

Tapes 8-9 (A/B) Tape 10 (A) Orientation/Income Tax HOUSE COMMITTEE ON REVENUE AND SCHOOL FINANCE

January 17 1991 8:00 AM Hearing Room A State Capitol Building

Members Present: Representative Delna Jones Chair Representative Carl Hosticka Vice-Chair Representative Mike Burton (excused 8:01-8:15, arrived 8:15) Representative Kelly Clark Representative Bev Clarno (arrived 8:04) Representative Mike Nelson (arrived 8:08) Representative Fred Parkinson Representative John Schoon Representative Jim Whitty (arrived 8:10) Witnesses Present: Jim Brown Department of Revenue Staff Present: Jim Scherzinger Legislative Revenue Officer Richard Yates Legislative Revenue Office Linda Leach Committee Assistant TAPE 8 SIDE A

005 CHAIR JONES called the meeting to order at 8:01 and conducted administration business. 013 JIM SCHERZINGER referred to a letter to Attorney General Dave Frohnmayer from Speaker of the House Larry Campbell regarding questions relating to Ballot Measure 5. Exhibit 1 030 Questions and discussion regarding effective dates of an act without an emergency clause. INCOME TAXATION - PERSONAL INCOME TAX 079 DICK YATES continued his review of Oregon's personal income tax system from the January 16 1991 meeting. 096 DICK YATES reviewed 1988 Full-Year Returns - Federal Adjusted Gross Income (FAGI). Exhibit 2 page 2 160 DICK YATES reviewed 1988 Full-Year Returns - FAGI TO OAGI (Oregon Adjusted Gross Income). Exhibit 2, page 3 170 Questions and discussion. 237 CHAIR JONES discussed income averaging.

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251 DICK YATES continued with review of subtractions. Exhibit 2, page 3 280 DICK YATES reviewed 1988 Full Year Returns - OAGI To Tax Due which moves from Oregon adjusted gross income to the amount of tax actually owed. Exhibit 2-page 4 340 DICK YATES explained Table A which lists income and tax for all full year returns in Oregon and leads into the area of distribution. Exhibit 2-page 5 TAPE 9 SIDE A 005 Questions and discussion regarding page 5. Exhibit 2 055 DICK YATES provided an example of tax treatment of a negative adjusted gross income. 095 DICK YATES reviewed Table B which lists the average income and tax for all full year returns in Oregon. Exhibit 2-page 6 141 DICK YATES pointed out a chart entitled Personal Income Tax Progressivity. He explained an amount of taxes paid relative to an income level is an "economist" definition of progressivity. He explained a proportional tax structure and deviations from that structure. Exhibit 2, page 7 209 DICK YATES noted that Oregon's income tax system would be considered progressive (economist definition). 220 DICK YATES reviewed Table D which shows sources of adjusted gross income for all full year returns in Oregon. He noted distribution was also provided. Exhibit 2, page 8 250 Questions and discussion regarding pension benefits. 270 DICK YATES continued with Table D. Exhibit 2 330 Questions and discussion. TAPE 8 SIDE B 010 DICK YATES explained a chart entitled Personal Income Tax - Source of Income which shows percent of total income sources. Exhibit 2, page 9 055 Questions and discussion regarding an income level in relation to a requirement to file a tax return. 060 DICK YATES concluded his presentation for full year residents.

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061 CHAIR JONES recessed the meeting at 9:03 and reconvened the meeting at 9:15 and conducted administrative business. 087 DICK YATES began discussion on part year returns and reviewed an illustration for Part Year and Nonresident Taxpayers. He provided definitions for part year resident and nonresident. Exhibit 2, page 10 172 Questions and discussion regarding nonresident retirees. 182 Questions and discussion regarding methods for tracking income of nonresidents. 233 Questions and discussion regarding adjusted gross income calculation on page 1. Exhibit 2 276 DICK YATES continued with illustration on page 10. Exhibit 2 391 Questions and discussion regarding definition of nonresident and part year resident in relationship to tax withholdings. TAPE 9 SIDE B 001 DICK YATES provided an example of tax withholding using the film making industry. 026 JIM BROWN commented on a issue of past legislative sessions to attract the movie industry to Oregon and provide an easy method to comply with nonresident requirements. He noted the issue was not limited to the movie industry. He explained a simple process which was developed which established a percentage of withholding. 055 Questions and discussion between committee members and Jim Brown. 092 REP. SCHOON pointed out a rule in Washington with regard to tax calculations. 103 REP. WHITTY questioned a method needed to track PERS retirees who do not reside in Oregon and a need to withhold taxes at the retirement income source. 111 DICK YATES discussed other state's tax credits, double taxation, collection of back taxes and individuals with income from two states. 150 Questions and discussion. 174 DICK YATES pointed out that tracking of private pensions was more difficult for nonresident individuals. 188 Questions and discussion regarding source of pension and a California law.

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. House Committee on Revenue and School Finance January 17, 1991 Page 4 237 CHAIR JONES noted a subcommittee will be formed for retirement tax equity. 248 JIM BROWN noted enforcement procedures for nonresident income tax filing. 256 Questions and discussion. 300 DICK YATES reviewed Table A which lists income and tax for all returns in Oregon by county. He noted totals for part year and nonresidents. Exhibit 2-page 11 344 DICK YATES referred to Summary of State Personal Income Tax Rates. Exhibit 2-page 12 360 Questions and discussion. TAPE 10 SIDE A 002 DICK YATES pointed out the "sawtooth" effect in the chart on page 13 reflected the 2% kicker. Exhibit 2 018 DICK YATES pointed out Personal Income Tax History. Exhibit 2, page 14 INCOME TAXES - CORPORATE 025 DICK YATES reviewed a research report entitled Taxes on Corporate Income and noted that there are many ways of taxing business activities in Oregon. Exhibit 3 036 DICK YATES discussed value added tax and gross receipts tax. Exhibit 3 050 Questions and discussion. 067 DICK YATES explained two types of Oregon corporations. A regular corporation pays out earnings in dividends and is taxable as a corporation and is referred to as a "C" corporation. He explained that special "S" Corporations are allowed to be taxed like a partnership. Exhibit 3, page 3 090 Questions and discussion. 100 DICK YATES continued with his review of corporations and pointed out a chart entitled 1987 Corporation Tax Returns. Exhibit 3, page 3 141 Questions and discussion regarding charts on page 3 and 4. Exhibit 3 176 DICK

YATES continued his review of a chart on page 3. Exhibit 3

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Linda Leach, Committee Assistant

Kim Taylor, Office Manager EXHIBIT SUMMARY 1. Questions from Speaker Campbell to Attorney General Dave Frohnmayer, 12/11/90 - Orientation 2. Personal Income Tax Packet, LRO, 1/15/91 - Orientation 3. Research Report, Taxes on Corporate Income, LRO, 9/6/90 Orientation

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