

Work Session: HB 2826  
SB 270  
HB 2058  
Tape 61  
A/B  
62 A

HOUSE COMMITTEE ON  
REVENUE AND SCHOOL FINANCE

MARCH 22, 1993 9:00 AM HEARING ROOM A STATE CAPITOL BUILDING

Members Present: Representative Delna Jones, Chair  
Representative John Schoon, Vice Chair  
Representative Ron Adams  
Representative Tom Brian  
Representative Mike Burton  
Representative Margaret Carter  
Representative Tony Federici  
Representative Fred Girod  
Representative Gail Shibley  
Representative Greg Walden  
Representative Jim Whitty  
Witnesses Present: Don O'Meara,  
Department of Revenue

Jim Manary, Department of Revenue  
Mark Skoglund, Oregon Society of Certified  
Public Accountants

Staff: James Scherzinger, Legislative Revenue Officer  
Richard Yates, Legislative Revenue Office  
Paula McBride, Committee Assistant

TAPE 22 SIDE A

007 CHAIR JONES called the meeting to order at 9:07 and conducted administrative business.

014 CHAIR JONES opened the Work Session on HB 2826.

021 JIM SCHERZINGER described HB 2826, which ends a requirement that mortgage lenders reimburse counties for the cost of sending tax statements to their borrowers. He explained currently law and how it would be changed. He noted the "Revenue Analysis" and the "Fiscal Analysis." Exhibits 1 and 2

039 CHAIR JONES further explained HB 2826. The property value statement now goes to the taxpayer at the same time as the tax

These minutes paraphrase and/or summarize statements made during this meeting. Text enclosed in quotation marks reports the speaker's exact words. For complete context of proceedings, please refer to the tape recording.

House Committee on  
Revenue and School Finance  
March 22, 1993 Page 2

bill, which is late October, so there is no longer a requirement for two statements to be sent to the taxpayer who is also the mortgagee.

048 MOTION REP. WALDEN moved HB 2826 to the  
House Floor with a do-pass  
recommendation.

058 VOTE The motion passed 10-0. Ayes: REPS.  
BURTON, CARTER, FEDERICI, GIROD,  
SHIBLEY, WALDEN, WHITTY, ADAMS,  
SCHOON, and CHAIR JONES. Excused:  
REP. BRIAN.

064 CHAIR JONES closed the Work Session on HB 2826 and opened the Work Session on SB 270.

071 JIM SCHERZINGER said SB 270 adds a five year carry-forward of unused INCOME tax credit for donation of scientific or technological equipment to institutions of higher education. He mentioned the potential revenue impact of SB 270 and the fiscal impact. Exhibits 2 and 3

092 MOTION REP. WALDEN moved SB 270 to the House Floor with a do-pass recommendation.

DISCUSSION

106 CHAIR JONES pointed out the "Staff Analysis Summary" on SB 270. Exhibit 4

120 VOTE The motion passed 10-0. Ayes:  
REPS. BURTON, CARTER, FEDERICI,  
GIROD, SHIBLEY, WALDEN,  
WHITTY, ADAMS, SCHOON, and  
CHAIR JONES. Excused: REP.  
BRIAN.

127 CHAIR JONES closed the Work Session on SB 270 and opened the Work Session on SB 2058.

Discussion

151 DECK YATES presented the following materials to the members: (1) amendments HB 2058-10 (which combine other amendments passed by

.  
~ ~ These minutes paraphrase and/or summarize statements made during this meeting. Text enclosed in quotation marks

reports the speaker's exact words. For complete context of proceedings, please refer to the tape recording.

House Committee on Revenue and School Finance

March 22, 1993 Page 3

the Subcommittee on Income Tax, and (2) a summary of the sections of HB 205 8. Exhibits 6 and 7

158 CHAIR JONES explained the purpose of "reconnect" bills, of which HB 205 8 is one. Basically the purpose is make Oregon tax law codes compatible with Federal codes.

168 DICK YATES talked about additional materials given to the members, as follows (1 and 2 above); (3) a revenue impact table, (4) the revenue analysis, and (5) the fiscal impact statement. He gave a revised revenue impact, because of items under appeal, of \$3,733,000 additional revenue (with a note stating this revenue is in question). Exhibits 8-10

Discussion

221 DICK YATES began a section-by-section explanation of HB 2058. Section 1 dealt with inheritance tax.

227 DICK YATES said Section 2 was about two-tiered interest.

240 DICK YATES related that Section 3 had an application date.

241 DICK YATES explained that Section 4 clarified what tax amount is subject to penalties.

251 DICK YATES said Section 5 was written in response to problems the Department of Revenue (DOR) had with the minimum balance of \$550,000 in the "MTC Revolving Fund."

Questions and discussion

265 DON O'MEARA responded to questions about the amount of \$550,000 was chosen for HB 2058, Section 5, and thus the statute.

Questions and  
discussion

283 DON Omeara further explained Section 5 of HB 2058

318 DICK YATES talked about Section 6, which related to the "Check-Off" Commission, allowing the DOR to adopt rules for this Commission.

326 DICK YATES related that Section 8 discussed minimum refunds and how they are related to off-sets.

These minutes paraphrase and/or summarize statements made during this meeting. Text enclosed in quotation marks reports the speaker's exact words. For complete context of proceedings, please refer to the tape recording.

House Committee on

Revenue and School Finance March 22, 1993 Page 4

Questions and discussion

369 DICK YATES related that Section 10 contained one of the connect dates of HB 2058, which is how the State connects with the Federal Income Tax Code. Basically, this connection is based on the Federal definition of "taxable income." He discussed why this was needed.

386 DICK YATES said Section 11 has to do with individuals who were non-residents but had passive activity losses.

Questions and discussion

412 DON O'MEARA believed Section 11 was not a change in policy but rather a clarification.

Questions and discussion

TAPE 62 SIDE A

012 DICK YATES talked about Section 12 which contained a connect date dealing with ORS 314 (personal income taxes).

015 DICK YATES related that Section 13 defined "deficiency," which is the amount of the tax liability (less credits and payments).

018 DICK YATES explained that Section 14 corrected an oversight, making it clear excise taxes are included in that ORS site relating to a change in the statute of limitations depending upon a Federal audit.

028 DICK YATES talked about Section 16, which again related to a minimum refund (changes from \$5, after offsets, from \$1).

Questions and discussion

041 DON O'MEARA stressed that if HB 2058 passed, related to Section 16, taxpayers would not get refunds of less than \$5, and the amount would not be applicable to future taxes.

Questions and discussion

066 JIM MANARY explained that cancellation amounts vary by program in the DOR, and he said the reason why the DOR wanted to increase the minimum was that it costs the department too much at the

These minutes paraphrase and/or summarize statements made during this meeting. Text enclosed in quotation marks reports the speaker's exact words. For complete context of proceedings, please refer to the tape recording.

House Committee on

Revenue and School

Finance

March 22, 1993 Page 5

present level.

077 DICK YATES said the second part of Section 16, page 12, again had to do with the statute of limitations, and capital loss carry back on individual returns, or carry forward on corporate returns. The section makes it clear

when the statute starts running.

088 DICK YATES related that Section 18 was the source of the largest source of revenue impact in HB 2058. It related to penalties on underestimated tax, which he explained.

Discussion

109 CHAIR JONES related that Section 18 was a connection to Federal rule and was not a state-based decision.

117 DICK YATES discussed Chapter 314 of the Oregon Revised Statutes (ORS) as related to Section 18.

Discussion

149 JIM SCHERZINGER explained that the language in Section 18 was related to a sunset date, prohibiting a permanent provision in the law. He believed the language would be a note in the section of the ORS.

Discussion

163 MARK SKOGLUND reiterated that Section 18 is a connect with the Federal provision, and he believed taxpayers would not have difficulty with Section 18/the estimated tax payments. While the Federal is in effect now, the Oregon connect won't begin until 1994, giving taxpayers time to understand the provision.

Discussion

217 DICK YATES discussed Section 20 of HB 2058, about the "MultiState Tax Compact."

226 DICK YATES believed that Section 22 related to partnerships; specifically, that individual partners have to treat income or expenses the same way as the partnership does, or else notify the DOR.

237 DICK YATES explained that lines 39-24, page 13 and lines 1-19, page 14 of Section 24 were deleted by amendment by the DOR.

These minutes paraphrase and/or summarize statements made during this meeting. Text enclosed in quotation marks reports the speaker's exact words. For complete context of proceedings, please refer to the tape recording.

House Committee

on

Revenue and School Finance March 22, 1993 Page 6

259 DICK YATES related that Sections 25 and 26 dealt with disclosure, defining the term "particulars." Section 26 also dealt with the relaxation of prohibition of disclosure under certain circumstances. He said the amendments HB 205810 changed the definition of "particulars." Exhibit 6

282 DICK YATES said Section 27, 28, and 29 have date changes, and he revealed what statutes these date changes impacted.

294 DICK YATES explained Section 31, which defined what Oregon "Adjusted Gross Income" (AGI) is for a part-year or a non-resident taxpayer.

299 DICK YATES said Sections 33 and 34 have connect dates relating to dependent care (33) and the energy credit (34).

320 DICK YATES first discussed the original Section 35, relating the situation where a taxpayer is due a refund but files his next year's return late. The issue relates to when it is appropriate to apply the refund to the estimated tax.

Questions and discussion

357 DICK YATES described the amendments HB 2058-10 related to Sections 35A and 35B, clarifying language about whether or not to use an original or an amended return. No policy changes occurred in this section.

371 DICK YATES said Section 36 adopted changes in Federal law which apply to individuals and their estimated tax.

408 DICK YATES gave the reasons why Section 37 was eliminated from HB 2058.

421 REP. SCHOON noted that the elimination of Section 37 was a policy change, which he explained.

TAPE 61 SIDE

B

007 Questions and discussion about the elimination of Section 37 in HB 205 8.

012 REP. WALDEN discussed how Section 37 related to a bill currently in the Subcommittee on Small Business on an income tax credit for health insurance by self-employed individuals.

These minutes paraphrase and/or summarize statements made during this meeting. Text enclosed in quotation marks reports the speaker's exact words. For complete context of proceedings, please refer to the tape recording.

House Committee

on

Revenue and School Finance March 22, 1993 Page 7

Discussio n

025 DICK YATES talked about Section 38, which related to definitions in the beginning of ORS 317.

027 DICK YATES revealed that Section 39 dealt with ORS 317.018, which is a policy statement indicating the legislature will adopt Federal law.

030 DICK YATES said Section 40 had connect dates with respect to energy credits.

031 DICK YATES related that Section 41 contained the connect date for the employer-provided dependent health care insurance.

033 DICK YATES explained that Section 42 was the connect date for the research equipment tax credit.

Questions and discussion about the extension of the research credit (especially if the Federal government does not extend its credit).

050 REP. SCHOON related that Section 41 is almost the only deviation from the Federal code recommended by the Subcommittee

Questions and discussion of Section 41

068 DICK YATES related that Section 43 was deleted by the Subcommittee It had to do with gain on a stock in a foreign corporation. A Section 43 was added to the amendments HB 2058-10, but this new section dealt with changing unitary taxation to consolidation taxation.

090 REP. SCHOON related that Section 43 was one of the unexpected consequences of eliminating the unitary system which the DOR hadn't anticipated. He said the Subcommittee had great difficulty with this particular section, and he discussed their deliberations.

Questions and discussion

140 DICK YATES explained Section 44, using the amendments HB 205810. This section was from the DOR and clarified language about the change from the unitary to the consolidated taxation systems.

167 DICK YATES related that Section 45 contained a clarification

These minutes paraphrase and/or summarize statements made during this meeting. Text enclosed in quotation marks reports the speaker's exact words. For complete context of proceedings, please refer to the tape recording.

House Committee on

Revenue and School Finance

March 22, 1993 Page 8

of the definition of a "game corporation."

180 DICK YATES revealed that Sections 46 and 47 had deleted language which related to corporations with tax liability on the basis of installment

sales.

184 DICK YATES said Section 48 dealt with pre-acquisition or prechange and built-in losses.

203 DICK YATES said Sections 49 and 50 were deleted.

Questions and discussion about tax information confidentiality

240 JIM MANARY described the DOR procedure of contracting out with a collection agency.

244 DICK YATES said Section 52 repeal the asset test for HARRP and Elderly Rental Assistance, and he referred to language changes on the amendments HB 205 8-10.

261 DICK YATES said Section 54 and 55 were added to reword the elimination of the asset test for HARRP.

264 REP. SCHOON wanted to clarify language in Section 51, which he believed improved taxpayer confidentiality.

Questions and discussion

302 MOTION REP. SCHOON moved to adopt the amendments HB 2058-10 to HB 2058.

NO DISCUSSION

306 ORDER There being no objection, CHAIR JONES so ordered.

308 MOTION REP. SCHOON moved HB 2058 as amended to the House Floor with a do-pass recommendation.

DISCUSSION

304 JIM MANARY gave members further information on the cancellation of taxes by the DOR, which he said generally applies

These minutes paraphrase and/or summarize statements made during this meeting. Text enclosed in quotation marks reports the speaker's exact words. For complete context of proceedings, please refer to the tape recording.

House Committee on

Revenue and School Finance

March 22, 1993 Page 9

to taxes under \$25.

341 VOTE The motion passed 12-0. Ayes:

REPS. BURTON, CARTER, FEDERICI,  
GIROD, SHIBLEY, WALDEN, WHITTY,  
ADAMS, BRIAN, SCHOON, and CHAIR  
JONES.

360 ? CHAIR JONES conducted administrative business.

410 CHAIR JONES adjourned the meeting at 10:29.

Paula K. McBride, Committee Assistant

Kimberly Taylor, Office Manager

#### EXHIBIT SUMMARY

1. Revenue Analysis of Proposed Legislation, HB 2826, Steve Meyer, Legislative Revenue Office.

2. Fiscal Analysis of Proposed Legislation, HB 2826, Roz Shirack, Legislative Fiscal Office.

3. Revenue Analysis of Proposed Legislation, SB 270, Dick Yates, Legislative Revenue Office.

4. Fiscal Analysis of Proposed Legislation, SB 270, Roz Shirack, Legislative Fiscal Office.

5. Staff Summary Analysis, SB 270, Dick Yates, Legislative Revenue Office.

6. HB 2058-10, Dick Yates, Legislative Revenue Office.

7. HB 2058: Summary of Subcommittee Actions, Dick Yates, Legislative Revenue Office.
8. HB 2058 Revenue Impact (thousands of dollars), Dick Yates, Legislative Revenue Office.
9. Revenue Analysis of Proposed Legislation, HB 2058-10, Dick Yates, Legislative Revenue Office.
10. Fiscal Analysis of Proposed Legislation, HB 2058/HB 2058-10, Roz Shirack, Legislative Fiscal Office.
11. Staff Measure Summary, HB 2058-10, Dick Yates, Legislative Revenue Office.

These minutes paraphrase and/or summarize statements made during this meeting. Text enclosed in quotation marks reports the speaker's exact words. For complete context of proceedings, please refer to the tape recording.