

Tapes 17-18 A/B
19 A
Orientati
on:
Income
Tax
System
199 3-95
Budget
HOUSE COMMITTEE ON
REVENUE AND SCHOOL FINANCE
JANUARY 21, 1993 8:AM HEARING ROOM A STATE CAPITOL
BUILDING

Members Present: Representative Delna Jones, Chair
Representative John Schoon, Vice Chair Representative Tom Brian departure
Representative Mike Burton
Representative Tony Federici Representative Fred Girod
Representative Gail Shibley absence)
-Representative Greg Walden (9:05-9:20 absence, 10:20 departure)
Representative Jim Whitty

Members Excused: Representative Carter

Witnesses Present: John Lattimer, Legislative Fiscal Office

Staff: James Scherzinger, Legislative Revenue Officer Richard Yates,
Legislative Revenue Office

Paula McBride, Committee Assistant

TAPE 008 SIDE A

001 CHAIR JONES called the meeting to order at 8:09.

035 RICHARD YATES began an overview of the Oregon Personal Income Tax
System by directing members' attention to a compilation of explanation and
statistics. Exhibit 1, page 1-2 YATES predicted income brackets would widen
in 1993.

Questions and discussion

198 RICHARD YATES reviewed most commonly used Oregon Individual Income Tax
Return Form (#40). Exhibit 1, pages 2a-2b

219 RICHARD YATES continued discussion with review of tables of statistics
on collection from the Oregon Personal Income Tax. He explained the issue
of taxation of pension income in the category "Oregon Adjustments." Exhibit
1, page 3

Questions and discussion

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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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300 RICHARD YATES reviewed the data in the categories of "taxable balance,"
"tax rates," and "tax credits." Exhibit 1, page 3

Questions and discussion interspersed concerning taxation of pension income
270 ? REP. WHITTY noted his belief that people were being taxed illegally
based on the Oregon Supreme Court Decision.

Discussion

401 RICHARD YATES went through Table B, Average Income and Tax, Exhibit 1,
page 4.

TAPE 18 TAPE A

030 RICHARD YATES explained the Table D, Sources of Adjusted Gross Income,
Exhibit 1, page 5

Questions and discussion

062 RICHARD YATES clarified wages, salaries, and tips are the dominant source of taxable income in Oregon and discussed other sources of taxable income. Exhibit 1, page 5

Questions and discussion

100 RICHARD YATES directed member's attention to a graph illustrating Table D discussed. Exhibit 1, page 6. The next graph illustrates the same information in Table D in a different manner. Exhibit 1, page 7

130 RICHARD YATES continued with an explanation of a Table entitled Growth in Income Source. Exhibit 1, page 8

Questions and discussion

188 RICHARD YATES pointed out that at the bottom of page 8 there was statistical evidence of the growth in Oregon and continued with a table and graph illustration income tax collection and Oregon Tax Growth. Exhibit 1, page 9

Questions and discussion interspersed

235 RICHARD YATES reviewed graphs illustrating Taxable Returns, and Tax Credits. Exhibit 1, page 10-11

Questions and discussion concerning the personal income tax for part-year resident.

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384 RICHARD YATES detailed a table entitled Oregon Tax Credits listing specific categories of tax credits noting beginning and sunset dates.

Exhibit 1, page 12-13

Questions and discussion

TAPE 17 PAGE B

043 RICHARD YATES explained the difference between part-year residents and nonresidents. Residency determines how people in these categories are taxed. Exhibit 1, page 14

Questions and discussion interspersed

119 RICHARD YATES gave a history of the Personal Income Tax in Oregon clarifying the definition of "federal taxable income" was adopted as a tax base in 1969. Exhibit 1, page 15

137 RICHARD YATES pointed out comparisons tax rates for various states. The data is from 1992. Exhibit 1, pages 16-21

148 . RICHARD YATES turned to an explanation of Corporate Income Tax emphasizing Oregon is tied to the federal "carry forward", but not the federal "carry back." Exhibit 2, pages 1-3

177 RICHARD YATES clarified the differences between "S" and "C" corporations, referring members' to data in the table entitled "1987 Tax Corporation Tax Returns," distinguishing between "C" and "S" corporations. Exhibit 2, page 4

Questions and discussion interspersed

295 RICHARD YATES remarked that there were four major issues involved with multistate corporations. He noted the issue of "nexus," which is a state's legal right to tax some or all of the income of a corporation. Exhibit 2, pages 9-10

Questions and discussion

TAPE 18 SIDE B

010 RICHARD YATES explained the problems with apportionment of corporate taxes. The Multistate Tax Commission was established to create a uniform code of laws between states for taxing corporations. He reviewed the "Uniform Division of Income for Tax Purposes Act (UDITPA). Exhibit 2, pages 6-7

Questions and discussion interspersed

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082 RICHARD YATES further explained business income is apportioned by a three-factor formula: payroll, property, and sales. Exhibit 2, page 6-7

102 CHAIR JONES recessed the meeting at 9:41 and reconvened at 10:02.

112 JOHN LATTIMER began discussion of State expenditure growth between 1979-81 through budget planning for 1993-95. Exhibit 3

Questions and discussion interspersed

275 JOHN LATTIMER clarified budget generally follows CPI population trends.

304 JOHN LATTIMER continued his review with a discussion of expenditures and ending balance, and how they influence 1993-95 budget preparation.

Questions and
discussion

408 JOHN LATTIMER discussed the Governor's reduction in state employees, by actual FTE's (full time equivalent) in various categories. Exhibit 3, page 3, and Exhibit 4, page 2

Questions and discussion

TAPE 19 SIDE A

101 JOHN LATTIMER discussed charts illustrating how the Governor's budget will effect various programs. Exhibit 4, page 3

Questions and discussion interspersed

178 JOHN LATTIMER described a second chart illustrating "Resource Changes." Exhibit 4, page 3 (15)

Questions and
discussion

214 JOHN LATTIMER noted taking out the inflation factor in departmental budgets impacts inequitably across program lines. Exhibit 4, page 3

Questions and discussion about the issue of inflation

302 CHAIR JONES conducted committee business.

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345 CHAIR JONES adjourned the meeting at 10:46.

Paula K. McBride, Committee Assistant
Kimberly Taylor James, Office Manager
Exhibit Summary:

1. YATES, Income Taxes, LRO 1/19/93

2. YATES, Issues With Multi-State Corporations & LRO Research Report 4/90, Taxes on Corporate Income

3. LATTIMER, Charts illustrating State Expenditure & Budget Levels ,

4. LATTIMER, Development of the 1993-95 Budget

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