

PUBLIC HEARING: SB 347-A

TAPES 82 A, 83 A

HOUSE REVENUE COMMITTEE

MARCH 19, 1997 8:30 AM HEARING ROOM B STATE CAPITOL BUILDING

MEMBERS PRESENT: Rep. Tom Brian, Chair (Departed 9:15 a.m.)

Rep. Lee Beyer, Vice-Chair

Rep. Tony Corcoran (Departed 9:45 a.m.)

Rep. Randall Edwards

Rep. Leslie Lewis (Excused)

Rep. Anitra Rasmussen (Arrived 9:12 a.m.)

Rep. Lane Shetterly

Rep. Mark Simmons

Rep. Ken Strobeck (Departed 9:45 a.m.)

WITNESSES PRESENT: Rob Douglas, Oregon Society of Certified Public Accountants (OSCPA)

Karey Schoenfeld, OSCP

Carol Wachter, OSCP

Tim Nesbitt, Oregon Public Employees Union (OPEU)

STAFF PRESENT: Edward Waters, Legislative Revenue Officer

Barbara Guardino, Committee Assistant

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TAPE 082 SIDE A

006 Chair Brian Called meeting to order at 9:09 a.m.

PUBLIC HEARING -- SB 347A

011 Chair Brian Opened public hearing on SB 347-A, "Reconnect bill."

Apologized for late start.

025 Rob Douglas CPA's will describe the changes that have taken place on federal, make recommendation whether state should follow. Advocate tax conformity, or "reconnect." Refer to "An Analysis of Changes Resulting From The ..." (EXHIBIT A) booklet.

Directed committee's attention to booklet.

RECOMMENDATIONS A: Page 1

049 Karey Schoenfeld Deductible contributions for Medical Savings Account (MSA).

Employer contributions for medical savings accounts are excludable from income

Questions and discussion interspersed

Page 2:

Increased percentage of health insurance costs deductible by self-employed individual

Qualified long-term care services and insurance premiums treated as medical expenses

153

Page 3:

Exclusion from gross income of accelerated death benefits paid to terminally or chronically ill patients

State sponsored organizations providing health coverage for certain individuals

Page 4:

- Denial of deduction for interest on loans with respect to company owned life insurance
- 186 Revision of taxes on individuals who lose U.S. citizenship (for tax avoidance purposes)
- Questions and discussion concerning high risk individuals
Page 6: **Expense Provisions**
- 211 Election to expense certain depreciable business assets
- 224 Rep. Corcoran Red flagged section for later discussion.
- 228 Schoenfeld Treatment of storage of product samples in connection with the business use of home
Page 7, Treatment of certain charitable risk pools
- 246 Dues paid to agricultural or horticultural organizations
- 274 Rep. Corcoran Flagged section for later discussion.
Page 8:
- 284 Schoenfeld Application of involuntary conversion rules to presidentially declared disasters
Class life for gas station convenience stores and similar structures
Questions and discussion interspersed.
Page 9:
- 313 Treatment of abandonment of letter improvements at termination of lease
Treatment of housing provided to employees by academic health centers
Page 10: **Extension of Certain Expiring Provisions**
- 340 Employer provided educational assistance programs
Contributions of stock to private foundations
- 372 Rep. Corcoran Requested overview of nature of private foundations.
Noted that all private foundations have to be qualified under Internal Revenue Code, and have to be for a charitable purpose. Very restrictive as to what a private
- 388 Schoenfeld foundation can use its charitable funds for.
Questions and discussion concerning rules for private foundations.

Bottom page 10: **S Corporations** (small businesses)

025 Carol Wachter Permissible number of shareholders (Currently 35; new federal law increases this to 75).

Questions and discussion concerning S corporations

Page 11:

100 Wachter Electing small business trusts

Post-death holding period for trusts

Page 12:

116 Financial institutions permitted to hold safe-harbor debt

Inadvertent terminations and invalid elections

Agreement to terminate year

Page 13:

154

Expansion of post-termination transition period

Page 14:

175 S Corporations permitted to own subsidiaries

Treatment of distributions during loss years

Page 15:

201 Treatment of S corporations under subchapter C

Elimination of certain earnings and profits

Page 16:

229 Carryovers into post-termination period

Inherited S corporation stock

Subdivided real estate

Page 17:

Financial institutions

277 Tax-exempt organizations

Re-election of S status for recent termination

Questions and discussion.

342 Vice Chair
Beyer

Adjourned meeting at 10 a.m.

Submitted by, Reviewed by,

Barbara Guardino Kim James

Committee Assistant Revenue Office Manager

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EXHIBIT SUMMARY:

A. SB 347, Douglas, An Analysis of Changes Resulting From The: ... , 104 pp.

B. SB 347, Waters, SB 247-A2, 2 pp.

E. SB 347, Waters, Revenue Impact of Proposed Legislation, 2 pp.

G. SB 347, Waters, Staff Measure Summary, 1 p.

E. SB 347, Waters, Fiscal Analysis of Proposed Legislation, 1 p.