

Work Session HB 2058, HB 2029, HB 2413
Tapes 21-22 A/B
23-24 A
HOUSE COMMITTEE ON
REVENUE AND SCHOOL FINANCE
SUBCOMMITTEE ON INCOME TAXATION
FEBRUARY 10, 1993 8:30 AM HEARING ROOM E STATE CAPITOL
BUILDING

Members Present: Representative John Schoon, Chair
Representative Ron Adams Representative Tony Federici Representative Delna
Jones
Representative Gail Shibley
Representative Greg Walden
Witnesses Present: Randy Evers, Department of Revenue (DOR)
James Manary, Department of Revenue
Elizabeth Harchenko, Attorney General's Office
Betsy Bailey, Associated Oregon Industries
(AOI)
Donna Fausner, Associated Oregon Industries
Staff: Richard Yates, Legislative Revenue Office
Mary Gottlieb, Committee Assistant

TAPE 021 SIDE

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001 CHAIR SCHOON called the meeting to order at 9:02 a.m.
007 CHAIR SCHOON opened the work session on HB 2058.
009 DICK YATES recapped where the committee left off at the last meeting
with regard to HB 2058.
015 JIM MANARY told the committee the position taken by DOR concerning
Amendment 1 on HB 2058.
027 RANDY EVERS (with ELIZABETH HARCHENKO) offered a broad overview and
history about the corporate tax laws.

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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037 ELIZABETH HARCHENKO gave a past history of corporate
laws in
Oregon, Washington, and California. She talked about corporations doing
business in other states other than Oregon and drew a diagram showing how
the states compare.

Questions and discussion.

207 ELIZABETH HARCHENKO moved into the unitary system which means
accounting systems cannot assign profit to any particular part of a
business, because an accounting system cannot fairly assign the amount of
profit earned by the whole business. The corporate structure should not
create a difference in the amount of tax liability.

TAPE 022 SIDE A

001 ELIZABETH HARCHENKO continued to provide background information.

046 RANDY EVERS distributed Exhibit 1, Cost vs. Equity Method Basis in
Stock, which addresses Section 55.

Discussion and comments.

060 DICK YATES reviewed HB 2058 and the connection between Exhibit 1 and
Amendment 1.

Questions and discussion.

147 RANDY EVERS explained the Cost vs. Equity Method by showing an example

in Exhibit 1. He explained the two methods and how the amendment would tie the state to the Internal Revenue Code (IRC).

Questions and discussion.

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260 ELIZABETH HARCHENKO related the history behind the changes and why they are locked into the federal law. Dealing with assets, whether depreciation or gain, has been an area looked at very carefully by the legislature because some federal tax policy decisions are made to stimulate the economy. The congress gives up revenue for that purpose without the limitations this legislature operates under to have to balance the budget.
297 RANDY EVERS continued his testimony with regard to Exhibit 1. He explained the example on page 2. He further explained that the amendments would change the adjusted basis and would be the same for both state and federal.

Questions and discussion.

TAPE 021 SIDE B

001 Discussion continues with the effect of Amendment 1 on corporations.
070 ELIZABETH HARCHENKO presented testimony on the issue that is in dispute. Whether the gain calculation method that DOR is using up to 1985 and then using a different method of calculating gain later is considered double taxation.

Questions and discussion.

200 ELIZABETH HARCHENKO testified that the theory of the consolidated return for federal purposes is that all the companies that are participating in that return meet certain criteria. They must be at least 80 percent commonly owned and be incorporated inside the United States. When these criteria are met, then the companies can be treated as one taxpayer.

Questions and discussion.

295 ELIZABETH HARCHENKO stated that double taxation is different in the constitution sense then in the public policy sense.

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314 RANDY EVERS offered that the appeal process is the appropriate place to get direction on any tax question.
Questions and discussion.

TAPF 022 SIDE B

001 ELIZABETH HARCHENKO continues to explain Section 44 of HB 2058 and the language proposed by DOR and language to be repealed.

045 BETSY BAILEY (with DONNA FAUSNER) testified in rebuttal to Department of Revenue testimony.

048 DONNA FAUSNER addressed the combined return calculation, double taxation, and the relief on the double taxation.

116 BETSY BAILEY distributed three pages of transcript from a committee meeting that dealt with subject. Exhibit 3 (April 11, 1985, House Committee on Revenue and School Finance, Subcommittee on Income Tax)

Questions and discussion.

148 DONNA FAUSNER put an example of double taxation on the blackboard. Exhibit 3.

190 ELIZABETH HARCHENKO stated that if DONNA FAUSNER's "S" is doing business in Oregon, then there is relief from double taxation.

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Questions and discussion.

280 DONNA FAUSNER offered rebuttal to ELIZABETH HARCHENKO's explanation.

Questions and discussion.

TAPE 023 SIDE A

~ 007 CHAIR SCHOON recessed at 10:00 and reconvened at 10:22 a.m.

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009 JIM MANARY asked that all parties, DOR and AOI, meet to reach an agreement.

Discussion and comments.

032 CHAIR SCHOON closed the work session on HB 2058.

035 DICK YATES explained the other bills before the subcommittee.

056 CHAIR SCHOON opened the work session on HB 2029.

057 JIM MANARY (with DON O'MEARA) recapped the last discussion on sole proprietorship and partnerships. Very rarely does the DOR find an employee of company liable for taxes.

080 CHAIR SCHOON suggested that sole proprietorship be left out of the bill on page 5.

Discussion and questions.

116 MOTION CHAIR SCHOON moves to delete on page 5,

line

28, after the word "corporation," the

words

"or more than one member or employee of a partnership." The sentence will read,

"more

than one officer or employee of a

corporation

may be held jointly and severally liable

for

payment of withheld taxes." Also on line

32,

after the word "corporation," delete the words "or more than one member or

employee of

a partnership."

132 ORDER CHAIR SCHOON, hearing no objections,
adopted

the motion.

Questions and discussion.

141 MOTION REP. WALDEN moved that HB 2029 go to the full committee with a do-pass recommendation as amended.

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157 ORDER CHAIR SCHOON, hearing no objections, so
ordered.

151 CHAIR SCHOON closed the work session on HB 2029 and opened the work session on HB 2413.

160 DICK YATES recapped on HB 2413 and introduced HB 2413-1, Exhibit 4. which states that in the case of personal income tax, the credit is allowed to either a resident or a non-resident taxpayer, without proration.

192 CHAIR SCHOON related recommendations from Barbara Seymour regarding HB 2413.

Committee took time to read amendment.

254 DICK YATES read from ORS 316.133, Subsection 1, "a husband and wife who file separate returns for a taxable year, may each claim a share of the tax credit that would have been allowed on a joint return in proportion to the contribution of each."

266 MOTION

REP. WALDEN moved adoption of the amendment

HB 2413-1.

281 ORDER

CHAIR SCHOON ordered adoption of the

amendment.

285 MOTION

REP. WALDEN moved that HB 2413 as amended to

the full committee with a do-pass

recommendation.

286 VOTE

In a roll call vote, the motion passed.

Ayes: 5 Excused: 1

290 CHAIR SCHOON conducted administrative business.

312 DICK YATES passed out Exhibit 4, Summary of Personal and Corporate Income Tax Credits and reviewed Tax Credit and Exemptions, Exhibit 3, February 2, 1993

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Questions and discussion.

370 JAMES SCHERZINGER offered background information about Tax Credit and Exemptions, which attempts to answer questions that members might ask about credits and exemptions.

TAPE 024 SIDE

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001 JAMES SCHERZINGER continued to explain from Exhibit 3 from February 2, 1993, Tax Credit and Exemption Questions. He stated that the goals of credits and exemptions are often in conflict, which makes for a very complex system.

Questions and discussion.

200 CHAIR SCHOON adjourned the meeting at 11:55 a.m.

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Mary Gottlieb, Committee
Assistant
Kimberly Taylor, Office Manager

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EXHIBIT SUMMARY

1. Cost vs. Equity Method Basis in Stock, Randy Evers, Department of Revenue.
2. Minutes from House Committee on Revenue and School Finance, Subcommittee on Income Tax, Betsy Bailey, Associated Oregon Industries.
3. Copy of Written Example, Donna Fausner.
4. Proposed Amendments to HB 2413, Dick Yates, Legislative Revenue Office.
5. Summary of Personal and Corporate Income Tax Credits, Dick Yates, Legislative Revenue Office.
6. Copy of Written Example, Elizabeth Harchenko, Department of Justice.

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complete

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