

## HOUSE COMMITTEE ON BUSINESS AND CONSUMER AFFAIRS

March 05, 1999 Hearing Room E

8:30 a.m. Tapes 47 - 48

**MEMBERS PRESENT:** Rep. Roger Beyer, Chair

Rep. Dan Gardner, Vice-Chair

Rep. Tim Knopp, Vice-Chair

Rep. Jason Atkinson

Rep. Bill Morrisette

Rep. Terry Thompson

Rep. Jackie Winters

**STAFF PRESENT:** Keith Putman, Administrator

Frances Thomas, Administrative Support

**MEASURE/ISSUES HEARD:** SB 145 Public Hearing and Work Session

SB 203 Public Hearing and Work Session

SB 213 Public Hearing and Work Session

SB 261 Public Hearing and Work Session

These minutes are in compliance with Senate and House Rules. Only text enclosed in quotation marks reports a speaker's exact words. For complete contents, please refer to the tapes.

TAPE/#	Speaker	Comments
TAPE 47, A		
001	Chair Beyer	Calls the meeting to order at 8:35 a.m.

**SB 145 PUBLIC HEARING**

005	Chair Beyer	Opens a Public Hearing on SB 145.
010	Keith Putman	Administrator presents overview of SB 145. States the bill unifies language in chapter making it easier to process proposed mergers and conversions of corporations, and other business entities. Calls attention to amendments <b>(EXHIBIT A )</b> that were drafted by Prof. Robert Art.
028	Chair Beyer	Calls Doug Schmor and Robert Art.
030	Doug Schmor	Attorney at Law, Brophy, Mills, Schmor, Gerking & Brophy, LLP. Testifies in favor of SB 145. States that he was the chair of the committee that prepared draft amendments for the business law section of the Oregon State Bar. Explains involvement in bringing forth this legislation, and the reason behind SB 145. Notes that under this bill there are no policy changes. States that this bill will simplify the merger process reducing the costs for businesses, and that other states have similar legislation in place.
044	Robert Art	Professor of Law, Willamette University. Explains SB 145 allows businesses to either convert or merge. Defines legal definitions for converging and merging, and the advantages for businesses to be redefined as a Limited Liability Partnership. States that under the bill all business, and public entities would be viewed equally. References <b>EXHIBIT A</b> .
065	Rep. Atkinson	Asks either witness to explain Limited Liability Partnerships, and the advantages a business could expect by converting from a Limited Liability Companies (LLC) into Limited Liability Partnerships (LLP).
070	Schmor	Replies that regulatory agencies for different professions would be responsible for determining if a business entity could convert to an LLP from a LLC.
079	Rep. Atkinson	Asks, outside of professional organizations, how popular are LLPs.
085	Schmor	Answers that LLPs are limited to professional organizations, but LLCs are very popular.
089	Rep. Atkinson	Clarifies question, "are you starting to see a need to expand what (businesses) can use an LLP, or will it (the LLP status) stay just for professional organizations."
091	Art	Replies that most of his clients are LLCs. States that most businesses stay with the LLCs status because they actually get slightly better protection, unless they are bound by a professional regulatory agency.
094	Chair Beyer	Ask if committee would like to hear further explanation section by section of SB 145.

099	Rep. Atkinson	Asks for an explanation of each section of SB 145.
104	Art	Explains the submitted material ( <b>EXHIBIT A</b> )
113	Chair Beyer	Calls a recess.
115	Chair Beyer	Reconvenes meeting at 8:50 a.m. Calls attention to chapter seven of bill.
125	Art	Presents written testimony on SB 145 ( <b>EXHIBIT A, page 2</b> ) Calls committee's attention to the chart ( <b>EXHIBIT A, page 2</b> ). The chart defines the changes that all five business entity types would undergo if legislation were to be passed.
155	Art	Continues explanation of conversion process highlighting the tax structure, and the continuation of business obligations after a conversion. Explains owner and dissenter rights. Defines dissenter rights as the right to get paid for the value of their stock if they do not want to go forward with the conversion, stating this is parallel to that of mergers law.
185	Art	Continues testimony in favor of SB 145. Explains merger process.
195	Chair Beyer	Asks if under current law would a business converting to an LLC still have to dispose of all outstanding debt as in a merger.
200	Art	Replies that, currently in Oregon, there is no direct way of converting to a LLP for most businesses, regardless of debt. States that to convert an entity would have to dissolve and transfer property, or go out of state.
215	Schmor	Comments that interested parties, including the Secretary of State's Office, are in favor of the procedures of SB 145.
222	Art	Points out that current partnership provisions are incomplete. Restates that SB 145 simplifies the process for all businesses, and opens new opportunities for Oregon businesses.
235	Chair Beyer	Summarizes that SB 145, Sections 1-15, deal with corporations and that the same procedures used for corporations would then be used for the other five business entity types.
242	Chair Beyer	Closes Public Hearing on SB 145.
<b><u>SB 145 WORK SESSION</u></b>		
243	Chair Beyer	Opens Work Session on SB 145. Asks for an explanation of the proposed bill amendments.

245	Art	Summarizes the proposed ñ1 amendments ( <b>EXHIBIT B</b> ) to SB 145. States the purpose of the ñ1 amendment is meant to clarify some confusing language that was written into the original bill. Explains that the ñ1 amendments would prevent transference of liability issues between a business owner and the business entity.
260	Chair Beyer	Asks for clarification about one of the amendments on page ten that does not appear to be parallel to the other parts of the bill.
283	Art	Explains that there was an oversight and the ñ1 amendments correct the problem.
285	Rep. Gardner	<b>MOTION: Moves to ADOPT SB 145-1 amendments dated 03/04/99.</b>
		<b>VOTE: 7-0</b>
		<b>Hearing no objection, declares the motion CARRIED.</b>
292	Rep. Gardner	<b>MOTION: Moves SB 145 to the floor with a DO PASS AS AMENDED recommendation.</b>
		<b>VOTE: 7-0</b> <b>AYE: In a roll call vote, all members present vote AYE</b>
300	Chair Beyer	<b>The motion CARRIES.</b>  <b>REP. ATKINSON will lead discussion on the floor.</b>
<b><u>SB 203 PUBLIC HEARING</u></b>		
320	Chair Beyer	Opens Public Hearing on SB 203.
325	Putnam	Summarizes that SB 203 deletes language requiring specific types of photographs, of applicants, to accompany applications for an investigator or an operative with Oregon Board of Investigators. States that digital processing technology has eliminated the need these photographs.
345	Elaine Hamm	Board of Investigators. Explains that under SB 203, the Board will be able to use digital photos.

367	Chair Beyer	Asks why these changes were not included in a previous bill about finger printing that is before a different committee.
370	Hamm	States that she is just following the advice of Legislative Council.
374	Chair Beyer	Closes the Public Hearing on SB 203.
387	Chair Beyer	States that he wants to look into the need of having two bills.
<b><u>SB 213 PUBLIC HEARING</u></b>		
390	Chair Beyer	Opens a Public Hearing on SB 213.
392	Putman	Explains that the current laws governing the workers benefit fund provides that it contain enough reserves that it can continue to work for a projected 12 months at all times. However, this provision is nearing its sunset clause date of January 1, 2000. This bill would maintain the 12 month funding system beyond the sunset date.
395	John Shilts	Manager, Benefits Section Workers Compensation Division. Testifies in favor of SB 213. Explains sunset provision ( <b>EXHIBIT C</b> ). Talks about page 2. States the fund would rather maintain the more responsible 12 month period.
413	Shilts	Continues testimony detailing programs.
<b>TAPE 48, A</b>		
000	Shilts	Continues explanation of need to address expirations of provisions. States that with a higher fund balance more income is generated, and thus requires a lower amount of investment by employers and workers.
023	Chair Beyer	Asks what the fund balance is now (implying the number of months).
043	Shilts	States currently at 12 months.
045	Chair Beyer	Closes the Public Hearing on 213.
<b><u>SB 213 WORK SESSION</u></b>		
046	Chair Beyer	Opens a Work Session on SB 213.
046	Rep. Garner	<b>MOTION: Moves SB 213 to the floor with a DO PASS</b>

		<b>RECOMENDATION.</b>
		<b>VOTE: 7-0</b> <b>AYE: In a roll call vote, all members present vote AYE</b>
<b>047</b>	<b>Chair Beyer</b>	<b>The motion CARRIES.</b>  <b>REP. KNOPP will lead discussion on the floor.</b>
<b><u>SB 261 WORK SESSION</u></b>		
048	Chair Beyer	Opens a Work Session on SB 261.
050	Putman	States that current law is not clear as to what information the Department of Revenue can give to the State Board of Tax Service Examiners about Tax consultants. States this bill does not appear to change policy, merely clarifies the information that may be provided.
060	Rodney Pitzer	Administrator for the State Board of Tax Service Examiners. Testifies in favor of SB 261. Explains what the State Board of Tax Service Examiners is, and what powers the Board has.
070	Rep. Winters	Asks about how many unlicensed tax practitioners did you identify in last year.
080	Pitzer	Answers about 50.
090	Chair Beyer	Closes the Public Hearing.
<b><u>SB 261 WORK SESSION</u></b>		
107	Chair Beyer	Opens a Work Session on SB 261.
108	Putman	Explains the penalty of Class C Misdemeanor attached to the bill.
<b>111</b>	<b>Rep. Knopp</b>	<b>MOTION: Moves SB 213 to the floor with a DO PASS RECOMENDATION.</b>
		<b>VOTE: 7-0</b> <b>AYE: In a roll call vote, all members present vote AYE</b>

112	Chair Beyer	<b>The motion CARRIES.</b>  <b>REP. MORRISETTE will lead discussion on the floor.</b>
113	Chair Beyer	Closes the Work Session on SB 213.
114	Putman	Explains agenda items.
135	Rep. Morrisette	Asks about when the adverse possession bill will be rescheduled
150	Chair Beyer	Explains amendments are being drafted for the bill. State staff will be distributing written amendments to the committee as soon as they are available.
161	Putman	Explains other bills coming before the committee.
200	Chair Beyer	Adjourns meeting at 9:25 a.m.

Submitted By, Reviewed By,

FRANCES THOMAS, KEITH PUTMAN,

Administrative Support Administrator

#### **EXHIBIT SUMMARY**

**A ñ SB 145, Testimony and ñ1 amendment draft, Prof. Robert C. Art, 32 pp.**

**B ñ SB 203, Testimony, Elaine N. Hamm, 2pp.**

**C ñ SB 213, Testimony, John Shilts, 3pp.**

**D ñ SB 261, Testimony, Rodney Pitzer, 3pp.**