

PUBLIC HEARING AND WORK
SESSION ON SB 165 AND SB 166
TAPES 033- 034 A

SENATE REVENUE COMMITTEE

FEBRUARY 6, 1997 - 9:00 A.M. - HEARING ROOM B - STATE CAPITOL BUILDING

Members Present: Sen. Ken Baker, Chair (arrived at 9:25 a.m.)

Sen. Neil Bryant, Vice Chair

Sen. Joan Dukes (arrived at 9:21 a.m.)

Sen. Tom Hartung

Sen. Randy Leonard

Witnesses: Susan Browning, Division Administrator, Department of Revenue

Jim Bucholz, Department of Revenue

Ruby Haughton, U.S. Bank, Vice President Government Relations

Staff: Ed Waters, Economist

Carol Phillips, Committee Assistant

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005 Vice Chair Bryant Opened meeting at 9:05 a.m. as subcommittee since quorum not present.

OPENED PUBLIC HEARING ON SB 165

014 Susan Browning (Exhibits A, B, C.) (Exhibit D - Non-Filer Process (1994 return example)) (Exhibit E - Senate Bill 165 Summary) Section 1 - Compromise of tax liability, which is an issue the Department of Revenue is very concerned about. It is a long-standing issue which they feel is unfair to taxpayers, and does not help the tax system. The statutes they have now apply to 99% of taxpayers. But the other 1% who do not file or pay their tax returns are in a separate category. This chart shows people who normally have filed in the past but because of circumstances fell out of system temporarily.

080 Sen. Leonard Arrived at 9:09 a.m., so quorum was achieved.

084 Browning Continuation of testimony. Goal is to get taxpayers to comply and pay tax promptly to avoid penalties, interest, lawsuits, etc. SB 165 proposes to deal with this group of people. Grants authority to Department of Revenue to compromise final tax liability amounts under specified circumstances. This proposal allows Department of Revenue to deal with individuals who, because of reasons in their personal lives, have not filed and not paid Oregon tax. It allows Department of Revenue to adopt rules that could cancel the tax penalty or interest. Questions and discussion interspersed.

130 Browning Discussed Section 2 - Requirements for reporting federal audit changes. Clarifies that taxpayers should report federal changes that result in a change in either Oregon taxable income or Oregon tax liability.

150 Browning Discussed Section 3 - Period for issuing notices of deficiency based on federal changes or corrections; effect of federal appeal. Addresses an equity issue clarifying the taxpayers right to a refund.

216 Browning Discussed Section 5 - Disclosure of partnership items to partners for audit purposes. Would have to get permission to disclose information on a partnership to another partner. Would allow Department of Revenue to disclose information if the Department thinks it necessary to help on an audit of a partner's tax return.

222 Browning Discussed Section 6 - Disclosure of S corporation items to shareholders for audit purposes. Similar to Section 5 above, but relates to S corporations.

245 Ruby Houghton (Exhibit F) U.S. Bancorp believes enacting SB 165 with -1 amendment will be in keeping with the goal of encouraging interstate banking, which was passed by the legislature last session and previous one. Passage of SB 165 will save jobs, permit U.S. Bancorp to keep its headquarters in Portland, OR and encourage other trust departments and companies like U.S. Bancorp to remain in Oregon. Passage of SB 165 will have no adverse affect or impact on Oregon. Today's business is interstate. Questions and discussion.

CLOSED PUBLIC HEARING ON SB 165

OPENED WORK SESSION ON SB 165

360 Sen. Leonard MOVES (-1) AMENDMENT BE ADOPTED.

363 Sen. Hartung MOVES SB 165 AS AMENDED BY THE (-1) AMENDMENT TO THE SENATE FLOOR WITH DO PASS RECOMMENDATION.

ROLL CALL VOTE: MOTION PASSES 5-0.

363 Chair Baker SENATORS VOTING AYE: DUKES, HARTUNG, LEONARD, BRYANT, BAKER.

Senator Hartung will carry the bill to the Senate Floor.

CLOSED WORK SESSION ON SB 165

OPENED PUBLIC HEARING ON SB 166

386 Browning (Exhibit I). SB 166 is basically an efficiency bill, related to use of technology. Senate Bill 166 Summary. Discussed Section 1 - Provide statutory authority for department to regulate filing of returns by alternative methods. Section 2 - Verification of return accuracy. Section 3 - Signing of false return, statement or document prohibited. These three sections deal primarily with electronic filing.

TAPE 034, SIDE A

020 Browning Section 5 - Refunds are not transferable or assignable. Clarifies Department of Revenue would prohibit transfer assignment of tax refunds. At present there is no prohibition in Oregon law against assigning tax refunds to a third party. Department of Revenue does not feel it is appropriate to assign over refund checks to third parties. Internal Revenue Service has discretion by statute whether to honor Powers of Attorney assigning rights to a refund check. Questions and discussion interspersed.

105 Browning Section 7 - Performance of administrative tasks relating to bankruptcy filings. Bankruptcy judges want to know when taxpayers have not filed their tax return. Under change Department of Revenue asks authority to send response directly to judges instead of through Department of Justice, who had no hand in preparing the information.

CLOSED PUBLIC HEARING ON SB 166

130 Chair Baker Announced because there were unanswered questions regarding SB 166, there would be no Work Session and SB 166 would not be voted on at this time. It will be brought back in a week or two whenever another batch of bills is presented to the Senate Revenue

Committee for action.

RE-OPENED PUBLIC HEARING ON SB 165

- 136 Sen. Bryant Re. SB 165, wanted to make sure for the record that the amendment proposed in Section 3 does not overturn the Swarens decision. Thought it might be helpful to pull bill back and have Jim Bucholz address that matter.
- 144 Sen. Dukes MOVED COMMITTEE RECONSIDER VOTE BY WHICH IT SENT SB 165 TO THE FLOOR WITH A DO PASS RECOMMENDATION.
- 148 Chair Baker HEARING NO OBJECTIONS, SB 165 WAS BROUGHT BACK FOR FURTHER DISCUSSION.
- 150 Sen. Bryant Asked Bucholz for clarification of Section 3 as it relates to the Swarens case.

- 153 Bucholz The aspect the Department of Revenue wants to modify in Section 3 re. Swarens case is not to overturn it In the Swarens case the taxpayer was dealing with the federal government. The federal government made their adjustments but waited too long to bill the taxpayer and issue an assessment. The federal government sent the taxpayer a notice of informational changes only but did not bill because it was past the statute of limitations. When the Department of Revenue got the notice, they believed their statute was still open on it because it was extended by the federal statute and did not run until Dept. of Rev. got a copy of the final notice. Believes statute is open by action of federal government. Not trying to overturn Swarens, just clarify one piece of it.

CLOSED PUBLIC HEARING ON SB 165

RE-OPENED WORK SESSION ON SB 165

- 183 Sen. Bryant MOVES SB 165 AS AMENDED TO THE SENATE FLOOR WITH A DO PASS RECOMMENDATION
ROLL CALL VOTE: MOTION PASSES 5-0.
- 189 Chair Baker SENATORS VOTING AYE: DUKES, HARTUNG, LEONARD, BRYANT, BAKER.

Senator Bryant will carry the bill to the Senate Floor.
- 198 Chair Baker Adjourned meeting at 9:46 a.m.

Carol Phillips

Committee Assistant

Kim James

Office Manager

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Exhibit Summary:

A. SB 165 -1, Haughton, (-1) Proposed Amendments, 2/6/97 (DJ/ps), 1 page

B. SB 165, Waters, Fiscal Impact Statement, 1 page

C. SB 165, Waters, Revenue Impact Statement, 1 page

D. SB 165, Browning, Non-Filer Process, 1 page

E. SB 165, Browning, Senate Bill 165 Summary, 3 pages

F. SB 165, Haughton, Testimony, 4 pages

G. SB 166, Waters, Fiscal Impact Statement, 1 page

H. SB 166, Waters, Revenue Impact Statement, 1 page

I. SB 166, Browning, Senate Bill 166 Summary, 2 pages