

SENATE REVENUE COMMITTEE
APRIL 18, 2005 9:00 AM STATE CAPITOL BUILDING

Members Present: Senator Ryan Deckert, Chair
Senator Gary George
Senator Rick Metsger
Senator Floyd Prozanski
Senator Charles Starr, Vice Chair

Witnesses Present: Debra Buchanan, Oregon Dept. of Revenue

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

TAPE 98, SIDE A

005 Chair Deckert Calls meeting to order at 9:11 a.m.

PUBLIC HEARING, SB 171

015 Chair Deckert Asks if anyone wants to testify on SB 171-A, which was heard April 14. Asks Paul Warner to comment on the idea of requiring regulated electric utilities to pay no taxes. Would that be legal?

031 Paul Warner Responds, the taxes would be state only so utilities would still file federal income taxes. The key issue on different tax rates, as counsel has told us, is that there has to be some distinct class that can be measured and objectively laid out so there's not a discriminatory issue. If this is met, there should not be a legal problem. PUC's rate decisions could be adjusted to reflect it.

035 Chair Deckert Comments, this might be one clean way of resolving this issue. The true-up is perhaps another. Closes public hearing on SB 171-A.

PUBLIC HEARING, HB 2453

060 Lizbeth Martin-Mahar Begins review of HB 2453 (**EXHIBIT 1**). Extends the current late time period for taxpayers to claim a refund or be given a notice of deficiency for income. Revenue impact is minimal (**EXHIBIT 2**).

081 Debra Buchanan Explains, HB 2453 was requested by the Dept. of Revenue due to a mismatch between statutes of limitations for individuals who may own an interest in a pass-through entity and the entity itself. See written testimony (**EXHIBIT 4**). Look at this as matching of statutes of limitations and allowing for adjustments to take place.

WORK SESSION, HB 2453

119 Sen. Metsger

**MOTION: MOVES HB 2453 TO THE SENATE FLOOR WITH A DO
PASS RECOMMENDATION
VOTE: 5-0-0
VOTING AYE: GEORGE, METSGER, PROZANSKI, C. STARR,**

DECKERT

PUBLIC HEARING, HB 2454

- 127 Martin-Mahar Gives overview of HB 2454. Codifies into law a Dept. of Revenue rule. It specifies the allocation procedure in statute for pass through entities' income, gain, loss, deduction or credit for part-year residents and non-residents. See Staff Measure Summary (**EXHIBIT 5**). Applies to tax years beginning January 1, 2002. There is no revenue impact.
- 145 Buchanan See written testimony (**EXHIBIT 7**). Oregon Tax Court rendered a decision regarding allocation of income for a person who moved into Oregon during the tax year. Gives example of a pass-through entity.
- 185 Chair Deckert Guesses there would be a sizeable revenue impact.
- 190 Buchanan Responds yes, but there will be winners and losers. Explains.
- 207 Martin-Mahar Clarifies, Buchanan has described the revenue impact on the court ruling (see exhibit 7), not from this bill. Without this bill, DOR's current law is an administrative rule. That's why there is no revenue impact.

WORK SESSION, SB 2454

- 225 Vice Chair C. Starr **MOTION: MOVES HB 2454 TO THE SENATE FLOOR WITH A DO PASS RECOMMENDATION.**
- 228 Chair Deckert **ORDER: THERE BEING NO OBJECTION THE CHAIR SO ORDERS.**
VOTE: 5-0-0
VOTING AYE: GEORGE, METSGER, PROZANSKI, C. STARR, DECKERT
- 239 Chair Deckert Closes work session for HB 2454. Adjourns meeting at 9:23 a.m.

Tape Log Submitted by,

Barbara Guardino, Committee Assistant

Exhibit Summary:

1. HB 2453, Staff Measure Summary, Martin-Mahar, 4/18/05, 1 pp.
2. HB 2453, Revenue Impact of Proposed Legislation, Martin-Mahar, 2/17/05, 1 pp.
3. HB 2453, Staff Measure Summary for House Revenue Committee on 2/17/05, Martin-Mahar, 1 pp.
4. HB 2453, testimony of Debra Buchanan, 4/18/05, 1 pp.
5. HB 2454, Staff Measure Summary, Martin-Mahar, 4/18/05, 1 pp.
6. HB 2454, Staff Measure Summary for House Revenue Committee on 2/17/05, Martin-Mahar, 1 pp.
7. HB 2454, testimony of Debra Buchanan, 4/18/05, 6 pp.