

WORK SESSION: SB 255, SB 256

PUBLIC HEARING: HB 2050

PUBLIC HEARING & WORK SESSION: SB 257

TAPES 081 A, 082 A

HOUSE REVENUE COMMITTEE

MARCH 9, 1999 ñ 8:30 A.M. - HEARING ROOM A - STATE CAPITOL BUILDING

Members Present: Rep. Ken Strobeck, Chair

Rep. Anitra Rasmussen, Vice Chair

Rep. Deborah Kafoury

Rep. Jeff Merkley

Rep. Diane Rosenbaum

Rep. Lane Shetterly

Rep. Jim Welsh

Rep. Max Williams

Absent: Rep. Bill Witt

Staff: Paul Warner, Legislative Revenue Officer

Lizbeth Martin-Mahar, Economist, Legislative Revenue Office

Ed Waters, Economist, Legislative Revenue Office

Richard Yates, Economist, Legislative Revenue Office

Barbara Guardino, Committee Assistant

Witnesses: Roger Martin, Alaska Air, Air Transport Association

Gary Bauer, Oregon Telecommunications Association

Bob Strong, Robert G. Strong and Associates

Laurie Wimmer, Oregon Education Association

Jim Manary, Oregon Dept. of Revenue

Susan Browning, Oregon Dept. of Revenue

TAPE 081, SIDE A

008 Chair Strobeck Called meeting to order at 8:37 a.m. Opened public hearing on HB 2050.

PUBLIC HEARING n HB 2050

012 Roger Martin Spoke in support of the measure. Refuted previous testimony saying that Oregon taxes are good for businesses. Also disagreed that proposed repeal of intangible tax would further shift taxes away from businesses to individuals. Gave examples of property taxes per departure from PDX, in comparison to other states. See written testimony (**EXHIBIT 1**). Asked committee to repeal tax.

106 Rep. Witt Asked, what are intangibles related to airlines?

110 Martin Frequent flier lists, certain computer programs, passenger lists.

117 Vice Chair Rasmussen Requested similar comparison of sales tax impact similar to taxes per departure.

132 Rep. Witt Requested similar comparison for income and corporate taxes.

144 Gary Bauer Spoke in support of the measure. Previous testimony stated that case has not been made for passage of this bill. Others said beneficiaries of growth should share in the cost of growth. Most of these beneficiaries are adding infrastructure to communities, are adding to tax rolls and are not adding to burden of local government.

In addition, there is competition in telecommunication. Two types of entities that offer the same types of service are taxed differently.

177 Bob Strong Spoke in support of the measure. Refuted earlier claims that bill will create litigation. Has been involved in almost all of litigation in California and Utah. This litigation did not involve trying to determine what the intangible was. The problem was, intangibles were already exempt, and revenue departments were already taxing them. By having exemptions, there will be less litigation because everyone will be treated the same.

Refuted the purported tax shift to homeowners. Tax rate has not changed, but there are more homes. Rate per dollar is decreasing. The opposite is true with industry.

303 Rep. Witt If it is difficult and complex to subtract intangibles, wasn't it just as difficult and complex

to add them? Wouldn't the process of taking them off tax rolls be just as hard?

- 312 Strong Yes, it could be difficult, not real complex.
- 360 Laurie Wimmer Spoke in opposition to the measure. On behalf of 43,000 school employees, opposes bill on general principle grounds. Key concern is revenue adequacy. Asked committee to look at balance between adequacy and fairness. Has to be done comprehensively rather than piecemeal.
- It is a political impossibility to achieve adequacy.
- In the last decade, state has dis-invested in schools, while raising the achievement bar. There is a disconnect here. Urged lawmakers to review and correct the entire system.
- 433 Jim Manary Discussed graph, Effect of M50, previously requested by committee (**EXHIBIT 2**). This handout is copies of overheads presented at hearing March 2.
- Graph shows what happens under M50, based on house model.

TAPE 082, SIDE A

- 040 Chair Strobeck Closed public hearing on HB 2050. Opened work session on SB 255.

WORK SESSION n SB 255

- 052 Richard Yates Reviewed Staff Measure Summary (**EXHIBIT 3**). Limits withholding on lottery prizes to prize paid to individuals. Withholding is set up to deal with individuals. Dept. of Revenue has no mechanism to apply withholding to a corporation.
- 079 Susan Browning Discussed how a revocable trust would operate through the provisions of SB 255 (if person is still alive). It would be treated as individual tax, not as a standard trust.
- Questions and discussion.
- 140 Vice Chair Rasmussen **MOTION: MOVED SB 255 TO THE HOUSE FLOOR WITH A DO PASS RECOMMENDATION.**
- 144 **VOTE** **ROLL CALL VOTE: MOTION PASSES 8-0-1**
- REPRESENTATIVES VOTING AYE: KAFOURY, MERKLEY, ROSENBAUM, SHETTERLY, WILLIAMS, WITT, VICE CHAIR RASMUSSEN, CHAIR STROBECK**

REPRESENTATIVES EXCUSED: WELSH

REP. MERKLEY WILL CARRY THE BILL.

153 Chair Strobeck Closed work session on SB 255. Opened work session on SB 256.

WORK SESSION n SB 256

160 Ed Waters Reviewed SB 256. Equalizes tax payment and refund thresholds at \$1.

167 Rep. Shetterly **MOTION: MOVED SB 256 TO THE HOUSE FLOOR WITH A DO PASS RECOMMENDATION.**

169 **VOTE** **ROLL CALL VOTE: MOTION PASSES 8-0-1**

REPRESENTATIVES VOTING AYE: KAFOURY, MERKLEY, ROSENBAUM, SHETTERLY, WILLIAMS, WITT, VICE CHAIR RASMUSSEN, CHAIR STROBECK

REPRESENTATIVES EXCUSED: WELSH

REP. WILLIAMS WILL CARRY THE BILL.

176 Chair Strobeck Closed work session on SB 256. Opened public hearing on SB 257.

PUBLIC HEARING n SB 257

180 Ed Waters Reviewed SB 257. Harmonizes provisions related to audits and adjustments by other states' taxing authorities with those applied to federal tax changes. See Revenue Impact, Staff Measure Summary, Fiscal Analysis (**EXHIBITS 4, 5, 6**).

203 Susan Browning See Bill Summary (**EXHIBIT 7**). Oregon already had provisions to adjust Oregon income tax based on adjustments. SB 257 extends these provisions to changes made by other states.

Section 1: Extends reporting requirements to changes made by taxing authorities of other states.

Section 2: Describes procedure for deficiencies based on adjustments of another state when an appeal is filed with the other state.

228 Browning Section 3: Tax returns may be adjusted based on audit reports of other states. Opens statute of limitations.

258	Browning	Section 5: Credit for taxes paid to another state may be claimed when another state imposes tax on an entity that is treated as a partnership.
304	Browning	Summarized, SB 257 mirrors the federal system in order to reduce taxation in more than one state.
311	All	Questions and discussion concerning section 1, other comments.
430	Chair Strobeck	Closed public hearing on SB 257. Opened work session on SB 257.

WORK SESSION n SB 257

431	Vice Chair Rasmussen	MOTION: MOVED SB 257 TO THE HOUSE FLOOR WITH A DO PASS RECOMMENDATION.
435	VOTE	ROLL CALL VOTE: MOTION PASSES 9-0-0 REPRESENTATIVES VOTING AYE: KAFOURY, MERKLEY, ROSENBAUM, SHETTERLY, WELSH, WILLIAMS, WITT, VICE CHAIR RASMUSSEN, CHAIR STROBECK REP. WITT WILL CARRY THE BILL.
450	Chair Strobeck	Closed public hearing on SB 257. Adjourned meeting at 9:30 a.m.

Submitted by, Reviewed by,

Barbara J. Guardino Kim T. James

Committee Assistant Revenue Office Manager

Exhibit Summary:

1. HB 2050, Martin, Martin Associates, testimony of Roger Martin, 1 p.
2. HB 2050, Manary, Effect of M50, Typical Centrally Assessed Company, 9 pp.
3. SB 255, Yates, Staff Measure Summary, 1 p.
4. SB 257, Waters, Revenue Impact of Proposed Legislation, 1 p.
5. SB 257, Waters, Staff Measure Summary, 1 p.
6. SB 257, Waters, Fiscal Analysis of Proposed Legislation, 1 p.
7. SB 257, Browning, Oregon Department of Revenue 1999 Legislative Session Bill summary SB 257, 2 pp.