

**PUBLIC HEARING & WORK SESSION**

SB 165-A, SB 167

TAPES 80 A, 81 A

HOUSE REVENUE COMMITTEE

MARCH 18, 1997 8:30 AM HEARING ROOM B STATE CAPITOL BUILDING

MEMBERS PRESENT: Rep. Tom Brian, Chair

Rep. Lee Beyer, Vice-Chair (Excused)

Rep. Tony Corcoran

Rep. Randall Edwards

Rep. Leslie Lewis

Rep. Anitra Rasmussen

Rep. Lane Shetterly

Rep. Mark Simmons

Rep. Ken Strobeck

WITNESSES PRESENT: Susan Browning, Department of Revenue

Jim Bucholz, Department of Revenue

Michelle Kennedy, Employment Department

Ruby Hotten, U.S. Bank

STAFF PRESENT: Edward Waters, Legislative Revenue Officer

Barbara Guardino, Committee Assistant

TAPE 080 SIDE A

007 Chair Brian Called meeting to order at 8:44 a.m.

PUBLIC HEARING - SB 165-A

011 Chair Brian Opened hearing on SB 165A .

013 Ed Waters Gave overview of SB 165A was requested by Department of Revenue to

improve fairness and efficiency in serving taxpayers. It allows Dept of

Revenue to cancel tax penalty or interest when reasonable doubt as to

liability; requires taxpayers to report changes resulting from federal audits; sets period for issuing efficiency notices; authorizes Dept. of Revenue to disclose information regarding S corporation tax

information;

clarifies definition of resident trust.

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PUBLIC HEARING - SB 167

032 Chair Brian Opened hearing on SB 167.

035 Susan Browning Handed out Senate Bill 165A Summary (EXHIBIT A), concerning non filers.

Refer to SB 165A Section 1: Equity and fairness issues. Addresses taxpayers whose taxes are delinquent. Issue notices, requests to file then demands to file, then notice of determination assessment.

066 Browning Often these people don't respond until they receive a notice of termination

of assessment. Turned over to collection agency. Too late by statute to

consider their return, appeal period passed.

SB 165A cancels tax penalty or interest when reasonable doubt as to what

is owed. Goal is to get taxpayers to comply voluntarily, catch up on taxes.

119 Rep. Shetterly Agreed it is a good idea to encourage compliance after a deadline.

124 Browning SB 165A, page 1, line 19: "Pursuant to rules adopted by the department

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Questions and discussion concerning reasonable doubt, time limits.

167 Jim Bucholz There is no limit as to when Dept. of Revenue can apply Section 1. Highly unlikely it would happen years later. Usually after a garnishment or collection.

179 Browning People would still be required to pay late penalties of 50 %.

187 Chair Brian Summarized, this is an avenue to allow a delinquent taxpayer back into

the system to become current.

Questions and discussion concerning long-term impact of non-filers.

231 Rep. Edwards Questioned if anything that needs to be resolved with federal IRS.

239 Browning If at all possible, state works with IRS, tries to intervene when appropriate.

251 Rep. Strobeck Has it been considered that people might see this as a free-ride?

261 Browning No, because taxpayers must demonstrate they can pay the debt, plus

penalty and interest. No benefit to put off paying taxes.

279 Chair Brian Section 1. (1) lines 6-8, does this give discretion to cancel tax penalty or

interest?

282 Browning That is correct, can cancel interest and penalty.

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319 Bucholz Sections 2 and 3 deal with statute of limitations on making changes to a tax return. Dept. of Revenue and IRS audit, then share information.

Section 2 deals with two issues:

Clarifies that taxpayer needs to file amended return to report changes

- made by IRS.

Clarifies that changes to credits and other nontaxable income items need to be reported.

372 Bucholz . Section 3 allows taxpayer to make change if audit is changed to a refund.

#### TAPE 081 SIDE A

030 Browning Sections 5 and 6: Dept. of Revenue disclosure requirements.

Section 5

allows disclosure to a partner about a partnership during an audit.

Section

6 clarifies Dept. of Revenue may disclose S corporation information to shareholders.

051 Bucholz Section 7 deals with trusts. A change in interstate banking law allows

banks to consolidate trust activities. Simplifies to allow one trustee to

take care of several trusts without subjecting to Oregon tax.

066 Rep. Edwards Asked for clarification Section 7, line 31 "where majority of fiduciary

decisions are made .. ."

068 Ruby Hotten Explained this has to do with simple trust decisions made outside the

state. Under an interstate scenario, trust officer would still be in the state.

092 Rep. Shetterly Questions concerning Section 5, lines 19-21.

102 Bucholz In answer, if state audits S corporation and makes changes, the effect of

the audit happens at shareholder level. They do audit S corporation return, also audit shareholders' returns as adjustments of S corporation

return apply at shareholder level.

## WORK SESSION- SB 165-A

130 Chair Brian Opened work session for SB 165A.  
133 Rep. Lewis MOVED SB 165A TO THE FLOOR WITH A DO PASS RECOMMENDATION.  
142 Vote VOTE 7-0-2  
IN A ROLL CALL VOTE, MEMBERS VOTING AYE: REPS. CORCORAN, EDWARDS, LEWIS, RASMUSSEN, SHETTERLY, SIMMONS, CHAIR BRIAN.  
MEMBERS EXCUSED: REPS. STROBECK, VICE CHAIR

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BEYER (*Refer to # 353 for Rep. Strobeck's vote.*) REP. SIMMONS WILL LEAD DISCUSSION ON THE FLOOR.

## PUBLIC HEARING - SB 167

156 Chair Brian Opened public hearing on SB 167.  
162 Susan Browning SB 167  
Section 1: Outlines voluntary withholding from unemployment benefits.  
181 Browning Section 2: Amount to be withheld is 6 %.  
Section 3: Specifies the Employment Department will follow federal withholding rules.  
Section 4: Voluntary withholding of unemployment begins Jan. 1, 1998.  
Sections 5 and 6: Deal with third party wage payment.  
193 Michelle Kennedy In 1994 federal legislation enacted to allow withholding of federal income taxes from unemployment benefits. Required states to do same. Important for claimants since many who are unemployed are having financial problems. This helps them pay their taxes. Withholding is voluntary. Includes provisions of HB 2088.  
Recommended passage of SB 167  
219 Rep. Rasmussen Questioned Browning concerning Sections 5 and 6, third party wage payers.  
300 Rep. Shetterly Asked who pays wages in case of temporary employees.  
305 Browning Temporary agency pays, is that person's employer.

WORK SESSION- SB 167

332 Chair Brian Opened work session

335 Rep. Shetterly MOVED TO SEND SB 167 TO FLOOR WITH DO PASS RECOMMENDATION.

336 Vote VOTE 8-0-1

IN A ROLL CALL VOTE, MEMBERS VOTING AYE: REPS.

CORCORAN, EDWARDS, LEWIS, RASMUSSEN,  
SHETTERLY,

SIMMONS, STROBECK, CHAIR BRIAN

MEMBERS EXCUSED: VICE CHAIR BEYER

MOTION CARRIED, REP. EDWARDS WILL LEAD

DISCUSSION ON THE FLOOR

350 Chair Brian REQUESTED MEMBERS ALLOW REP. STROBECK TO CAST

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HIS VOTE ON THE MOTION TO PASS SB 165A TO THE FLOOR WITH A DO PASS RECOMMENDATION.

353 Strobeck VOTED AYE. FINAL VOTE 8-0-1.

360 Chair Brian Adjourned meeting 9:30a.m.

Submitted by, Reviewed by,

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Barbara Guardino Kim James

Committee Assistant Revenue Office Manager

EXHIBIT SUMMARY:

A. SB 165, Browning, Senate Bill 165-A Summary, 3 pp.

B. SB 165, Dept. of Revenue, Nonfiler Process, 1 p.

C. SB 167, Dept. of Revenue, Senate Bill 167 Summary, 1 p.

D. SB 167, Dept. of Revenue, Senate Bill 167 Voluntary Withholding of State Income Tax, 4 pp.

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