

These minutes paraphrase and/or summarize statements made during this meeting. Text enclosed in quotation marks reports the speakers exact words. For complete context of proceedings, please refer to the tape recording.

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Public Hearing HB 2204, 2201

House Committee on
State and School Finance
February 7, 1995 Page

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HOUSE STATE AND SCHOOL FINANCE COMMITTEE

FEBRUARY 7, 1995 8:30 AM HEARING ROOM A STATE CAPITOL BUILDING

Members Present: Rep. John Schoon, Chair (excused 9:22 am late arrival)
Rep. Ron Adams
Rep. Lee Beyer (9: 27 am, excused late arrival)
Rep. Tim Josi
Rep. Tony Federici, Vice Chair
Rep. Jane Lokan
Rep. Anita Rasmussen
Rep. Ken Strobeck
Rep. Jim Welsh

Witnesses Present: Jim Manary, Department of Revenue
Jim Bucholz, Department of Revenue

Staff: James Scherzinger, Legislative Revenue Officer
Steve Bender, Legislative Revenue Office
Terry Drake, Legislative Revenue Office
Rhonda Wehler, Committee Assistant

TAPE 51 SIDE A

007 Vice Chair Federici calls the meeting to order at 8:35 am
PUBLIC HEARING 2204
014 Steve Bender -refers to Exhibit A, Wall Street Journal article, President

Clinton's proposed middle-class tax cuts, some reconnect issues, some not
-explains current IRA taxpayer not covered by employer-sponsored retirement

plan, can contribute \$2,000/year which is taken off of taxable income, OR
connects to that
-if covered by employer-provided retirement plan and income is high
enough, taxpayer cannot deduct \$ from taxable income
136 -excise tax on vaccines is not a reconnect issue
153 Rep Lokan -asks if these federal changes would impact OR
158 Bender -if HB 2204 is passed, these would not affect OR, unless HB 2204
is amended to change effective date
-refers to proposed amendments to bill
-in 1981 govt. allowed acceleration for taxpayers making investments,
taking deductions over faster period of time, OR legislature not to
connect to this change

Steve Bender -since 1985 OR did connect. For those 4 years taxpayers kept
different depreciation schedules for state and federal (rental housing,
business equipment) proposal to allow one time catch up impact negative
on revenues this biennium and increase them in the next
241 Bender -refers to Exhibit B, Difference in Depreciation for Oregon
-most relevant is reductions column
304 Vice Chair Federici -clarifies reduced income column are amounts added to
taxable income, not amounts of loss to the state
321 Rep. Adams -corporations income tax refunds would be most appropriate to
make comparison for
336 Bender -answers would require sampling of tax returns from Revenue
Department
362 All -questions and answers
391 Rep Strobeck -suggests calling AOI to get more information
392 Vice Chair Federici -hands chair to Rep Strobeck

TAPE 52 SIDE A

029 Bender -amendment suggested that any part of earned income credit not
be subtracted federal tax deduction (not requiring taxpayers to reduce eic
from

-95-97 reduced by 2.8 million revenue impact
057 -notes no reference is made to this in bill, added item
068 All -questions and discussion
072 Bender -explains Exhibit C, Deduction for 25% of Health Insurance Premium

Costs for the Self-Employed
-notes health insurance payments are deductible on state and federal level
-impact on after tax clause, taxes reduced 24-49% for taxpayer
-if taxpayer takes standard deduction, no benefit to taxpayer who continues
to pay full cost
157 -explains any OR taxpayer with self-employment income can deduct 25% of
the amount they paid for health insurance for themselves and their
dependents, up to the amount of their income from self-employment
195 All -questions and discussion
198 Bender -explains revenue impact and how this affects HB 2204 (chart,
Exhibit C)
293 -refers to form 40Section (Exhib ??? from???)
329 -clarifies montly eligibility rather than yearly eligibility would make
it easier for taxpayers
353 All -questions and discussion

TAPE 51 SIDE B
024 Rep Strobeck -hands chair to Rep Welsh
057 Bender -explains ExHB it D, GATT Passage Has Potential State Revenue
Raisers
066 Steve Bender -gives state potential revenue raising possibilities
-reduced tarriffs, so federal govt. raised other taxes
-reduced interest payinf coroprte taxpay -reduced tarriffs, so federal
govt. raised other taxes
-reduced interest paid to coroprte taxpayers for over payment of tax, not
an income tax issue
124 Jim Manary -summarizes OR interest rates paid for overpayment of taxes
129 All -questions and discussion
210 Bender -substantial underpayment penalties
-refers to Special Report, page 2, ExHB it D, Tas Provisions of GATT

Implementation Legislation
287 -restrictions on employer contribution ceiling adjustments
332 -pension law changes, pension plan funding, no impact on OR
-HB 2204 would not automatically connect with sections 109 and 110)
interest paid by IRS on some corportat
353 -sections 11, no revenue impact statement yet, would be adopted by HB
2204
-section 112, technical amerndment
-section 113 not reconnect issue
-section 114 not reconnect issue

TAPE 52 SIDE B
007 Bender -refers to Proposed Amendments to HB 2204-3, Exhibit E
033 Jim Bucholz -explains Substantial Understatement Penalty, Exhibit F
-change in 93 dealt with phrase that OR doesn't contain in their law
-if fed language is adopted, taxpayer would make modification for OR
099 All- -questions and answers
104 Bucholz -refers to Exhibit E, 1/31/95, page 46, 1st item
-history of OR tying definition to federal regs in all instances
123 Bender -notes language was amended again by GATT, so connect would best
be connected with GATT
132 Rep. Adams -recommends connect to language as it stands, not studying
further
154 Bucholz -refers to HB 2204, sections 5, 6,7, 27, 28 in bill regarding tax
provision
173 Bender -refers to Exhibit E, 1/31/95, page 32 for corporate, page 27 for
non-corporate
205 Bucholz -for individual taxpayers changes are more complicated, change to
remove an exception to taxpayer receiving safe harbor, to increase required
estimated tax credit from 100%-110%, on or after 1/1/95, recommends
changing date to 1/1/96
239 Bender -revenue impact will be small
253 Bucholz -repeals changes from 1993, and connects to changes feds made
271 Bender -refers to page 27, Exhibt E, 1/31/95 for explanation
-want to make exception to avoid penalty for particular year
348 Rep. Adams -asks if liberal interpretation is taken, OR would be different

from federal
TAPE 53 SIDE A
005 Rep. Adams -recommends drafting amendments to connect with federal
language
013 CLOSES HEARING ON HB 2204
PUBLIC HEARING ON HB 2201
019 Steve Bender -explains penalties language
041 Jim Manary -notes presumes taxpayer is in good faith
066 Chair Schoon -notes amendments are being drafted for presentation on
Thursday, February 9
077 Rep Strobeck -expresses approval of bill
082 Acting Chair Welsh -CLOSES HEARING ON HB 2201
-adjourns meeting at 10:30 am