMENDATION.

277 Chair Butler ORDER: MOTION PASSES 6-0-3. VOTING AYE: BOQUIST, GALIZIO, OLSON, RILEY, BERGER, BUTLER. EXCUSED: HASS, KOMP, ESQUIVEL.

## CLOSES WORK SESSION FOR SENATE BILL 32

## OPENS PUBLIC HEARING FOR SENATE BILL 33

- 290 Martin-Mahar Gives overview of SB 33 (Exhibit 10). The bill extends the existing 5% delinquency penalty to amounts of additional tax required to be shown on tax reports or returns. Clarifies that the DOR would assess only one 5% penalty per tax return. There is inconsistency in current law regarding how penalties can be assessed. Refers to revenue impact statement (Exhibit 11).
- 355 Chair Butler Discussion of a scenario with Martin-Mahar regarding the 5% penalty.
- 377 Martin-Mahar In response to Chair Butler's scenario, no penalty is currently being assessed. The DOR is assessing the tax, not the interest.
- 389 Buchanan In response to Chair Butler's question about the interest rate currently being assessed, the DOR charges 6% simple interest. Submits Executive Summary handout (Exhibit 12). This bill will provide a consistent policy for two groups of taxpayers as described in the Summary. Discusses the difference in penalty assessment between willful non-payments vs. the DOR billing a taxpayer for an adjusted return. Discusses penalties currently in place.
- 435 Chair Butler Discussion of the scenario in the Summary with Buchanan.

**TAPE 156, SIDE A**

- 020 Rep. Esquivel Asks for clarification of penalties currently assessed. Discusses personal situation regarding a penalty assessment letter from the DOR.
- 034 Buchanan Responds that an explanation of the penalty situation and appeal rights should have been included with the adjustment letter. Explains rules about tax extensions.
- 044 Chair Butler General comments about correspondence from the DOR regarding tax adjustments. Expresses concern that SB 33 takes the state “a step away” from the IRS tax code. Comments that the 5% penalty is only assessed on tax due, not for failure to pay.
- 089 Buchanan Discusses the history of the disconnect from the IRS tax penalty provisions. SB 33 would move the state closer to the IRS. Discussion with Chair Butler about federal penalties.

CLOSES PUBLIC HEARING FOR SENATE BILL 33.

- 131 Chair Butler Adjourns meeting at 1:44 p.m.



Tape Log Submitted by:

Reviewed by:

Kristi Bowman, Committee Assistant

Kim Taylor James, Committee  
Coordinator

Exhibit Summary:

1. 1. SB 363 A, Staff Measure Summary, Malik, 1 pg., 05/10/05
2. 2. SB 363 A, Testimony, Penn, 1 pg., 05/10/05
3. 3. SB 363 A, Testimony, Perry, 1 pg., 05/10/05
4. 4. SB 840 A, Staff Measure Summary, Malik, 1 pg., 05/10/05
5. 5. SB 840 A, Testimony, Conkling, 1 pg., 05/10/05
6. 6. SB 32, Staff Measure Summary, Martin-Mahar, 1 pg., 05/11/05
7. 7. SB 32, Revenue Impact Statement, Martin-Mahar, 1 pg., 05/10/05
8. 8. SB 32, Executive Summary, Buchanan, 1 pg., 05/10/05
9. 9. SB 32, Staff Measure Summary, Martin-Mahar, 1 pg., 03/18/05
10. 10. SB 33, Staff Measure Summary, Martin-Mahar, 1 pg., 05/10/05
11. 11. SB 33, Revenue Impact Statement, Martin-Mahar, 1 pg., 02/03/05
12. 12. SB 33, Executive Summary, Buchanan, 1 pg., 05/10/05
13. 13. SB 33, Staff Measure Summary, Martin-Mahar, 1 pg., 02/07/05