

INTRODUCTON OF DRAFTS: LC 2520, LC 2583, LC 2597, LC 2694

PUBLIC HEARING AND WORK SESSION: SB 252, SB 256, SB 257

TAPES 018 - 019 A

## SENATE REVENUE COMMITTEE

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January 28, 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 Charles Starr

Members Excused: Senator Tom Hartung

Staff: Ed Waters, Economist, Legislative Revenue Office

Joan Green, Committee Assistant

Witnesses: Susan Browning, Oregon Department of Revenue

Debra L. Buchanan, Auditor, Oregon Department of Revenue

### TAPE 018, SIDE A

005 Chair Miller Meeting called to order at 3:04 p.m.

013 Chair Miller MOTION: INTRODUCTION, AS COMMITTEE BILLS, OF LC 2520 (EXHIBIT 5) RELATING TO TAXATION, LC 2583 (EXHIBIT 6) RELATING TO RURAL DWELLINGS IN CLACKAMAS COUNTY, LC 2597 (EXHIBIT 7) RELATING TO TAXATON AND LC 2694 (EXHIBIT 8) RELATING TO TAXATION. HEARING NO OBJECTION, THE CHAIR SO ORDERED.

020 Chair Miller The vote for LC 2520, LC 2583, LC 2597 and LC 2694 is for the purpose of introduction only. The merits of the proposal(s) will be discussed if the bills come before the Committee.

#### PUBLIC HEARING ON SB 252

034 Ed Waters Described what the measure would do; it would eliminate the \$10 minimum tax for inactive corporations.

038 Susan Browning Presented testimony in support of measure. (Exhibit 2)

074 Chair Miller As a compliance issue, are some corporations not paying the \$10 minimum?

078 Browning Concurred; the question arises for the Department as to how much effort should be put in to collection of a \$10 fee. It is an efficiency issue, as well as a policy issue.

096 Chair Miller Referenced the Fiscal Impact showing a loss of \$60,000 revenue. (Exhibit 1) Is that the loss of the potential tax to be collected or does it include the cost of the Department's effort to collect?

100 Waters That is an impact on revenue only. The impact on cost to the Department falls under the fiscal impact "effect on expenditures" category, which is listed as minimal.

#### WORK SESSION ON SB 252

127 Vice Chair Wilde MOTION: MOVED SB 252 TO THE SENATE FLOOR WITH A DO PASS RECOMMENDATION. MOTION ADOPTED BY UNANIMOUS CONSENT. (SENATOR. HARTUNG EXCUSED).

Vice Chair Wilde will carry the bill.

#### PUBLIC HEARING ON SB 256

146 Waters Described what SB 256 would do:

- Waives the payment of income tax if the amount due is less than \$1
- Changes the minimum refund that the Department will pay

158 Browning Presented testimony in support of measure. (Exhibit 3)

Discussion and questions interspersed.

#### WORK SESSION ON SB 256

225 Vice Chair Wilde MOTION: MOVED SB 256 TO THE SENATE FLOOR WITH A DO PASS RECOMMENDATION. MOTION ADOPTED BY UNANIMOUS CONSENT. (SENATOR HARTUNG EXCUSED).

Vice Chair Wilde will carry the bill.

#### PUBLIC HEARING ON SB 257

241 Waters Described what SB 257 would do:

- Extend reporting requirements to include changes made by taxing authorities of other states
- Extend provisions relating to federal tax adjustments and appeals made by other states, if they affect Oregon income tax
- Extend the statute of limitations for making adjustments that is currently applied to federal audits to include those audits or changes made by other states
- Allow credit for taxes paid to another state to be claimed when another state imposes tax on an entity that in Oregon, is treated as a partnership.

257 Browning Presented testimony in support of measure. (Exhibit 4)

397 Browning Continued with section by section review of bill.

450 Browning Continued with section by section review of bill.

**TAPE 019, SIDE A**

- 017 Chair Miller The tax imposed on the out-of-state income is based on your share of the partnership?
- 020 Browning Concurred.
- 045 Chair Miller What does the taxpayer report to the Oregon Department of Revenue? Do they report in an advisory manner, a system change that has no tax consequence to Oregon or only changes that affect the taxable income or the credit that should be received for having paid income in another state?
- 054 Browning It would come into play only when additional taxes are owed or a credit is due because treatment is different. The only rub would be if there was common income between the two states.
- 081 Vice Chair Wilde If both states have a similar tax policy it really would be personal against personal, which would result in only one state being allowed to collect personal taxes.
- 088 Browning Concurred.
- 094 Vice Chair Wilde What if there is an argument between the two states in the above situation?
- 100 Debra Buchanan If it is an Oregon resident Oregon taxes them regardless of what the other state says. Returned to the question regarding the personal and personal; 20 states do recognize the same tax treatment as Oregon and the LLC status so it flows through to an individual.
- 110 Vice Chair Wilde Presents a hypothetical where 85% of income is Oregon's and Idaho claims 25% of income. Is it possible that taxes to Oregon would be figured on 85% and Idaho would claim taxes on 25%?
- 121 Buchanan If you are an Oregon resident you pay on a 100% of your income. You also would pay to Idaho, however Oregon would grant a tax credit for the share you paid to Idaho. You do not pay more than 100% of the tax between the states.
- 165 Chair Miller Presented an example for clarification.
- 182 Browning Responded to example.

WORK SESSION ON SB 257

226 Vice Chair Wilde MOTION: MOVED SB 257 TO THE SENATE FLOOR WITH A DO PASS RECOMMENDATION. MOTION ADOPTED BY UNANIMOUS CONSENT. (SENATOR HARTUNG EXCUSED).

Sen. Starr will carry the bill.

Submitted by, Reviewed by,

Joan Green Kim T. James

Committee Assistant Revenue Office Manager

Exhibit Summary:

1. SB 252, LRO Staff, Fiscal Impact Statement, 1 page
2. SB 252, Browning, Department of Revenue, Testimony, 1 page
3. SB 256, Browning, Department of Revenue, Testimony, 1 page
4. SB 257, Browning, Department of Revenue, Testimony, 2 pages
5. LC 2520, Chair Miller, 2 pages
6. LC 2583, Chair Miller, 1 page
7. LC 2597, Chair Miller, 4 pages
8. LC 2694, Chair Miller, 34 pages