

## SENATE REVENUE COMMITTEE

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January 14, 1999 - 3:00 P.M. - HEARING ROOM A - STATE CAPITOL BUILDING

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Members Present: Senator Randy Miller, Chair

Senator Thomas Wilde, Vice Chair

Senator Lee Beyer

Senator Tom Hartung

Senator Charles Starr

Invited Testimony: Susan Browning, Division Administrator, Oregon  
Department of Revenue

Staff: Ed Waters, Economist, Legislative Revenue Office

Richard Yates, Economist, Legislative Revenue Office

Joan Green, Committee Assistant

### TAPE 002, SIDE A

005	Chair Miller	Meeting called to order at 3:03 p.m. Staff will present an orientation on Oregon Income Tax.
016	Ed Waters	Presented an overview of Oregon Income Taxes. (Exhibit 1)

The system is comprised of four components, personal and corporate income taxes, surplus kicker and stabilization funds. Since 1994 personal income tax revenues have provided the largest single source of total state and local revenues in Oregon. This is a

result of the passage of Ballot Measure 5 in 1990.

Discussion and questions interspersed.

035      Waters      For General Fund purposes personal income taxes are the most important component. For the 1997-99 biennium Personal Income taxes will provide about 86% of the General Fund.

Discussion and questions interspersed.

101      Waters      Presented information regarding personal income tax, which is based on federal adjusted gross income (AGI). Continued to explain how Oregon taxable income is calculated.

Discussion and questions interspersed.

158      Waters      Explained history of the Oregon personal exemption tax credit. The \$132 personal exemption credit is indexed for inflation and has increased by approximately \$4/year since 1980.

Discussion and questions interspersed.

175      Waters      Income tax rates are also indexed for inflation and change by \$50-100/tax year. Discussed average net tax rate by income and how that figure is determined.

Discussion and questions interspersed.

247      Waters      Discussed adjusted gross income and its components. In 1996 the total AGI was \$54 billion; wages comprised 63% of that total.

Discussion and questions interspersed.

295      Waters      Explained history of Oregon income tax credits. In 1996 more than ½ of the \$832 million claimed income tax credits were surplus refunds.

414	Waters	Discussed the effect of SB 388 (working family tax credits) which was passed in the 1997 session. Preliminary data of income tax returns for 1997 reflected about 120,000 filers claimed a total of \$8.2 million dollars in Oregon earned income tax credit. For the same period approximately 15,000 filers claimed a total of \$5.3 million for the working family child care credit.
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**TAPE 003, SIDE A**

023	Waters	Discussed part year and non-resident taxpayers and how Oregon income taxes applies to those entities.
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035	Chair Miller	If an employee of an Oregon corporation lives and works overseas, but spends 30 days in Oregon can they be treated as a full-year resident?
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075	Susan Browning	That would fall under ex-patriot taxation law and is of concern to international companies. Employees assigned overseas pay as part-year residents during the time they are in Oregon. Oregon does not tax for the actual time employees are overseas. If they are here for more than 30 days they fall into a different category.
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095	Sen. Hartung	Was there discussion last session for taxation adjustments to Oregon residents who move to Washington to avoid taxation?
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099	Waters	There was not a bill with those provisions; there was a bill exempting income of federal Bonneville dam workers who worked on the Oregon side of the dam, but lived on the Washington side.
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109	Sen. Hartung	Requested a presentation regarding what actions the State could take to protect people who live and make money in Oregon, make a sale and move to another state to protect their resources.
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129	Waters	Presented basic stylized data for a hypothetical taxpayer and then applied it to the categories of a non-resident and a part-year taxpayer.
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175		Discussion and questions interspersed.
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230	Waters	Taxpayers may elect to donate part of their refunds to any of five charitable funds. Check-off donations in 1996 amounted to approximately \$566,000. This reduces a refund by the amount donated.
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292 Discussion and questions interspersed.

404 Waters Began presentation on corporate income tax. This includes gross receipts from sales, value added and net business income. Gross receipts are the broadest tax base, followed by value added and net business.

Discussion and questions interspersed.

**TAPE 002, SIDE B**

043 Waters Approximately 70,700 corporate tax returns were filed in the 1995 tax year. Almost half (46%) were "S" corporations, 39% were Oregon only corporations and about 15% were the multi-state corporations.

Discussion and questions interspersed.

081 Waters Total corporate income for 1995 was approximately \$8.4 billion, 84% of taxable corporate income was reported by the multi-state corporations for that period.

150 Waters Explained the "3-Factor Apportionment Formula", as defined by the Uniform Division of Income for Tax Purposes Act (UDITPA), for multi-state corporation's total business income.

Presented hypothetical cases to describe how UDITPA works with Oregon tax law for multi-state corporations.

289 Waters Gave overview of double-weighted sales, using hypothetical corporation. The sales factor is counted twice, resulting in a lower total average when the sales factor is double-weighted and averaged. Calculating tax with this method reduces tax bills considerably.

Discussion and questions interspersed.

341 Waters Discussed the Revenue Forecast and Surplus Kicker process. The Revenue Estimating process was described with the use of a flow chart (Page 15, Exhibit 1).

Discussed the history of the Surplus Kicker Refunds.

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**TAPE 003, SIDE B**

033 Waters Discussed Fiscal Stabilization Funds and questions that need to be addressed regarding this area.

Discussion and questions interspersed.

087 Chair Miller Meeting adjourned at 4:30 p.m.

Submitted by, Reviewed by,

Joan Green Kim T. James

Committee Assistant Revenue Office Manager

**Exhibit Summary:**

1. Orientation, Waters, Income Taxation, 17 pages