

SENATE REVENUE COMMITTEE

January 31, 2001 — 8:30 A.M. - HEARING ROOM A - STATE CAPITOL BUILDING

Members Present: Senator Ted Ferrioli, Chair

Senator Lee Beyer, Vice Chair

Senator Susan Castillo

Senator Tony Corcoran

Sen. Gary George (excused 8:34 a.m. to 9:25 a.m.)

Senator John Minnis

Senator Charles Starr

Staff: Paul Warner, Legislative Revenue Officer

Carol Phillips, Committee Assistant

Witnesses: Pamela Konstantopoulos, Director, State Board of Tax Service Examiners

Jason Williams, Exec. Director, Taxpayers Association of Oregon

Doug Berwick, Salem, Oregon

Bob Shiprack, Beaver Creek, Oregon

Kyle Martin, Assistant Attorney General

TAPE 026, SIDE A

005 Chair Ferrioli Meeting called to order at 8:35 a.m.

013 Paul Warner Gave overview of the bills to be discussed today. SB 279 and SB 301 are from the Tax Service Examiners Board through the Office of the Governor. SB 279 removes fee caps from statute and allows fees to be established by rule. SB 301 gives the Board additional enforcement capabilities and permits them to review facts surrounding a stipulated order or consent agreement. Sen. Minnis will provide additional information later in this hearing.

OPENED PUBLIC HEARING ON SB 279

034 Pamela Konstantopoulos The mission of the State Board of Tax Service Examiners is to protect consumers by ensuring that Oregon tax practitioners are competent and ethical in their professional activities. Passage of SB 279 is vitally important for the successful operation of the State Board of Tax Service Examiners.

Comments, and questions and answers interspersed.

155 Jason Williams Stated he and his organization are against SB 279. They say "No taxation without representation." Recently there have been many fee increases in state agencies. Fee increases appear to be very important since non-tax revenue (such as fees and fines) has become even more critical as a source of revenue for the state.

Extensive comments, and questions and answers interspersed.

285 Chair Ferrioli Stated he appreciated Mr. Williams's viewpoint on this issue, but pointed out the practical problem. The State Board of Tax Service Examiners faced a significant revenue shortfall in 1999-2001. Because their funds are fee-based, they should be able to remove fee caps by statute and allow fees to be established by rule.

311 Doug Berwick Gave his views on SB 279. He is an enrolled agent who prepares corporate, individual, and fiduciary federal tax returns, and he was an IRS auditor for fifteen years.

Questions and answers interspersed.

TAPE 027, SIDE A

011 Berwick Continued discussion, with questions and answers interspersed.

058 Konstantopoulos Clarified that federal law is designed to work in conjunction with state law. Federal code recognizes the existence of state licensing for tax preparers. Because of the increasing number of fraud cases involving tax preparers across the country, many states are licensing or considering licensing tax preparers. White-collar crime is rampant.

Questions and answers interspersed.

CLOSED PUBLIC HEARING ON SB 279

OPENED WORK SESSION ON SB 279

133 Sen. L. Beyer MOTION:

MOVES SB 279 TO THE SENATE FLOOR
WITH DO PASS RECOMMENDATION.

136 Chair Ferrioli ORDER:

HEARING NO OBJECTION, MOTION
PASSES: 6 — 0 — 1

SENATOR ABSENT: GEORGE

Sen. Corcoran will carry the bill on the Senate
Floor.

CLOSED WORK SESSION ON SB 279

OPENED PUBLIC HEARING ON SB 301

- 147 Warner Gave overview of SB 301, which is another bill from the Tax Service Examiners Board. It expands the regulatory authority of the State Board, and changes the name to the State Board of Tax Practitioners, and increases maximum civil penalty for violations from \$1,000 to \$10,000. The bill also increases the list of violations and expands the Board's regulatory powers to include investigations beyond the state borders in issuance of cease-and-desist orders.
- 170 Chair Ferrioli Noted for the record that Doug Berwick, who spoke earlier regarding SB 279 but had to leave the meeting, is very opposed to SB 301.
- 172 Bob Shiprack Gave detailed testimony about his unpleasant experience with an unlicensed fraudulent tax preparer.
- Comments, and questions and answers interspersed.
- 404 Konstantopoulos The mission of the Board of Tax Service Examiners is to protect Oregon consumers by ensuring that Oregon tax practitioners are competent and ethical in their professional activities. With the exception of CPAs and PAs, any person preparing, assisting, or advising in the preparation of personal taxes for another and for valuable consideration must be licensed. Discussed Exhibit 7, SB 301 summary. The Board of Tax Service Examiners urges the passage of SB 301. The Board wishes to change its name to the Board of Tax Practitioners.
- Questions and answers interspersed.
- 126 Kyle Martin He is the Assistant Attorney General representing the Board of Tax Service Examiners mainly with their contested case proceedings and administrative process to discipline licensees or to assess civil penalties against unlicensed individuals. Gave his reasons

for supporting SB 301.

- 182 Chair Ferrioli Extensive comments, and questions and answers regarding the issues of bonding and confidentiality.
- 309 Chair Ferrioli Addressed the confidentiality issue of the bill, thanking Sen. Minnis for his research on the subject. The language included in the bill may not be effective and does not have case law to support the use that is intended, which is the ability to keep confidential ongoing investigations.
- 337 Sen. Minnis Gave further information regarding his research on SB 301.
- Extensive discussion, and questions and answers followed.

TAPE 027, SIDE B

- 012 Sen. Minnis Continuation of extensive discussion, and questions and answers.
- 106 Chair Ferrioli Pointed out that two amendments are required before SB 301 can be acted upon. The (-1) amendments would lower from \$10,000 to \$5,000 the bond amount. The (-2) amendments would clarify the confidentiality question. He asked that when this committee reviews SB 301 again, Mrs. Konstantopoulos walk the members through a tax preparer application process.
- 156 Chair Ferrioli Adjourned meeting at 10:08 a.m.

Submitted by, Reviewed by,

Carol Phillips Kim Taylor James

Committee Assistant Revenue Office Manager

Exhibit Summary:

1. SB 279, Warner, Staff Measure Summary, 1 pp.
2. SB 279, Warner, Fiscal Impact Statement, 1 pp.
3. SB 279, Warner, Revenue Impact Statement, 1 pp.
4. SB 301, Warner, Staff Measure Summary, 1 pp.
5. SB 301, Warner, Fiscal Impact Statement, 1 pp.
6. SB 301, Warner, Revenue Impact Statement, 1 pp.
7. SB 301, Minnis, Written testimony regarding confidential investigations, 2 pp.
8. SB 301, Warner, Written testimony regarding Board of Tax Service Examiners, 1 pp.