

HOUSE COMMITTEE ON  
REVENUE AND SCHOOL FINANCE  
SUBCOMMITTEE ON INCOME TAXATION  
JANUARY 28, 1993 8:00 AM HEARING ROOM C STATE CAPITOL  
BUILDING

Members Present: Representative John Schoon, Chair  
Representative Ron Adams  
Representative Tony Federici  
Representative Delna Jones, Ex Officio  
Representative Gail Shibley  
Representative Greg Walden

Witnesses Present: Don O'Meara, Oregon Department of Revenue (DOR)  
Jim Bucholz, Oregon Department of Revenue  
Mark Skoglund, Oregon Society of Certified Public Accountants (OSCPA)  
Staff: Richard Yates, Legislative Revenue Office  
Mary Gottlieb, Committee Assistant

TAPE 006 SIDE A

001 REP. SHIBLEY, Acting Chair, called the meeting to order at 8:00.  
Committee assistant called the roll.

008 REP. SHIBLEY invited the representatives of the Department of Revenue  
to give an overview of HB

018 DON O'MEARA started by explaining the summary prepared by DOR, Exhibit  
3, from January 26, 1993. He began with Section 1, Estate Tax Penalty.  
Questions and discussion.

056 DON O'MEARA continued with Section 2, Two-Tier Interest, which  
establishes a second tier of interest on self-assessments to begin 60 days  
after taxpayer is sent notice of additional amounts due. This discourages  
filing amended returns.  
Questions and discussion.

House Committee on  
Revenue and School Finance

Subcommittee on Income Taxation January 28, 1991 Page 2

091 DON O'MEARA continued with Section 4, Assessment Penalties, which  
allows credits and prepayments claimed on the return to be subtracted from  
tax liability in determining the amount of tax upon which to assess  
penalties.

Discussion and questions.

118 DON O'MEARA went on with Section 5, Increase in Multistate Tax  
Commission (MTC) Revolving Account, which increases the expenditure reserve  
in the account from \$50,000 to \$100,000.

Questions and discussion.

170 DON O'MEARA read from Section 6, which amends statutes to update the  
tie for personal income tax and corporate excise and income tax to the  
federal code.

Discussion and questions.

190 DICK YATES presented a HB 2058 Cross Reference to CPA's  
Analysis. Exhibit 1.

More discussion on Section 6.

254 DON O'MEARA continued with Section 8, Charitable Checkoff Rulemaking  
Authority, which transfers rulemaking authority to the DOR with the  
Checkoff Commission remaining in an advisory capacity.

Questions and discussion.

321 DON O'MEARA presented Section 9, Minimum Refund, which amends the  
statutes to set the minimum refund for all programs to \$5 after offsets.

367 DON O'MEARA read Section 10, Reconnect, which ties personal income to  
Internal Revenue Service (IRS) codes.

379 DON O'MEARA continued with Section 11, Passive Activity Loss Limitation for Former Nonresidents, which clarifies that loss must be an Oregon source to be claimed or carried forward.

Discussion and questions.

TAPE 007 SIDE A

008 Discussion continued on Section 11, DOR Summary.

House Committee on  
Revenue and School  
Finance

Subcommittee on Income Taxation January 28, 1991 Page 3

021 MARK SKOGLUND joined the witness table and asked questions about the summary.

Discussion continues.

053 MARK SKOGLUND concurred with the DOR representatives with regard to Section 11 of the DOR Summary, Exhibit 3, January 26.

Discussion and questions.

085 DON O'MEARA continues with Section 12, Reconnect, ties to requirements from IRS on filing on magnetic media.

098 DON O'MEARA went on with Section 13, Assessment Penalties, which would allow credits and prepayments claimed on the return to be subtracted from tax liability in determining the amount of tax upon which to assess penalties. DON O'MEARA presented DOR's views.

Discussion and questions from committee members.

165 DON O'MEARA, Section 14, Statute of Limitations: Estate and Trust Returns; Excise Tax Returns, would adopt a provision similar to the one they already have for partnerships and S corporations. Part B of Section 14 would include adjustments that would result in a change in excise tax in the provisions of the statute of limitations.

Discussion and question.

220 DON O'MEARA continued with Section 15 which applies to the effective date for Section 14.

Discussion and questions.

267 JIM BUCHOLZ clarified the statute of limitations when the DOR can issue a Notice of Deficiency.

285 DON O'MEARA continued with Section 16, Minimum Refund; Net Capital Loss and Net Operating Loss Carrybacks.

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.

House Committee on  
Revenue and School  
Finance

Subcommittee on Income Taxation January 28, 1991 Page 4

301 CHAIR SCHOON asked to go back to Section 9--Elderly Rental Assistance Program--a refund program for qualified persons, paid from the General Fund. Direction to staff.

Discussion and questions.

346 DON O'MEARA continued with Part B, Section 16, deals with corporations capital losses to tie to the loss year rather than the carryback year.

Questions and discussion.

TAPE 006 SIDE B

001 Discussion continues on Part B, Section 16.

038 DON O'MEARA continued with Part C, Section 16, which amends the statute to allow for any extensions to file the loss year.

053 DON O'MEARA presented Section 17 effective date for Section 16; then Section 18, Corporation Estimated Tax which aligns Oregon's estimated tax requirements and exceptions with federal.

Discussion and questions.

118 DON O'MEARA went on with Section 19, Instructions for Placement of Section 20 in the ORS and Section 20, Limitation on Application of the MTC, which would add language indicating that the provisions in the customary apportionment statutes take precedence over any inconsistent provisions contained in the MTC.

Discussion and questions.

265 DICK YATES gave an explanation of why Oregon law takes precedence over the MTC.

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House Committee on  
Revenue and School  
Finance

Subcommittee on Income Taxation January 28, 1991 Page 5

333 DON O'MEARA asked to skip Sections 22, 23, and 24 so that the DOR can gather more information. Section 25 deals with disclosure statutes on income tax information, "Divulging of Particulars."

This statute would make the taxpayer's name, address, refund amount, and amount due part of the particulars of the return.

Discussion and questions.

TAPE 007 SIDE B

002 Discussion continues on Section 25.

070 DON O'MEARA presented Sections 27, 28, and 29 which are reconnected to IRS codes. Section 31, Definition of Oregon Source Income of a Part-Year Resident, would define Oregon source income as being identical to the computation of full-year residents for that period in which the taxpayer is an Oregon resident and identical to the computation for nonresidents for that period in which the taxpayer is a nonresident.

Discussion and questions.

110 DON O'MEARA continued with Section 32, the effective date for Section 31, and Sections 33 and 34, reconnected to federal codes.

Discussion and comments.

128 DON O'MEARA gave background information on Section 35, Individual Estimated Tax Application of Overassessments. It would provide for application of a refund to an estimated tax account from a delinquent

return as of the date the delinquent return is filed.

Discussion and questions.

224 DON O'MEARA presented Section 36 which aligns Oregon's estimated tax requirements and exceptions with the federal Individual Estimated Tax: Exception to the Underpayment Penalty.

Discussion and questions.

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House Committee on  
Revenue and School  
Finance

Subcommittee on Income Taxation January 28, 1991 Page 6

286 DON O'MEARA responded to an estimated tax issue and explained how it would be computed.

TAPE 008 SIDE A

002 DON O'MEARA continues to explain the computation of estimated taxes.

080 DON O'MEARA presented a proposed amendment to HB 2058, Section 35a, Exhibit 2, deals with underpayment of estimated tax and was prepared by the Department of Justice.

Discussion and questions.

179 DON O'MEARA read Section 37, a reconnect measure.

Discussion and questions with regard to Section 37.

288 DICK YATES clarified in response to an earlier question that the effective date would remain the same. Barbara Seymour's advise is not to change the date.

Discussion and questions.

301 CHAIR SCHOON advised the committee that they only recommend changes to the bill, but they do not amend the bill.

330 DON O'MEARA continued with Sections 38-42, reconnects on corporate tax law. DOR would like their corporate person to discuss Sections 43-50. There was no objection. DON O'MEARA went on with Section 51, Particulars of Returns, which makes the taxpayer's name, address, refund amount and amount due part of the particulars of the return.

Questions and discussion.

376 DON O'MEARA provided information on disclosure--there is a proposed bill that would enable an individual to tell a state agency not sell or give away information about them for mailing lists.

TAPE 009 SIDE A

002 Discussion continues on Section 51 and disclosure.

House Committee on  
Revenue and School  
Finance

Subcommittee on Income Taxation January 28, 1991 Page 7

049 DON O'MEARA read Sections 52 and 53, Elderly Rental Assistance, which would repeal the household asset limitation and effective date of bill.

Discussion and questions.

118 DON O'MEARA continued with Section 53, effective date of bill.

Discussion and comments.

130 DICK YATES said that Barbara Seymour advised that the language should parallel IRS codes to maintain conformity.

136 REP. ADAMS asked for clarification on which sections would be heard next week.

140 CHAIR SCHOON said that future meetings would be review of Sections 22-25 and Sections 38-50, plus any amendments.

CHAIR SCHOON adjourned the meeting at 10:32 a.m.

Mary Gottlieb, Committee  
Assistant  
Kimberly Taylor, Office Manager

EXHIBITS

1. HB 2058 Cross Reference to CPA's Analysis, Dick Yates, Legislative Revenue Office.
2. Proposed Amendments to HB 2058, Don O'Meara, Department of Revenue.

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