

**HOUSE REVENUE COMMITTEE**  
**February 13, 2003, 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

Witnesses Present: Phil Donovan, Portland Housing Authority  
Paul Parker, Portland Housing Authority  
Debra Buchanan, Department of Revenue  
Robert Douglas, Oregon Society of Certified Public Accountants  
Kim Spaulding, OSCP  
Robert Carus, OSCP  
Bruce Krohn, OSCP

Staff Present: Mazen Malik, Legislative Revenue Office  
Lizbeth Martin-Mahar, Legislative Revenue Office  
Kathy Tooley, Committee Assistant

**TAPE 42, SIDE A**

007 Chair Shetterly Calls meeting to order at 8:36 a.m.

**OPENED PUBLIC HEARING HB 2339**

012 Mazen Provided background and history of HB 2339, Staff Measure Summary, (Exhibit 1), and discussed exemption statute, (Exhibit 2).

030 Phil Donovan Testified in favor of HB 2339. Provided background on conflicts between ORS 456.225 and ORS 307.112 and the need for referencing between the two statutes.

064 Chair Shetterly Clarifies, ORS 456.225 exempts housing authorities from annual application for property tax exemption. ORS 307.112 requires annual application for property tax exemption. Is that what the issue is?

078 Donovan That's correct. Housing authorities across Oregon did not know this existed.

083 Paul Parker Testified in favor of HB 2339, citing specific Portland Housing Authority's experience being assessed with a \$64,394 tax bill, (Exhibit 3). Without this bill, the authority would not be able to provide affordable housing.

110 Chair Shetterly The alternative would be to amend ORS 456.225 to expressly require housing authorities to file every year, which would require more work on behalf of the authority and the tax assessor's office.

109 Rep. Farr Cited experience with Eugene housing authority, the not-for-profits would

claim that the housing authority board had unfair advantage in providing the service. Does this address that?

- 129 Parker If the State of Oregon wants to provide affordable housing to people, who could otherwise not afford it, the state could extend this to non-profits, not take it away from the housing authority.
- 133 Rep. Verger Haven't these referenced ORS's been in statute for quite awhile, why would you get a bill all of a sudden, since they are not related? What prompted the assessor to change?
- 139 Parker We paid it because we didn't file with the county assessor.
- 151 Chair Shetterly Cited situation where someone reviewing the ORS picked up on possible tax liability.
- 171 Mazen Further described ORS 307.112 deals with property that is leased or leased to be purchased.
- 175 Chair Shetterly Closed Public Hearing on HB 2339.

#### **OPENED WORK SESSION ON HB 2339**

- 179 Rep. Farr **MOTION: MOVED HB 2339 TO THE HOUSE FLOOR WITH A DO PASS RECOMMENDATION.**
- 191 **ROLL CALL: MOTION PASSED 9-0-0  
REPRESENTATIVES VOTING AYE: Barnhart, Berger, Farr, Hass, Hopson, Scott, Verger, Williams, Chair Shetterly.**
- Rep. Farr will carry the bill.**

#### **OPENED PUBLIC HEARING HB 2186**

- 212 Chair Shetterly Explains HB 2186 as a biennial reconnect bill, which provides an opportunity to look at tax law changes that have occurred in the last two years.
- 212 Lizbeth Martin-Mahar Provided background and history of HB 2186, Staff Measure Summary, (Exhibit 4). HB 2186 does not have a revenue impact, but the rolling reconnect does.
- 230 Martin-Mahar Describes recent federal legislation and its impact on Oregon's income taxes, "Oregon Income Tax Reconnect Recent History", (Exhibit 5).
- Questions and discussion regarding Oregon general fund revenue impacts.
- 295 Martin-Mahar Results of these impacts are translated into economic baseline forecasts.
- 302 Debra Buchanan Provided an analysis of HB 2186, "House Revenue Committee HB 2186 Summary", (Exhibit 6).
- Updates references to Internal Revenue Code to December 31, 2002.
  - Conforms net operating loss carryback period for tax year 2001 to the 5-year period allowed under federal law.
  - For withholding purposes, conforms treatment of distributions from state and local government deferred compensation plans to the federal treatment.

- Clarifies type of compensation exempt from Oregon tax from nonresidents working on waterways of two states.
- Provides clarifying and housekeeping changes to statutes.

388 Questions and discussion interspersed regarding disconnect/reconnect issues?

441 Questions and discussion interspersed regarding nonresident working on the waterways of two states.

**TAPE 43, SIDE A**

045 Rob Douglas Began biennial panel presentation describing changes in federal tax law and its affects on Oregon Tax Code, "Analysis of Changes resulting from the:" (Exhibit 7). Introduced panel Kim Spaulding, Robert Carus, and Bruce Krohn, all with OSPCA, referred to hereafter as "Panel".

064 Kim Spaulding Discussed OSPCA analysis of 7 acts passed since last biennium. With three recommendations, starting with Recommendation C:

- A: Describes federal changes that fall under Oregon's automatic reconnect, requires no action to tie to federal law. (Tab A, Exhibit 7).
- B: Does not apply to Oregon. (Tab B, Exhibit 7).
- C: Federal tax law changes that require amendment of Oregon statutes to tie to federal law. (Tab C, Exhibit 7).

088 Panel Discussed section entitled "Recommendation C" to which Oregon does not directly tie to federal law, (Pages 30-33, Exhibit 7)

106 Panel

- Economic Growth and Tax Relief Reconciliation Act of 2001
- Victims of Terrorism Tax Relief Act of 2001
- Job Creation and Worker Assistance Act of 2002

210 Chair Shetterly Do you have proposed amendments to HB 2186 as relates to Recommendation C?

213 Spaulding Amendments will be to wording in SB 221.

211 Panel Discusses section entitled "Recommendation A", which are automatically reconnected by Oregon statutes and require no legislative action. (Page 1-16, Exhibit 7).

- FSC Repeal and Extraterritorial Income Exclusion Act of 2000. (HB 2182 would repeal this benefit).
- Community Renewal Tax Relief Act of 2000.
- Installment Tax Correction Act of 2000.
- Economic Growth and Tax Relief Reconciliation Act of 2001.

356 Questions and discussion regarding carryover and stepped-up basis at death within the estate tax, gift and generation-skipping provisions.

400 Panel Continued discussion:

- Economic Growth and Tax Relief Reconciliation Act of 2001 continued.

**TAPE 42, SIDE B**

100	Panel	Continued discussion: <ul style="list-style-type: none"><li>• Victims of Terrorism Tax Relief Act of 2001.</li><li>• Job Creation and Worker Assistance Act of 2002.</li></ul>
175		Questions and discussion regarding deductions for classroom materials and foster care exclusions.
192	Rep. Hopson	Regarding Section A, these do not require legislative action?
202	Spaulding	The panel believes Section A Recommendations fall within the definition of taxable income which Oregon currently ties to.
213	Chair Shetterly	Clarifies that the publication is not a recommendation, but a status report on changes in federal law that come under the rolling reconnect?
217	Spaulding	Answered affirmatively.
220	Rep. Barnhart	It is the position of the Society to connect, whenever possible, because it makes tax return preparation more consistent?
225	Spaulding	Defers to Marianne Brams, OSCPA.
220	Chair Shetterly	These are simply observations on policy, and not pertinent to this bill.
224	Marianne Brams	Current Chair of the Board of Oregon Society of CPAs. Spoke to issue of difficulties in compliance and administration of tax laws, and the role of OSCPA as advisory.
230		Questions and discussion interspersed.
322	Hass	What is the distinction between automatically reconnecting and the option to reconnect?
333	Chair Shetterly	When it gets to deductions, credits, depreciation and exemptions, it reconnects at taxable income definition.
340	Bram	Answered affirmatively.
364	Chair Shetterly	Meeting adjourned at 9:54 a.m.

Tape Log Submitted by,

Kathy Tooley, Committee Assistant Reviewed by Kim Taylor James

**Exhibit Summary:**

1. Malik, Staff Measure Summary HB 2399, 1 page
2. Malik, "Reference HB 2339", ORS 456.225, 1 page
3. Parker, "Testimony HB 2339", 1 page

4. Martin-Mahar, "Staff Measure Summary HB 2186, 1 page
5. Martin-Mahar, "Oregon Income Tax Reconnect Recent History", 1 page
6. Buchanan, "HB 2186 Summary", 4 pages
7. Spaulding, Krohn, Carus, Brams, "An Analysis of Changes Resulting From The:", 33 pages