

HOUSE REVENUE COMMITTEE
JANUARY 29, 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
Representative Max Williams

Invited Testimony: Debra Buchanan, Department of Revenue

Witness Present: Tom Linhares, Columbia County Assessor,
representing The Oregon State Association of County Assessors.
J.L. Wilson, NFIB
Gil Riddell, Association of Oregon Counties
John Phillips, Department of Revenue

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

TAPE 21, SIDE A

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| 004 | Chair Shetterly | Calls meeting to order at 8:30 a.m. |
| 023 | Lizbeth Mahar | Presented and summarized "Measure 28 Unofficial Vote Count" preliminary statewide county results. (Exhibit 1, Page 1) Questions and discussion interspersed. |
| 083 | Martin-Mahar | Presented a fiscal survey of 24 states and their actions, "NASBO (National Association of State Budget Offices) Fiscal Survey of States: November 2002", Exhibit 2, |
| 98 | Martin-Mahar | Discussed Table 7 "Enacted Fiscal 2003 Revenue Actions by Type of Revenue and Net Increase or Decrease", (Page 2, Exhibit 2); |
| 110 | Martin-Mahar | Discussed Table A-11, "Enacted Revenue Changes by Type of Revenue Fiscal 2003", (Pages 3-8, Exhibit 2). Both reports are useful as a tool for different ways to look at budget shortfalls. Questions and discussion interspersed. |
| 205 | Debra Buchanan | Discussed "Important Notice About the State Employee Withholding Tax Tables", Exhibit 3. This notice went to employers last week in the event Measure 28 passed or failed. New tables will be going out reflecting the phase in of Measure 88, employers should have and be ready to implement new tables with March 1, 2003 payrolls. |

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| 250 | Chair Shetterly | Opened hearing on HB 2023. |
| 264 | Martin-Mahar | Provided a description of HB 2023 and discussed its background. Discussed the (-1) amendment (Exhibit 4), including revenue impact and staff measure summary (Exhibit 5). The (-1) amendment allows the county board of property tax appeals to waive the penalty that is associated with a failure to file, or late filing late of personal property taxes if the taxpayer can show that this was the first year the taxpayer had not filed taxes in a timely manner. Applies to appeals after the effective date of this act. Minimum negative impact on local property tax revenues and no fiscal impact. |
| 330 | Tom Linhares | Gave testimony in favor of HB 2023. The bill is meant to streamline the property tax system and make it easier for owners and assessors to administrate the tax system. |
| 359 | Chair Shetterly | Asked Linhares how he felt about the -1 amendments? |
| 365 | Linhares | Would have no problem with it, pointed out that a new business owner should know that business licenses and building permits, personal property returned to the county assessor, but some are not aware. The business owner would still have to file appeal with the Board of Property Tax Appeals to waive the penalty, but the bill adds additional criteria for the board when making its determination. |
| 380 | Chair Shetterly | Does it have anything to do with canceling the tax liability? |
| 381 | Linhares | No, assuming the filer had \$12,500 in personal property. |
| 390 | Rep. Barnhart | This would require a waiver for a taxpayer who had filed returns in a timely fashion over a period of time and then missed one, in addition for first time taxpayers that had never filed a return before. Is that correct? |
| 399 | Linhares | Cited law for waiving a late filing penalty requires showing "good and sufficient cause" and Revenue Department Administrative Rules define "good and sufficient cause." |
| 420 | Rep. Barnhart | Applies only to a first time return? |
| 422 | Linhares | Did not know. |
| 427 | Rep. Barnhart | Should a person who has been filing returns and then misses filing, without good cause, be allowed a waiver? |
| 431 | Linhares | Current taxpayers are held to "good and sufficient cause" standard under current law, and the penalty would not be waived. |

TAPE 22, SIDE A

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| 000 | J.L. Wilson | Spoke in favor of HB 2023. The intention of this bill is to alleviate the penalties for first-time filers who may not be aware of their obligation to keep inventory of personal property and pay taxes on it. The waiver is important now because of the large amount of start up businesses expected during a recession. |
| 031 | Chair Shetterly | Requested staff work with LC to change the language to "shall waive liability for the penalty on a showing that the year for which the return was due was the first year for which a return was due and was not timely". The current bill indicates that the penalty applies if this is the first time taxes have not been filed on time. Your intent is that this should be for first time filers? |

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| 043 | Wilson | Agreed with revised language from the Chair. |
| 050 | Gil Riddell | Expressed concern, because he has not seen data on the affect of this bill. Urged Committee to keep in mind that business owners must keep inventory for state and federal income tax purposes. Pointed out that some new business owners would not understand that they have property tax liability on personal property. Asked the Committee to consider alternative language rather than "shall waive", suggests directing the Board of Property Tax Appeals to exercise their discretion to give particular consideration to mistakes of first time filers. |
| 060 | Chair Shetterly | Suggested bill needed further discussion to avoid automatically waiving the penalty for those who miss filing for the first time. |
| 070 | Rep. Williams | Asked Gil Riddell if he would be the person supplying the Committee with the information about possible impact. |
| 075 | Riddell | Replied that he could do a survey of other County Assessors and find out, but that he was not familiar with the new language. |
| 079 | Rep. Williams | "I think that data would have to come from you, because we would not have it short of you surveying your counties and in providing it." |
| 080 | Chair Shetterly | Directed staff to work with J.L Wilson and the Counties on language and concept on HB 2023. |
| 086 | John Phillips | Asked the Committee to consider a possible scenario of a first time filer, who missed the first five years of filing, when the return is filed, it could include the four missing years. Should there be a late filing penalty on the first year missed or is there culpability with five years in a row? |
| 109 | Chair Shetterly | Closed the public hearing on HB 2023 |

PUBLIC HEARING ON HB 2185

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| 108 | Martin-Mahar | Provided a description of HB 2185 and discussed its background. Provided fiscal and revenue impact statements, (Exhibit 8), and staff summary (Exhibit 9). |
| 150 | Chair Shetterly | Inquired if there was an error in the staff summary in the section entitled "What the bill does" estimates a date, should it be "establishes?" |
| 153 | Martin-Mahar | Affirmed that there was. |
| 153 | Buchanan | Provided a problem/solution statement from the Revenue Department "House Revenue Committee HB 2185 Summary". |
| 164 | Chair Shetterly | Was this something in advertently overlooked in 1999 changes? |
| 168 | Buchanan | Replied affirmatively. The provision in 1999 was retroactive, there was a special time period for filing the refund claim which overrode the general rule establishing a three year time period, the result is a person could, in 10-20 years, file a refund claim. |
| 170 | Chair Shetterly | Clarified, residents are currently limited to three years, this bill makes the time limitation also applicable to foreign non-residents. |
| 174 | Rep. Barnhart | Asked if the Revenue Department would like to close its books on whole |

years?

175 Buchanan Yes.
172 Chair Shetterly Closed public hearing on HB 2185.

OPENED WORK SESSION ON HB 2185

106 Rep. Williams **MOTION: MOVED HB 2185 TO THE HOUSE FLOOR WITH A DO PASS RECOMMENDATION.**

188 **ROLL CALL VOTE: MOTION PASSED 9-0-0. REPRESENTATIVES VOTING AYE: Barnhart, Berger, Farr, Hass, Hopson, Scott, Verger, Williams, Chair Shetterly.**
Rep. Farr will carry the bill.

200 Chair Shetterly Closed the work session on HB 2185.

207 Chair Shetterly Directed Members' attention to LC 1708 requested by the Association of Oregon Community Development Organizations, and LC 2243 requested by Chair Shetterly for Committee Bill introduction.

214 Chair Shetterly **MOTION: MOVES INTRODUCTION OF LC 1708 (Exhibit 11) AT THE REQUEST OF THE ASSOCIATION OF OREGON COMMUNITY DEVELOPMENT ORGANIZATIONS, AND THE INTRODUCTION OF LC 2243 AS A COMMITTEE BILL (Exhibit 12).**

Chair Shetterly **ORDER: THERE BEING NO OBJECTION, THE CHAIR SO ORDERS.**
Members present: Representatives Barnhart, Berger, Farr, Hass, Hopson, Scott, Verger, Williams, Chair Shetterly.

236 Chair Shetterly Meeting adjourned at 9:15 a.m.

Tape Log Submitted by,

Kathy Tooley, Committee Assistant Reviewed by Kim Taylor James

Exhibit Summary:

1. Martin-Mahar, "Measure 28 Unofficial Vote Count", 1 page.
2. Martin-Mahar, "NASBO Fiscal Survey of Sates: November 2002, Fiscal 2003 Revenue Actions by Type of Revenue", 8 pages.
3. Buchanan, "Important Notice About the State Employer Withholding Tax Tables", 1 page.
4. Martin-Mahar, HB 2023-1, 2 pages.
5. Martin-Mahar, "Revenue Impact of Proposed Legislation", HB 2023, 1 page.
6. Martin-Mahar, "Staff Measure Summary", HB 2023", 1 page.
7. Wilson, Testimony, "HB 2023", 1 page
8. Martin-Mahar, "Staff Measure Summary, HB 2185", 1 page.
9. Martin-Mahar, "Revenue Impact of Proposed Legislation", HB 2185, 1 page.
10. Buchanan, "House Revenue Committee HB 2185 Summary", 1 page.
11. Chair Shetterly, LC 1708, 1 page.
12. Chair Shetterly, LC 2243, 1 page.