

PUBLIC HEARING AND WORK

SESSION ON SB 166,SB 172,SB 347

TAPES 041 - 042 A/B

SENATE REVENUE COMMITTEE

FEBRUARY 12, 1997 - 9:00 A.M. - HEARING ROOM B - STATE CAPITOL BUILDING

Members Present: Sen. Ken Baker, Chair

Sen. Neil Bryant,

Sen. Joan Dukes (arrived 9:20 a.m.)

Sen. Tom Hartung

Sen. Randy Leonard (arrived 9:10 a.m.)

Witnesses: Susan Browning, Department of Revenue

Jim Bucholz, Department of Revenue

Karey Schoenfeld, Oregon Society of Certified Public Accountants

Jim Manary, Department of Revenue

Debby Huggins, Washington County Assessment & Taxation

Staff: Ed Waters, Economist

Brian Reeder, Economist

Carol Phillips, Committee Assistant

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TAPE 041, SIDE A

005 Chair Baker Opened meeting at 9:04 a.m.

OPENED PUBLIC HEARING ON SB 166

011 Ed Waters Briefly outlined (-1) amendment to SB 166. (Exhibit A) Proposed by Sen. Dukes.

020 Susan Browning SB 166 is the efficiency measure the Department of Revenue introduced to allow the Department to use technology relating to electronic filing of tax returns. It adopts rules relating to alternative filing methods, and it prohibits assignment or transfer of tax refunds. Department personnel may perform routine administrative tasks related to bankruptcy accounts. The (-1) amendment addresses a concern Sen. Dukes had with the original SB 166. She asked if the Department of Revenue would assign tax refunds to another state agency for non-delinquent debt. Thus, if a taxpayer knew they owed child support and were getting a tax refund, would the Department of Revenue be willing to take, at the taxpayer's request, that refund check for the taxpayer and sign it over. The Department of Revenue would be willing to do that.

CLOSED PUBLIC HEARING ON SB 166

OPENED WORK SESSION ON SB 166

044 Sen. Hartung MOVES (-1) AMENDMENT BE ADOPTED.

045 Sen. Hartung MOVES SB 166 AS AMENDED BY THE (-1) AMENDMENT TO THE SENATE FLOOR WITH DO PASS RECOMMENDATION.

ROLL CALL VOTE: MOTION PASSES: 3 - 0 (See additional vote, meter 338)

050 Chair Baker SENATORS VOTING AYE: HARTUNG, BRYANT, BAKER.

SENATORS EXCUSED FROM VOTE: DUKES, LEONARD

Sen. Dukes will carry the bill to the Senate Floor.

CLOSED WORK SESSION ON SB 166

OPENED PUBLIC HEARING ON SB 172

063 Jim Manary SB 172 is a property tax bill relating to a 3% discount for payment in full by November 15. SB 172 would allow the taxpayer the opportunity, if they paid right away, to get the

discount on any additional billing.

121 Debby Huggins Concurs with Mr. Manary's comments. All corrections to tax roll will get the 3% discount so there is no confusion. Believes there will be minimal impact from this action. Questions and discussion.

154 Manary SB 172 will apply only to corrections that increase the tax amount. Some corrections actually reduce the tax. Questions and discussion.

CLOSED PUBLIC HEARING ON SB 172

OPENED WORK SESSION ON SB 172

318 Sen. Bryant MOVES SB 172 TO THE SENATE FLOOR WITH DO PASS RECOMMENDATION

ROLL CALL VOTE: MOTION PASSES 5 - 0.

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

Sen. Bryant will carry the bill to the Senate Floor.

CLOSED WORK SESSION ON SB 172

RE-OPENED WORK SESSION ON SB 166

Dukes and Leonard, who were excused when vote was taken on SB 166, wished to vote AYE. No members objected.

338 Chair Baker FINAL VOTE ON SB 166: MOTION PASSES 5 - 0

SENATORS VOTING AYE: DUKES, HARTUNG, LEONARD, BRYANT, BAKER.

CLOSED WORK SESSION ON SB 166

OPENED PUBLIC HEARING ON SB 347

Continuation of Senate Bill 347 Summary discussion from 2/11/97. Questions and discussion. Important to discuss why reconnect is being considered now. This is the ninth session in which the legislature has addressed reconnect. In the past Oregon automatically adopted the reconnect into changes from the federal government. There were some instances where federal law put in some changes that would greatly impact state revenue if Oregon just tied in automatically without the legislature looking closely at it. In 1981 the Oregon legislature decided to review the federal changes every biennium just to see if they concurred before adopting them.

TAPE 042, SIDE A

001 Susan Browning Those affected by reconnect are usually use tax professionals. Tax professionals have choice of preparing returns now or waiting for reconnect to be approved and amending returns once reconnect legislation has been adopted. Dilemma is to file now or wait. There are provisions, however, to assure tax filers are not penalized for waiting for reconnect to be adopted.

033 Jim Bucholz Most taxpayers dealing with filing issues will be using their federal returns and federal tax information rather than state, so the 12-31-96 reconnect date in Oregon should not be a problem for most people. Questions and discussion.

059 Susan Browning Additional issue is that adopting reconnect sometimes results in more money going to the state, and sometimes less.

Continuation of Exhibit B discussion from 2-11-97:

Section 27 - Group health plans and medical savings accounts

Section 28 - Unrelated taxable income ORS 317.920

Section 30 -Tri-Met and LTD payroll and self-employment

Section 31 - Effective date for exempting ministers' retirement from self employment tax to apply to tax periods beginning before, on, or after 12-31-94.

Section 32 - Reconnect in general ORS 305.690

Section 33 - Reconnect in general ORS 307.147

Section 34 - Reconnect in general ORS 310.630

Section 35 - Reconnect in general ORS 310.800

Section 39 - FASIT (Financial Asset Securitization Investment Trust)

Section 40 - Accounting methods of FASITs

Section 41- Housekeeping re filing of information returns ORS 314.360

Section 42 - Reconnect in general

Section 43 - Corporate estimated tax ORS 314.525

Section 45 - Waiver of interest on underpayment of corporate estimated tax due to reconnect

Section 46 - Reconnect in general

Section 47 - Housekeeping

Section 48 - Reconnect in general

068 Bucholz

Section 49 - Reconnect in general ORS 315.204

Section 50 - Reconnect in general ORS 456.605

Section 51 - Repeal providing deduction for self-employed health insurance and statute relating to determinations of S corporations ORS 316.742 and ORS 314.748

Section 52 - Specifies general effective date of bill of January 1, 1997. Provides that no interest or penalty is due on deficiencies, and no interest shall be paid on refunds, that result from retroactive changes made by this legislation.

Questions and discussion interspersed.

195 Karey
Schoenfeld

Follow-up on questions from 2/11/97. It is the position of the OSCPA that the Medical Savings Account issue is not a policy issue and feels it is best to reconnect. The OSCPA would love to see a permanent reconnect and not have to go through this every biennium. However, in 1981 it was determined to not permanently reconnect. At that time depreciation schedules were changing, thus Oregon taxpayers have had a different depreciation schedule since 1981. Questions and discussion interspersed.

239 Sen.
Hartung

Would like to see a permanent reconnect. Chair Baker asked economist Ed Waters to have Legislative Counsel draw a bill for permanent reconnect for submission as a committee bill.

CLOSED PUBLIC HEARING ON SB 347

OPENED WORK SESSION ON SB 347

308 Chair
Baker

(Exhibit F - Issues Flagged by the Committee re. SB 347 on 2/11/97). Opened discussion on items during public hearing on SB 347 on 2/11/97. Economist Ed Waters provided this exhibit. Questions and discussion interspersed.

TAPE 041, SIDE B

028 Schoenfeld Continuation of questions and answers from Exhibit F.

- 247 Chair
Baker After discussion it was determined that the following questions from Exhibit F would be discussed the next time SB 347 is heard, currently scheduled for 2/17/97: Items 4, 5, 7, and 10.
- 263 Ed Waters Addressed Sen. Dukes' question about suspension of excise tax on diesel fuels for motor boats. Waters discussed subject with Dick Yates, the Excise Tax specialist. Mr. Yates pointed out that the majority of the tax goes into the highway trust fund. Some of that comes back to Oregon via the disbursement mechanism. The total revenue impact for the entire country in 1997-99 is negative \$43 million due to suspension of the excise tax for diesel fuel. Owners of marinas have had trouble complying with the different rules for commercial vessels and recreational vessels. This particular tax is suspended through 12/31/97.

CLOSED WORK SESSION ON SB 347

- 303 Chair
Baker SB 60 had originally been scheduled for discussion today, but the presenter was ill, so it was removed from docket. SB 60 will be addressed at a later time.
- 307 Chair
Baker Adjourned meeting at 10:18 a.m.

Carol Phillips

Committee Assistant

Kim James

Office Manager

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Exhibit Summary:

A. SB 166, Waters, Proposed Amendments, 2/10/97 (DJ/ps), 1 page

- B. SB 172, Reeder, Fiscal Impact Statement, 1 page
- C. SB 172, Reeder, Revenue Impact Statement, 1 page
- D. SB 172, Manary, SB 172 Summary, 1 page
- E. SB 347, Waters, Fiscal Impact Statement, 1 page
- F. SB 347, Waters, Issues Flagged by the Committee, 2 pages