

HOUSE REVENUE COMMITTEE
JANUARY 28, 2003 8:30 AM STATE CAPITOL BUILDING

Members Present: Representative Lane Shetterly, Chair
 Representative Wayne Scott, Vice Chair
 Representative Joanne Verger, Vice Chair
 Representative Phil Barnhart
 Representative Vicki Berger
 Representative Pat Farr
 Representative Mark Hass
 Representative Elaine Hopson

Members Excused: Representative Max Williams

Invited Witness Present: Debra Buchanan, Department of Revenue

Staff Present: Paul Warner, Legislative Revenue Officer
 Lizbeth Martin-Mahar, Legislative Revenue Office
 Kathy Tooley, Committee Assistant

TAPE 19, SIDE A

004	Chair Shetterly	Calls meeting to order at 8:32 a.m.
005	Martin-Mahar	Presented Overview on 2003 Corporate Excise Taxes, (Exhibit 1)
014	Martin-Mahar	Continued presentation, beginning "Oregon Income Taxes, (Page 1, Slide 1, Exhibit 1).
034	Martin-Mahar	Continued presentation, beginning "Business Income Tax Returns", (Page 1, Slide 2, Exhibit 1). Questions and discussion interspersed.
127	Chair Shetterly	Clarifies when looking at numbers between taxes paid as business income and personal income in Oregon, a significant share of business income is reflected in the personal income tax numbers, because of the number of pass through entities.
133	Martin-Mahar	Continued presentation beginning "Business Tax Returns by Income", (Page 2, Slide 3, Exhibit 1).
178	Martin-Mahar	Continued presentation, beginning "Business Income (\$)000) By Business Type 1990 and 2000, (Page 2, Slide 4, Exhibit 1).
202	Martin-Mahar	Continued presentation, beginning "Business Income Statement, (Page 3, Slide 5, Exhibit 1).
242	Martin-Mahar	Continued presentation, beginning "Business Income Statement, Slide 6, Exhibit 1).
265	Martin-Mahar	Continued presentation, beginning "Range of State Corporate Income Tax

Rates (%) – 2002 (Page 4, Slide 7, Exhibit 1).

291 Martin-Mahar Continued presentation, beginning “Corporate Tax Credits Used”, (Page 4, Slide 8, Exhibit 1).

Questions and discussion interspersed.

364 Martin-Mahar Continued presentation, beginning “Corporate Excise Tax”, (Page 5, Slide 9, Exhibit 1).

TAPE 20, SIDE A

001 Martin-Mahar Continued presentation, beginning “Multi-State C-Corporations Percent of Total Returns and Net Income 1990-2000.(Page 5, Slide 10, Exhibit 1).

Questions and discussion interspersed.

018 Martin-Mahar Continued presentation, beginning “Breakdown of C-Corporate Returns by Income”, (Page 6, Slide 11, Exhibit 1).

Questions and discussion interspersed.

033 Martin-Mahar Continued presentation, beginning “Breakdown of C-Corporate Net Income by Income”, (Page 6, Slide 12, Exhibit 1).

063 Martin-Mahar Continued presentation, beginning “Corporate Tax Returns and Net Tax – 2000” (Page 7, Slide 13, Exhibit 1).

075 Martin-Mahar Continued presentation, beginning “Corporate Income and Excise Tax Payments Index of 12 Month Total”, (Page 7, Slide 14, Exhibit 1).“

Questions and discussion interspersed.

120 Martin-Mahar Continued presentation, beginning “Industry Sectors with a Decline (>\$41million) in Corp Payments Between July 2001 and Nov 2002”, (Page 8, Slide 15, Exhibit 1).

Questions and discussion interspersed.

159 Martin-Mahar Continued presentation, beginning “Oregon Income Taxes”, (Page 8, Slide 16, Exhibit 1).

203 Martin-Mahar Continued presentation, beginning “Multi-State Income Apportionment”, (Page 8, Slide 17, Exhibit 1).

224 Martin-Mahar Continued presentation, beginning “State Apportionment Formulas – 2002””, (Page 9, Slide 18, Exhibit 1).

Question and discussion interspersed.

249 Martin-Mahar Continued presentation, beginning “Apportioning Business Income: Multistate Corporation “A”, (Page 10, Slide 19, Exhibit 1).

Question and discussion interspersed.

320 Martin-Mahar Continued presentation, beginning “Sales Throwback Rule” (Page 10, Slide 20, Exhibit 1).

Questions and discussion interspersed.

TAPE 19, SIDE B

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| 029 | Martin-Mahar | Continued presentation, beginning ""Double-Weighted Sales", Page 11, Slide 21, Exhibit 1). |
| | | Questions and discussion interspersed. |
| 085 | Martin-Mahar | Continued presentation, beginning ""Super-weighted Sales", Page 11, Slide 22, Exhibit 1). |
| | | Questions and discussion interspersed. |
| 134 | Debra Buchanan | Presented Overview of Administrative issues at the Department of Revenue, focusing on nexus and the unitary requirements. (Page 1, Slide Top, Exhibit 2). |
| 139 | Buchanan | Continued presentation, beginning "Jurisdiction to Tax", (Page 1, Slide Bottom, Exhibit 2). |
| 144 | Buchanan | Continued presentation describing Oregon diagram showing non-taxable income from a company that headquarters in Seattle with factory and sales in Washington only, (Page 2, Slide Top, Exhibit 2). |
| 150 | Buchanan | Continued presentation, describing diagram with corporation engaging in activity outside of Washington and in Oregon, (Page 2, Slide Bottom, Exhibit 2). Question in administering public tax becomes: how much activity, what type of activity and how substantial is the activity? |
| 156 | Buchanan | Continued presentation, beginning "Commerce Clause", (Page 3, Slide Top, Exhibit 2). (Page 3 slides discussed out of order.) |
| 159 | Buchanan | Continued presentation on "Due Process Clause (Page 3, Slide Bottom, Exhibit 2). (Page 3 slides discussed out of order.) |
| 180 | Buchanan | Continued presentation, diagram of company with nexus established between Washington and Oregon, (Page 4, Slide Top, Exhibit 2). |
| 198 | Buchanan | Continued presentation, with a Washington corporation, with no physical site, but employees and product being sold in Oregon, (Page 4, Slide Bottom, Exhibit 2). |
| 204 | Buchanan | Continued presentation, beginning "P.L. 86-272", (Page 5, Slide Top, Exhibit 2). |
| 234 | Buchanan | Continued presentation, beginning "What is not Protected Activity", (Page 5, Slide Bottom, Exhibit 2). |
| 240 | Buchanan | Continued presentation, diagram of not protected activity (Page 6, Slide Top, Exhibit 2). |
| | | Questions and discussion interspersed. |
| 362 | Buchanan | Continued presentation, diagram of Oregon corporation doing business out-of-state" (Page 6, Slide Bottom Exhibit 2). Demonstrates throwback rule. |

- 405 Buchanan Continued presentation, beginning "Unitary vs. Separate Reporting" (Page 7, Slide Top, Exhibit 2).
- 426 Buchanan Continued presentation, diagram (Page 7, Slide Bottom, Exhibit 2).

TAPE 20, SIDE B

- 005 Buchanan Continued presentation, diagram (Page 8, Slide Top, Exhibit 2).
- 008 Buchanan Continued presentation, beginning "Advantages and Disadvantages", (Page 8, Slide Bottom, Exhibit 2).
- 012 Buchanan Continued presentation, diagram, (Page 9, Slide Top, Exhibit 2).
Questions and discussion interspersed.
- 030 Chair Shetterly Concludes corporate tax overview, begins discussion of bill introduction.

INTRODUCTION OF BILLS

- 044 Chair Shetterly Bills for intro LC 1033, relates to a reduction in the capital gains tax; LC 1034, expansion of the research and development tax credit; and LC 1777, establishes a municipal street tree restoration program in the state forestry department.
- 067 Chair Shetterly **MOTION: CHAIR MOVES INTRODUCTION OF LC 1033 AT THE REQUEST OF ASSOCIATED OREGON INDUSTRIES, LC 1034 AT THE REQUEST OF ASSOCIATED OREGON INDUSTRIES, AND LC 1777 AT THE REQUEST OF OREGON COMMUNITY TREES.**
- 070 Chair Shetterly Clarifies the bills are entered as Committee Bills, but do not indicate support or opposition by the members of the Committee.
- 077 Chair Shetterly **ORDER: THERE BEING NO OBJECTION, THE CHAIR SO ORDERS.**
Members present: Chair Shetterly, Barnhart, Berger, Farr, Hass, Hopson, Scott, Verger. Excused: Williams.

Meeting adjourned at 10:00 a.m.

Tape Log Submitted by,

Kathy Tooley, Committee Assistant Reviewed by Kim Taylor James

Exhibit Summary:

1. Martin-Mahar, "2003 Corporate Income Tax Orientation", 11 pages.
2. Buchanan, "Administrative Issues in the Corporate Tax System", 9 pages.
3. Chair Shetterly, LC 1033, at the request of Associated Oregon Industries, 10 pages