

PUBLIC HEARING

SB 347-A

TAPES 84, 85 A/B

HOUSE REVENUE COMMITTEE

MARCH 20, 1997 8:30 AM HEARING ROOM B STATE CAPITOL BUILDING

MEMBERS PRESENT: Rep. Tom Brian, Chair

Rep. Lee Beyer, Vice-Chair (Departed 9:35 a.m.)

Rep. Tony Corcoran (Departed 9:35 a.m.)

Rep. Randall Edwards (Arrived 9:10 a.m.)

Rep. Leslie Lewis

Rep. Anitra Rasmussen (Arrived 8:52 a.m.)

Rep. Lane Shetterly

Rep. Mark Simmons (Absent 9:00 - 9:25)

Rep. Ken Strobeck

WITNESSES PRESENT: Karey Schoenfeld, Oregon Society of Certified Public Accountants (OSCPA)

Carol Wachter, (OSCPA)

Susan Browning, Dept. of Revenue

STAFF PRESENT: Edward Waters, Legislative Revenue Officer

Barbara Guardino, Committee Assistant

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009 Chair Brian Called meeting to order at 8:48 a.m.

PUBLIC HEARING - SB 347-A

014 Ed Waters Reviewed March 19 progress on SB 347A

Continuation of March 19 review of "An Analysis of Changes Resulting From The: ..." (See March 19 EXHIBIT A)

Page 18: **Pension Simplification Provisions**

032 Karey Schoenfeld Death benefit exclusion repealed
Simplified method for taxing annuity distributions from employer plans

Page 19:

SIMPLE retirement plans for employees of small employers

Questions and discussion

078 Schoenfeld Page 20:
401(k) plans for tax-exempt organizations
Page 21:

080 Increased deduction for spousal IRAs

Changes in definition of highly compensated employees

Modification of minimum participation requirements

099 Page 22:

Alternative nondiscrimination for 401(k) plans

Page 23:

	Definition of compensation for purposes of benefit and contribution limits
111	Special aggregation rules for owner-employees repealed
	10-year vesting for multi-employer plans repealed
	Page 24:
133	Distributions under rural cooperative retirement plans
	Treatment of governmental plans under code section 415
	Questions and discussion
	Page 25:
155 Schoenfeld	Uniform retirement age
	Contributions on behalf of disabled employees
	Page 26:
	Distributions under deferred compensation plans of state and local governments
174	Trust requirements for governmental plans
	Questions and discussion.
	Page 27:
225 Schoenfeld	Transition rule for computing maximum benefits to pension plans
	Changes to 403(b) tax-sheltered annuity plans
	Page 28:
238	Joint and survivor annuity notice
	Combined plan limit under Section 415(e) repealed
	Page 29:
280	Treatment of leased employees
	Treatment of length of service awards for certain volunteers
	Page 30:
303	Alternative nondiscrimination rules for plans with early participation
	Church pension plan simplification

Page 31:

Date for adoption of plan amendments

Page 31: **Foreign Simplification**

326 Carol Wachter

Repeal of excess passive asset provision

Page 32:

Income exclusion for interest earned on ESOP loans

340 Wachter

Unrelated business income for tax-exempt organizations relating to foreign insurance services

Depreciation under the income forecast method

Page 33:

386 Wachter

Damage recoveries for non-physical injuries and punitive damages

Questions and discussion concerning ESOPs

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035 Rep.
Strobeck

Flagged for further discussion, financing of ESOPs

054 Wachter

Page 33, bottom: Basis of corporate stock received in involuntary conversion

Page 34:

071

Contributions in aid of construction of public water utilities

Depreciation of water utility property

Page 35:

113

Termination of tax-exempt status of qualified scholarship funding corporation will not impact exemption of its bonds

Personal exemption deduction and child care credit not allowed unless dependent's ID number is provided

Page 36:

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Bad debt reserve for financial institutions changed

Repeal of exclusion for energy subsidy provided by public utility for non-dwelling units

Page 37:

Nonrecognition for transfers by common trust fund to regulated investment

	companies
217	State tuition programs
	Questions and discussion concerning state tuition programs
	Page 38:
351 Wachter	Exclusion of adoption assistance from income when provided by employer adoption assistance program
	Page 39: Foreign Trust Tax Compliance
	Outbound foreign grantor trust rules amended
363 Schoenfeld	Page 40:
	Inbound foreign grantor trust rules amended
	Page 41:
	Estates and trusts subject to objective testing to determine residency
	Questions and discussion concerning foreign trusts

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RECOMMENDATIONS B:

044 Wachter	Page 42:
	Penalty free withdrawals from IRAs for medical expenses
	Earned income credit denied to unauthorized employees
065 Wachter	Rules relating to denial of earned income credit on basis of disqualified income
	Page 44:
080	Modification of adjusted gross income (AGI) definitions for earned income credit
	Page 45: Extension of Certain Expiring Provisions
	Work opportunity tax credit
094	Orphan drug tax credit
	Extension of binding contract date for biomass and coal facilities
	Page 46: General Revenue Offset Provisions
127	Possessions tax credit
	Repeal of diesel fuel rebate

Page 47: **Miscellaneous Tax Provisions**

140 Wachter

Credit for adoption expenses

RECOMMENDATIONS C:

Page 48:

160 Schoenfeld

Taxes and penalties may be imposed on MSA

Qualified long-term insurance contracts must meet certain consumer protection requirements

Required plan distributions beginning date

Page 49: **Expense Provisions**

Underpayment penalties

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Pension Simplification Provisions

Required plan distributions beginning date

SIMPLE retirement plans for employees of small employers

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Prohibited transaction tax increased

Page 51:

Uniform penalty provision for provision reporting requirements

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Waiver of excise tax on liquidity shortfalls

Page 52: **Foreign Trust Tax Compliance**

Information reporting requirements and penalties

Page 53:

Penalty for failure to file returns

U.S. persons subject to reporting requirement for foreign gifts

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Pages 54, 55:

Foreign non-grantor rules amended

U.S. trust that becomes a foreign trust subject to 35 % excise tax

RECOMMENDATIONS D:

Extension of Certain Expiring Provisions

Page 56:

206 Schoenfeld FUTA exemption for alien agricultural workers

Questions and discussion concerning alien agricultural workers

Research credit

Page 57: **Pension Simplification Provisions**

240 Schoenfeld Retirement benefits of ministers not subject to self-employment tax

Repeal of exclusion for energy subsidy provided by public utility for non-dwelling units

RECOMMENDATIONS E:

Page 59:

2261 Wachter

Exception from capitalization of policy acquisition expenses

Insurance contracts defined

Page 60:

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Special tax breaks for Blue Cross and Blue Shield extended to other organizations

Page 61: **General Revenue Offset Provisions**

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"Variable Contract" for life insurance taxation

Mark to market on modified guaranteed contracts for life insurance companies

Page 62: **Miscellaneous Tax Provisions**

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State tuition programs

Electronic deposit of taxes by small employers postponed

RECOMMENDATIONS F:

432 Wachter Page 63: **Expense Provisions**

Treatment of employee tips

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Page 63:

020 Wachter

Questions and discussion concerning employee tips

Miscellaneous Tax Provisions

110 Private activity bonds issued to acquire Alaska Hydroelectric Project for new local furnishers of electricity or gas

RECOMMENDATIONS G:

132 Wachter Page 65:

Collections disbursement of support payments

Internal Revenue Service collection of amounts in arrears

Page 66:

154 Information reporting required for long-term care benefits

Organ and tissue donation information will be included with income tax refunds

Application and enforcement of group health plan requirements

Page 67:

200 Wachter COBRA clarifications

Information on individuals losing U.S. citizenship

Report on tax compliance by U.S. citizens and residents living abroad

Page 68:

222 Repeal of financial institution transition rule on interest allocation

Page 69: **Expense Provisions**

226 Clarification of employment tax status of certain fishermen

Modification of tax-exempt bond rules for first-time farmers

Page 70:

260 Newspaper distributors treated as direct sellers

Special rules relating to determination whether individuals are employees for purposes of employment taxes

Page 71: **Extension of Certain Expiring Provisions**

Moratorium for excise tax on diesel fuel sold

325 **Pension Simplification Provisions**

Repeal of five-year averaging for lump-sum distributions

IRS forms to be prepared

370 Chair
Brian Adjourned meeting at 10:32 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: (See March 19 Exhibit A), 104 pp.

B. SB 347, Waters, Impact of Increase in business expense limit under IRC Section 179, 1 p.