

PUBLIC HEARING ON SB 347

TAPES 037 - 038, A/B

SENATE REVENUE COMMITTEE

FEBRUARY 10, 1997 - 9:00 A.M. - HEARING ROOM B - STATE CAPITOL BUILDING

Members Present: Sen. Ken Baker, Chair

Sen. Neil Bryant, Vice Chair

Sen. Joan Dukes (arrived 9:17 a.m.)

Sen. Tom Hartung

Sen. Randy Leonard (arrived 9:12 a.m.)

Witnesses: Rob Douglas, Oregon Society of Certified Public Accountants

Karey Schoenfeld, Oregon Society of Certified Public Accountants

Carol Wachter, Oregon Society of Certified Public Accountants

Staff: Ed Waters, Economist

Carol Phillips, Committee Assistant

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TAPE 037, SIDE A

005 Chair Baker Opened meeting at 9:10 a.m.

OPENED PUBLIC HEARING ON SB 347

015 Rob
Douglas

Has represented OSCPA for 20 years. (Exhibit A - An Analysis of Changes Resulting From the (1) Personal Responsibility & Work Opportunity Reconciliation Act; (2) Health Insurance Portability & Accountability Act of 1996; and (3) Small Business Job Protection Act.) The OSCPA has made recommendations regarding Oregon's reconnection to the federal tax code. Reconnect tax conformity effort was started during the 1981 legislative assembly.

024 Karey
Schoenfeld

Gave overview of Exhibit A and explained what it contains. Stated it is best to stay connected to the federal code because it allows easier administration with Department of Revenue. Simplifies tax filing for everyone whether they do their own taxes or use a CPA. By moving the effective date on which Oregon law is tied to federal code as of 12-31-96, if the proposed language is adopted in SB 347, the changes discussed in Section A would automatically be picked up. At present ORS is tied to an effective date of 4-15-95. Thus Oregon law is still looking at old law which was in effect at that time.

060 Schoenfeld

Started a comparison of individual sections of old law vs. how it would be under reconnect:

Health Insurance Portability & Accountability Act of 1996:

- Deductible Contributions for Medical Savings Accounts (MSA)
- Employer Contributions for Medical Savings Accounts are Excludable from Income
- Increased Percentage of Health Insurance Costs Deductible by Self-employed Individual
- Qualified Long-term Care Services and Insurance Premiums Treated as Medical Expenses
- Exclusion from Gross Income of Accelerated Death Benefits Paid to Terminally or Chronically Ill Patients
- State Sponsored Organizations Providing Health Coverage for Certain Individuals.
- Denial of Deduction for Interest on Loans with Respect to Company Owned Life Insurance
- Revision of Taxes on Individuals who Lose U.S. Citizenship

Small Business Job Protection Act:

Expense Provisions:

- Election to Expense Certain Depreciable Business Assets

- Treatment of Storage of Product Samples in Connection with the Business Use of Home
- Treatment of Certain Charitable Risk Pools
- Dues Paid to Agricultural or Horticultural Organization
- 232 Schoenfeld - Application of Involuntary Conversion Rules to Presidentially Declared Disasters
- Class Life for Gas Station Convenience Stores and Similar Structures
- Treatment of Abandonment of Lessor Improvements at Termination of Lease
- Treatment for Improvements at Termination of Lease
- Treatment of Housing Provided to Employees by Academic Health Centers

TAPE 038, SIDE A

Extension of Certain Expiring Provisions:

- 012 Schoenfeld - Employer Provided Educational Assistance Programs
- Contributions of Stock to Private Foundations

S Corporations:

- Permissible Number of Shareholders
- Electing Small Business Trusts
- Post-death Holding Period for Trusts
- Financial Institutions Permitted to Hold Safe-harbor Debt
- 068 Carol Wachter - Inadvertent Terminations and Invalid Elections
- Agreement to Terminate Year
- Expansion of Post-termination Transition Period
- S Corporations Permitted to Own Subsidiaries
- Treatment of Distributions During Loss Years
- Treatment of S Corporation under Subchapter C
- Elimination of Certain Earnings and Profits

- Carryovers into Post-termination Period
- Inherited S Corporation Stock
- Subdivided Real Estate
- Financial Institutions
- Tax-exempt Organizations

TAPE 037, SIDE B

009 Wachter - Re-election of S Status for Recent Terminations

Pension Simplification Provisions:

- Death Benefit Exclusion Repealed
- Simplified Method for Taxing Annuity Distributions from Employer Plans
- SIMPLE Retirement Plans for Employees of Small Employers
- 401(k) Plans for Tax-exempt Organizations
- Increased Deduction for Spousal IRA's
- Changes in Definition of Highly Compensated Employees
- Modification of Minimum Participation Requirements

040 Schoenfeld - Alternate Nondiscrimination Rules for 401(k) Plans

- Definition of Compensation for Purposes of Benefit and Contribution Limits
- Special Aggregation Rules for Owner-employees Repealed
- 10-year Vesting for Multiemployer Plans Repealed
- Distributions Under Rural Cooperative Retirement Plans
- Treatment of Governmental Plans Under Code Section 415
- Uniform Retirement Age
- Contributions on Behalf of Disabled Employees
- Distributions Under Deferred Compensation Plans of State and Local Governments
- Trust Requirements for Governmental Plans

- Transition Rule for Computing Maximum Benefits to Pension Plans
- Changes to 403(b) Tax-sheltered Annuity Plans
- Joint and Survivor Annuity Notice
- Combined Plan Limit Under Section 415(e) Repealed
- Treatment of Leased Employees

TAPE 038, SIDE B

- Treatment of Length of Service Awards for Certain Volunteers
 - Alternative Nondiscrimination Rules for Plans with Early Participation
- 001 Schoenfeld
- Church Pension Plan Simplification
 - Date for Adoption of Plan Amendments

Foreign Simplification:

- Repeal of Excess Passive Asset Provision

General Revenue Offset Provisions:

- Income Exclusion for Interest Earned on ESOP Loans
- Unrelated Business Income for Tax-exempt Organizations Relating to Foreign Insurance Services
- Depreciation Under the Income Forecast Method

- 035 Wachter
- Damage Recoveries for Non-physical Injuries and Punitive Damages
 - Basis of Corporate Stock Received in Involuntary Conversion
 - Contributions in Aid of Construction of Public Water Utilities
 - Depreciation of Water Utility Property
 - 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
 - Bad Debt Reserve for Financial Institutions Changed

- Repeal of Exclusion for Energy Subsidy Provided by Public Utility for Non-dwelling Units

Miscellaneous Tax Provisions:

- Nonrecognition for Transfers by Common Trust Fund to Regulated Investment Companies

- State Tuition Programs

462 Chair
Baker

Adjourned meeting at 10:58 a.m.

Carol Phillips

Committee Assistant

Kim James

Office Manager

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Exhibit Summary:

A. Douglas, An Analysis of Changes Resulting From the (1) Personal Responsibility & Work Opportunity Reconciliation Act; (2) Health Insurance Portability & Accountability Act of 1996; and (3) Small Business Job Protection Act, 108 pages