

**HOUSE REVENUE COMMITTEE
MARCH 10, 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

Witness Present: Brenda Rocklin, Oregon State Lottery
John Phillips, Department of Revenue
Debra Buchanan, Department of Revenue

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

TAPE 73, SIDE A

004 Chair Shetterly Calls meeting to order at 9:36 a.m.

OPENED PUBLIC HEARING SB 173

022 Dick Yates Provided a description and background of SB 173, (Exhibit 1), does not have a revenue impact, does have a fiscal impact.

030 Brenda Rocklin Spoke in favor of SB 173, providing background and intent of the bill, (Exhibit 2).

055 Chair Shetterly This bill applies to prizes awarded on or after January 1, 2003; are you going to catch up on those when this becomes effective?

058 Rocklin Answered affirmatively.

062 Chair Shetterly Closed Public Hearing on SB 173.

WORK SESSION SB 173

063 Rep. Verger **MOTION: MOVED SB 173 TO THE HOUSE FLOOR WITH A DO PASS RECOMMENDATION**

ROLL CALL: MOTION PASSED 8-0-1

REPRESENTATIVES VOTING AYE: Barnhart, Berger, Farr, Hopson, Scott, Verger, Williams, Chair Shetterly. EXCUSED: Hass

Rep. Berger will carry the bill.

OPENED PUBLIC HEARING SB 220

088	Lizbeth Martin-Mahar	Description and provided background on SB 220, (Exhibit 3), does not have revenue or fiscal impact.
105	Debra Buchanan	Spoke in favor and provided background and intent of SB 220, (Exhibit 4).
118	Chair Shetterly	When you say trust, I assume these are commingled trusts?
120	Buchanan	Answered affirmatively.
124	Chair Shetterly	Why didn't we connect with this, is it outside the definition of personal taxable income when the changes were made in 1997 at the federal level? Why didn't the rolling reconnect pick this up?
127	Buchanan	It's really a change in the filing, like multiple filings for non-resident shareholders of an S Corporation.
131	Chair Shetterly	This doesn't change how much is taxed?
133	Buchanan	It should not.
135	Rep. Barnhart	This reduce the amount of returns coming to your office and the cost?
137	Buchanan	Answered affirmatively.
140	Rep. Verger	Who is paying the tax and claiming the income?
142	Buchanan	Under current law, the funeral home would take payment, invest it and hold in trust until needed. Earnings under prior federal law would flow to the person making payment and be reported on an individual return.
148	Rep. Shetterly	Under Oregon law, those earnings would be reported by the trust and not by all of the individual trust beneficiaries?
150	Buchanan	Answered affirmatively.
153	Rep. Barnhart	What assumption do you make about what the tax rate going to be?
156	Buchanan	That's one of the simplification issues in the bill. The trust is treated as though filing as an individual resident, reporting under the graduated rates.
164	Rep. Verger	You said make payments, if make one payment it is payment in full?
170	Buchanan	Whatever payments are made by the individual is held in trust until needed. The amounts held in trust are invested, there is no difference.
174	Chair Shetterly	At the Federal level, the brackets for trust are substantially compressed? Are they paid at trust rates or individual rates.
178	Buchanan	Unknown, will find out.
181	Chair Shetterly	Oregon treats them as individual?
183	Buchanan	Answered affirmatively, true for all the trusts.

177 Chair Shetterly Closed hearing on SB 220.

WORK SESSION SB 220

188 Rep. Verger **MOTION: MOVED SB 220 TO THE HOUSE FLOOR WITH A DO PASS RECOMMENDATION**

ROLL CALL: MOTION PASSED 9-0-0

REPRESENTATIVES VOTING AYE: Barnhart, Berger, Farr, Hass, Hopson, Scott, Verger, Williams, Chair Shetterly.

Rep. Hass will carry the bill.

203 Chair Shetterly Closed Work Session on SB 220

PUBLIC HEARING SB 227

210 Mazen Malik Provided a description and background of SB 227, does not have revenue or fiscal impact (Exhibit 5).

236 John Phillips Described policy conflict in the statutes, (Exhibit 6).

270 Questions and discussion on ORS 311.250, and ORS 306.245.

288 Discussion on tax rates.

310 Chair Shetterly The language in Section 4 that is being deleted is the comparative view of value and taxes and expresses what the practice is now?

315 Phillips There were two approaches to the concept.

- Remove the reference to the tax rates.
- Remove the section since it is covered elsewhere.

320 Chair Shetterly It's covered in the rule, not statute?

322 Phillips Answered affirmatively.

324 Discussion of statutory vs. rule changes in maintaining look back.

349 Questions and discussion regarding real market vs. total assessed value.

367 Rep. Barnhart In terms of streamlining, makes sense to leave it to the department, rather than statute, the bill is a good idea.

375 Chair Shetterly Felt the comparative assessment information is worthwhile. Important education function that the statement provides.

380 Phillips Review of real property tax statement, (Exhibit 7)

Questions and discussion regarding tax statement.

TAPE 74, SIDE A

010 Rep. Verger Why did you want to this eliminated?

015 Phillips Discussed DOR's position on bill.

030		Discussion of ORS 311.250 requirements for tax statements.
045		Discussed ORS 306.245 requirements for tax statements.
052	Rep. Scott	Does SB 227 change the tax statement at all?
060	Chair Shetterly	SB 227 will no longer statutorily require "last years assessed value" to be part of the statement, but it will be under administrative rule.
064	Rep. Berger	Understood differently, it is rate that is not on the tax statement. A taxpayer couldn't multiply the rate even if it were there because there are several different rate and it would be confusing.
073	Phillips	Answered affirmatively.
083	Chair Shetterly	Questioned if the Committee wanted to recede from statutory requirement to have comparative information as to value and taxes be deleted and left to rule. Another option would be to amend 311.250 to include look back information as to value and taxes imposed so it is all in one statute.
093	Chair Shetterly	Expressed discomfort in deleting the legislative requirement for look back in statute.
100	Phillips	To clarify, it is the will of the Committee to remove Section 4 from Chapter 306 and place a requirement for prior years assessed and real market values into ORS 311.250?
123	Chair Shetterly	And include the taxes imposed.
128	Chair Shetterly	Closed Public Hearing on SB 227.

OPEN PUBLIC HEARING SB 228

138	Malik	Described intent and background of SB 228, (Exhibit 8).
157	Phillips	Provided background on Section 1, and testified in support of SB 228, allows for discussion with lessor and lessee regarding valuation of a property without violating confidentiality laws, (Exhibit 9).
213		Questions and discussion regarding definitions and clarifying language by Legislative Counsel's Office?
233	Rep. Verger	Why does, a power of attorney, create difficulty or confusion?
238	Phillips	It's authority to talk to person other than taxpayer, regarding a property tax account, not power of attorney.
258		Questions and discussion on lessor, lessee authority to appeal tax values?
269	Buchanan	Provided background on Sections 2-5 which deals with unintended consequences of 1999 legislation, (Exhibit 10). Provided examples about representation which limits the ability of the DOR to disclose information or talk about a tax return with anyone not on file as an authorized representative under statute.
306		Questions and discussion regarding power of attorney.
352	Rep. Williams	With the new bill, how are you going to police the level of designation. How do you know the person on the phone is who they say they are?

367	Buchanan	If the person gives enough information to indicate they are aware of situation, information off the tax return, or billing notice, can assume some sort of communication from the taxpayer, although could be wrong.
390	Chair Shetterly	Clarified balance, rules are also for protection of the taxpayer.
387		Questions and discussion regarding signature on tax return for parent/minor.
400	Rep. Williams	Before Legislature made change which led to the inadvertent problem, did the department have rules for disclosure and verification?
424	Buchanan	Generally DOR requested authorization to represent to have on file. If a person called and could determine this person had permission, DOR would talk to them.
444	Rep. Verger	For the protection of DOR, there is nothing wrong with written confirmation, it also provides protection for the taxpayer.

TAPE 73, SIDE B

010	Berger	Appreciate what the DOR is trying to do when a person is trying to help a relative. Also concerned about vulnerability. What would someone be trying to do that would be nefarious?
018	Buchanan	Discussed scenario of a wealthy mother who is going to get a very large refund, person calls and asks when a refund will be sent, and then intercepts the refund. DOR exercises caution in disclosing information. Bill is an effort to operate as a good business to help taxpayers get information they need to comply with tax laws.
032	Rep. Williams	Have reservations, but recognize DOR has a customer service issue, and need for flexibility to help constituents. Would support with some reservation, but would like to see administrative rules for management.
070	Rep. Farr	Even if the paperwork is filed, you still don't know with whom you are speaking. The customer service issue outweighs the downside.
087	Chair Shetterly	Discussed language "or by implication" of concern to the Committee. Isn't there a place on the form which includes a person you may contact about the filing, short of formal filing of a power of attorney?
108	Buchanan	Used prior to this law, an "Authorization to Represent". DOR is prohibited by law from disclosing confidential information and the penalties are Class C felony, \$100,000 fine and loss of employment.
120	Chair Shetterly	Willing to move if Committee is comfortable.
127	Chair Shetterly	Closed Public Hearing on SB 228.

WORK SESSION ON SB 228

144	Rep. Farr	MOTION: MOVED SB 228 TO THE HOUSE FLOOR WITH A DO PASS RECOMMENDATION
148	Rep. Barnhart	Concerned words "by implication" may be too broad, may need amendment that takes care of mother/child and similar common situations.

159	Rep. Farr	WITHDRAWAL: REP. FARR WITHDREW THE MOTION TO MOVE SB 228 TO THE HOUSE FLOOR WITH A DO PASS RECOMMENDATION.
172	Chair Shetterly	Closed Work Session on SB 228.
175	Chair Shetterly	Meeting adjourned at 9:43 a.m.

Tape Log Submitted by,

Kathy Tooley, Committee Assistant Reviewed by Kim Taylor James

Exhibit Summary:

1. Yates, "Staff Measure Summaries SB 173, Fiscal Impact SB 173", 3 pages
2. Rocklin, "Testimony SB 173", 1 page
3. Martin-Mahar, "Staff Measure Summaries SB 220", 2 pages
4. Buchanan, "Testimony SB 220", 1 page
5. Malik, "Staff Measure Summaries SB 227", 2 pages
6. Phillips, "Testimony 227", 2 pages
7. Phillips, "Property Tax Statement", 1 page
8. Malik, "Staff Measure Summaries SB 228", 2 pages
9. Phillips, "Testimony SB 228", 2 pages
10. Buchanan, "Testimony SB 228", 1 page