

HOUSE COMMITTEE ON
REVENUE AND SCHOOL FINANCE
SUBCOMMITTEE ON INCOME TAXATION
FEBRUARY 2, 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, Department of Revenue (DOR)
Leonard Hamilton, Department of Revenue
Leonard Powers, Oregon Society of Certified Public Accountants (OSCPA)
Donna Fausner, Hyster Yale
Terrill Taylor, Mentor Graphics
Mark Skoglund, Oregon Society of Certified Public Accountants
Staff: Richard Yates, Legislative Revenue Office
Mary Gottlieb, Committee Assistant

TAPE 010 SIDE A

001 REP. SHIBLEY, Acting Chair, called the meeting to order at 8:03.
011 DON O'MEARA (with LEONARD HAMILTON) continued his review from the DOR
Summary of HB 2058, Section 22, page 13, Exhibit 3, dated January 26, 1993.
054 DON O'MEARA continued with Section 24, which DOR recommends to cancel.
Questions and discussion.
092 DON O'MEARA expressed concerns about Section 43. He recommends this
section be deleted.
107 DON O'MEARA introduced Section 44 and the proposed amendment Exhibit 1,
HB 2058-3. DON O'MEARA explained the reasons for amendment.
Discussion and questions.

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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197 LEONARD HAMILTON gave an explanation on "previously taxed income."
Questions and discussion.
270 LEONARD POWERS explained Section 44 "...in the case of the sale or
other disposition of stock of foreign subsidiary by a parent
corporation,..." LEONARD POWERS gave background information concerning the
law.

TAPE 011 SIDE A

004 LEONARD POWERS continued concerning foreign subsidiaries with domestic
parent corporations. Since corporations are taxed differently than
individuals, the federal government will give corporations a credit when
earnings are in the form of a dividend. LEONARD POWERS supported Oregon
conforming to the federal law.
Questions and discussion.

150 LEONARD HAMILTON explained Sections 43 and 44 and clarified proposed
amendments.

215 LEONARD POWERS went on to explain the changes made in the sections and
his objections to some of the changes.

288 Discussion on wording with LEONARD POWERS and committee. The consensus was that the wording is confusing.

TAPE 010 SIDE B

004 DONNA FAUSNER and TERRILL TAYLOR introduced HB 2058, Exhibit 2, an example of Section 317.344, and noted that proposed wording had been shared with DOR staff.

044 TERRILL TAYLOR thought the change to Section 44 should not be enacted at all, but if necessary, would support the amended version.

Questions and discussion.

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089 DONNA FAUSNER brought up the fact that foreign subsidiaries can pay taxes on actual dividends at 20% or save the earnings and pay capital gains at 100% She went on to explain deemed dividends and actual dividends. This gives DOR the right to tax the deemed dividends 20% and later at 100% if the foreign company is sold.

Questions and discussion.

285 DONNA FAUSNER pointed out the example on page 2 on Exhibit 2 illustrating deemed dividends.

Questions and discussion.

388 LEONARD POWERS gave his views on taxing "phantom income."

TAPE 011 SIDE B

006 Discussion continues on dividends.

020 LEONARD HAMILTON explained the DOR's position on earned dividends.

040 JIM MANARY recommended that Section 44 not be enacted and the committee concurred. DOR will reconsider their position on this section.

Discussion and comments.

069 DON O'MEARA explained Section 45, HB 2058 Department of Revenue Summary, Exhibit 3, January 26, 1993. The law limits postacquisition deductions of a corporation that are carried forward from years prior to acquisition by another corporation.

Questions and discussion.

095 DON O'MEARA presented Sections 47 and 50, dealing with multistate corporation taxes.

Discussion and questions.

128 LEONARD HAMILTON explained "installment elections" for the payment of taxes for corporations leaving the state.

Questions and discussion.

231 MARK SKOGLUND offered his views on Section 47.

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Discussion on Section 47.

320 DON O'MEARA conveyed the position of the DOR as it concerns corporations leaving the state.

Questions and discussion continued.

TAPE 012 SIDE A

001 DON O'MEARA clarified a mistake that was made earlier with regard to carryback and carryforward operating losses.

015 LEONARD HAMILTON introduced Section 48 and DOR's position. Section deals with pre-change losses and built-in losses and limits the amount of loss deductible by corporations. He explained the "382 limitation," a section of the IRS code.

Questions and discussion.

110 MARK SKOGLUND gave his views on carryback losses and carryforward losses. The Oregon Society of Certified Public Accountants is in favor of Oregon conforming with the federal law with regard to this section.

143 DON O'MEARA says that Section 50 is already dealt with under Section 47. In Sections 25 and 51, DOR recommends adding the telephone number.

201 DON O'MEARA gave general information on the Charitable Checkoff Commission. If the commission wants to add lines or needs more space, the DOR can directed to add an additional page to the tax packet which would cost approximately \$30,000 for personal income tax and \$15,000 for part-year and non residents. This is one reason for limiting the commission's authority.

232 CHAIR SCHOON conducted administrative business.

261 DICK YATES introduced Exhibit 3, Tax Credit and Exemption Questions. Questions and discussion concerning credits and exemptions.

314 CHAIR SCHOON adjourned the meeting at 10:29 a.m.

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Mary Gottlieb, Committee Assistant

Kimberly Taylor, Office Manager

EXHIBITS

1. HB 2058-3, Proposed Amendments to HB 2058, Don O'Meara, Department of Revenue.
2. HB 2058, An Example of 317.344, Donna Fausner, Hyster Yale, and Terrill Taylor, Mentor Graphics.
3. Tax Credits and Exemption Questions, Dick Yates, Legislative Revenue Office.

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