

March 20, 1991 8:00 AM Hearing Room A State Capitol Building

Members Present: Representative Delna Jones, Chair Representative Carl Hosticka, Vice-Chair Representative Mike Burton Representative Kelly Clark Representative Bev Clarno Representative Mike Nelson Representative Fred Parkinson Representative John Schoon Representative Jim Whitty Staff Present: Dick Yates, Legislative Revenue Office Linda Leach, Committee Assistant Witnesses Present: Representative Sam Dominy-District 44 Representative Bill Dwyer-District 42 Byron Schriever, Oregon National Guard Jim Brown, Department of Revenue (DOR) Dan Lavey (Senator John Brenneman-District 2) Kristina McNitt (Rep. Randy Miller-District 24) TAPE 129 SIDE A 005 CHAIR JONES called the meeting to order at 8:07 as a subcommittee until a quorum was reached at 8:08 and conducted administrative business. PUBLIC HEARING HB 253 1 015 DICK YATES explained the purpose for HB 2531 in regards to an income tax filing date and extension requirements. He explained a tie to Federal law. 030 REP. DOMINY testified in support of HB 2531, explaining differences between HB 2531 and Federal Codes regarding the 180 day extension to file an income tax return. 049 REP. DWYER clarified that HB 2531 allows 180 days to file after returning to the U.S. from Desert Storm. - 067 Questions and discussion regarding extensions.

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 March 20, 1991 Page 2 079 REP. DOMINY noted that widows and survivors should be included within exemption qualifications. 084 REP. PARKINSON questioned if there would be objections to amending HB 253 1 to make consistent with federal law. 098 REP. DOMINY noted he would not object to amendments, pointing out that wounded would need time to file after they return to the U.S. 100 CHAIR JONES clarified the language in HB 2531 regarding the 180 days extension does not specify returning to Oregon. 109 BYRON SCHRIEVER noted the military is in favor of giving support to the Oregon National Guard involved in Desert Storm. 117 Questions and discussion regarding the language of HB 2531. 162 REP. PARKINSON questioned if HB 2531 could be drafted to conform with Federal Law regarding extensions. 163 DICK YATES explained that HB 2622 includes portions of Federal Code and incorporates into Oregon law. 165 CHAIR JONES clarified the need for a change in Oregon Statutes regarding extensions. - 170 JIM BROWN noted a copy of DOR administrative rules and a matrix comparing Oregon and Federal treatments of military personnel in combat zones. Exhibits 1 and 2 175 JIM BROWN explained Public Law 102-2, which recently passed, affects items in HB 2531 and HB 2622. 205 JIM BROWN discussed DOR authority to waive penalty and interest charges. 221 JIM BROWN explained the change in Public Law extending relief for those hospitalized and suggested provisions of the administrative rule be adopted into statutes to create consistent treatment. 237 REP. SCHOON commented that the administrative rule simply extends the amount of time to file but taxes must be paid on income earned while serving in Desert Storm. 241 JIM BROWN responded that there is a combat pay exclusion under Federal Law. Exhibit 1, page 1 256 REP. SCHOON commented that specific periods of time might need to be considered.

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259 JIM BROWN explained problems regarding tax returns and the exclusion of combat pay due to the combat zone not being declared until January. 260 CHAIR JONES questioned-the exemption of pay (in terms of income tax requirements) in relation to Federal Codes. 278 JIM BROWN responded that HB 2531 and HB 2622 parallel most Internal Revenue Codes (IRC) and suggested having a specific tie to IRC Section 750 8. 290 Questions and discussion regarding Federal Codes. 320 JIM BROWN discussed provisions in Oregon law that provide relief for military personnel. Exhibit 2, page 3 338 Questions and discussion regarding military exclusions. 460 CHAIR JONES summarized the concensus of the committee as having DOR provide similar language regarding the current Federal exclusion and to exempt 1990 pay received in combat zone. 470 REP. SCHOON suggested including the Reserves in the exclusion that the National Guard receives for the first year being activated or discharged. 481 CHAIR JONES clarified the technicality of what unit (when called to combat) should not be an issue. 492 JIM BROWN suggested an exclusion for anyone activated, noting the question then would be whether to include people serving in other locations and provided an example. TAPE 130 SIDE A 001 JIM BROWN continued with his example of exclusion for those serving in other locations. 023 Questions and discussion regarding exclusions. 031 CHAIR JONES clarified the exclusion would be for active duty, regardless of location or unit. 042 REP. SCHOON expressed concern regarding extensions for those serving outside combat zone. 048 CHAIR JONES clarified HB 2531 allows 180 days extension after the return from active duty. 058 REP. PARKINSON suggested to "mirror" Oregon policy to Federal Codes.

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 March 20, 1991 Page 4 064 JIM BROWN clarified Public Law 102-2 recently passed and DOR has not had the opportunity to modify, noting change can be made to make consistent with Federal Code. PUBLIC HEARING HB 262 2 082 KRISTINA MC NITT testified in support of HB 2622 for Rep. Miller and pointed out that appropriate recognition for all Oregonians is in HB 2622. Noted Rep. Miller is favorable to HB 2622-1 amendments. Exhibit 9 b88 DICK YATES explained amendments to HB 2622-1 remove Section 112 , from Federal Code and copy it into Oregon law, making combat pay nontaxable. Exhibit 9 109 DAN LAVEY commented that Sen. Brenneman wanted to make sure the military pay exemption issue was addressed. 124 DICK YATES clarified military pay is already excluded under Oregon law. 135 Questions and discussion regarding HB 2622. PUBLIC HEARING HB 2715 170 DICK YATES explained HB 2715 addresses the double taxation of individual retirement accounts and provided an example. 200 ACTING CHAIR HOSTICKA noted that HB 2715 was drafted at the request of Edna Walker. 207 Questions and discussion regarding pension distribution. 224 REP. SCHOON noted if a credit is allowed it should be tied to the distribution. 227 ACTING CHAIR HOSTICKA concurred with Rep. Schoon, noting that a credit is currently received whether or not money is withdrawn. 232 JIM BROWN presented his interpretation of Section 3, HB 2715, commenting that the credit is first allowable in the year that the initial distribution is received. 250 Questions and discussion regarding Section 3 of HB 2715. 268 JIM BROWN described Section 3 of HB 2715 as a retroactive correction. 274 Questions and discussion on

Oregon Tax Codes regarding amended returns for credit.

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Transcribed by: Marlene Stickley

Linda Leach, Committee Assistant Kimberly Taylor, Office Manager EXHIBIT SUMMARY 1. Administrative Rules, DOR, 3/20/91 - HB 2531 2. Matrix, DOR, 3/20/91 - HB 2531 3. Fiscal Analysis, LFO, 3/18/91 - HB 2531 4. Issues for Operation Desert Storm, LRO, 3/20/91 - HB 2622 5. Fiscal Impact, LFO, 3/14/91 - HB 2622 6. States Taxation of IRA and KEOGH Plans, DOR, 3/20/91 - HB 2715 7. How HB 2715 Works, LRO, 3/20/91 - HB 2715 8. Fiscal Analysis, LFO, 3/18/91 - HB 2715 9. Proposed Amendments to HB 2622-1, Sen. Brenneman, 3/19/91 - HB 2622 .. 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.