

Work Session: HB 2830
Tapes 40-41 A

HOUSE COMMITTEE ON
REVENUE AND SCHOOL FINANCE
SMALL BUSINESS SUB COMMITTEE

MAY 18, 1993 9:30 AM HEARING ROOM A STATE CAPITOL BUILDING

Members Present: Representative Greg Walden, Chair
Representative Ron Adams
Representative Margaret Carter
; Representative Delna Jones
Witnesses Present: Don McNeill, Vice President, Willamette Industries, Inc.
Jim Manary, Department of Revenue
Staff: James Scherzinger, Legislative Revenue Officer
Richard Yates, Legislative Revenue Office
Paula McBride, Committee Assistant

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005 CHAIR WALDEN called the meeting to order at 9:56.
006 CHAIR WALDEN opened a Work Session on HB 2830.
012 DICK YATES discussed HB 2830, which basically involved the "throwback rule" as it applied to the way a multi-state or multinational corporation apportioned income within the U.S. to the various taxing districts (states). He mentioned the three factors that were used to determine corporate taxes (based on the amount sales, property, and payroll, and he related that Oregon doubled the payroll tax. He explained these factors, which specifically are "percentages" of corporate income. "Throwback" related only to the sales tax, and he explained how "throwback" could not apply to the other two factors or percentages.
Questions and discussion
062 DICK YATES related that HB 2830 would only determine what goes into the numerator of the sales factor, and that it wouldn't change "nexus" (a state's legal authority to tax) in any way.

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072 DICK YATES reiterated that there was not issue of "throwback" related to employment or property, specifically because once a company had either payroll or property in a state, the state had the legal right ("nexus") to tax the company. However, "nexus" would not automatically apply to the sales factor of a company. He explained the objective of the apportionment formula and various ways to determine it. He also described how "double taxation" could occur.
Questions and discussion
116 DICK YATES described how the three different factors (sales, property,

and payroll) could be taxed. He also explained the difficulties with determining the factors on U.S. government sales.

Questions and discussion

165 DICK YATES and REP. ADAMS discussed the apportionment formula in relation to international sells, specifically to companies that had subsidiaries in foreign countries.

209 DICK YATES and REP. ADAMS talked about the apportionment formula in relation to a company that does business in a state that does not have "nexus." DICK YATES believed the issue was how to avoid the establishment of "nexus" in a state rather than encouraging a state to establish "nexus."

Questions and discussion

281 DICK YATES discussed ways to avoid double taxation of companies in Oregon. He believed HB 2830 was more an economic development bill than one that would work toward preventing double taxation.

Discussion

326 DON MCWEILL related that Willamette did business in about 38 states, had no foreign subsidiaries, and had no government work. He also believed HB 2830 was an economic development bill, and he explained why.

Questions and discussion

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352 DON MCNEILL talked about various economic circumstances of an industry that contributed to the establishment of "nexus" in a state.

Questions and discussion

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002 Questions and discussion continued about HB 2830 and the apportionment formula for the taxation of multi-state corporate income.

023 DON MCNEILL related that the sales factor was the one factor most changed from state to state.

039 DICK YATES provided information to the members concerning the apportionment formula used to tax corporations. The handout was entitled "Throwback Rule: Cost of Excluding Sales From Oregon Sales." He discussed the results of a survey on corporate taxation. Exhibit 1, page 5

065 DICK YATES further discussed information in his handout, concerning HB 2830 and "throwback." Exhibit 1, page 8

Questions and discussion

100 DICK YATES talked about a phasing component that might be amended to HB 2830. The figures were on page 8 of his handout. Exhibit 1

Questions and discussion

136 JIM MANARY emphasized that he did not know how the Department of Revenue could issue a report on the effects of HB 2830; specifically, he didn't know what kind of information would go into such a report.

Discussion

184 JIM MANARY discussed the "Uniform Act" as it related to the taxation of a company's sales in any particular state. He talked about ways to avoid double taxation, particularly as related to government sales. He also

explored issues related to international sales.

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Questions and discussion

315 JIM MANARY believed that HB 2830 related to all sales a company in Oregon would make: government sales, domestic sales, and international sales, all of which have a destination test.

325 REP. CARTER wanted HB 2830 to contain the requirement for some kind of "report card" in the future to determine the impact of this particular kind of economic incentive.

Discussion

345 MOTION REP. CARTER moved to adopt a conceptual amendment to HB 2830, as follows: A requirement that the Oregon Economic Development Department report back to the Legislature in the future (10 years suggested) to determine the efficacy of HB 2830.

DISCUSSION

364 ORDER There being no objection, CHAIR WALDEN so ordered.

365 MOTION REP. CARTER moved HB 2830 as conceptually amended to the full Committee with a do-pass recommendation.

NO DISCUSSION

368 ORDER There being no objection, CHAIR WALDEN so ordered.

375 CHAIR WALDEN adjourned the meeting at 10:50.

Paula K. McBride, Committee Assistant
Kimberly Taylor Office Manager

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EXHIBIT SUMMARY

1. Throwback Rule: Cost of Excluding Sales From Oregon Sales, Dick Yates, Legislative Revenue Office.

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