

Tapes 14(A/B), 15(A)
Public Hearing HB
234 4,
HB 2345,HB 3058,HB 3057

HOUSE COMMITTEE ON REVENUE AND SCHOOL FINANCE
SUBCOMMITTEE ON INCOME TAXATION

March 27, 1991 8:00 am Hearing Room A State Capitol Building

Members Present: Representative John Schoon, Chair
Representative Mike Burton
Representative Bev Clarno
Representative Delna Jones
Representative Mike Nelson

Witnesses: Barbara Clark, Elected Auditor, City of Portland
Jerry Fisher, Oregon Public Affairs Manager,
Hewlett-Packard Company
Lori Siepelmeyer, State and Local Tax Manager,
Tektronix, Inc.
Terry Taylor, Tax Director, Mentor Graphics Corp.
Gary Carlson, Associated Oregon Industries (AOI)
Brian Peterson, Vice-Chair, International Tax
Committee of the Pacific Northwest
International Trade Association (PNITA)
Jim Brown, Department of Revenue (DOR)
Staff: Dick Yates, Legislative Revenue Office
Marlene Stickley, Committee Assistant

TAPE 14. SIDE A

005 CHAIR SCHOON called the meeting to order at 8:15 and conducted administrative business.
013 BARBARA CLARK read prepared testimony supporting HB 2352 and summarizing the study of PERS retirees. Exhibits 1 and 2
030 BARBARA CLARK directed the committee to the disposable income charts and explained the gap between wages and spendable income. Exhibit 2, page 41
040 BARBARA CLARK continued with prepared testimony. Exhibit 1
OS1 Questions and discussion regarding PERS study. Exhibit 2

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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.
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092 REP. SCHOON questioned the statutory language regarding benefits of non-PERS.
104 BARBARA CLARK explained an equal benefits provision was added to ensure that all retirees received adequate benefits.
PUBLIC HEARING HB 2344, 2345, 3057,
305 8
130 JERRY FISHER read prepared testimony supporting HB 3057 and mentioned report Why Oregon Should Repeal the Throwback Rule. Exhibits ,3 and 4
184 JERRY FISHER continued with prepared testimony. Exhibit 3
223 REP. CLARNO questioned how long the throwback rule has been in effect.
225 LORI SIEPELMAYER clarified that Oregon has used the throwback rule since the adoption of the Uniform Division of Income For Tax Purposes Act (UDITPA) for apportioning income.
230 REP. SCHOON questioned history of the throwback rule.

240 LORI SIEPELMEYER explained the throwback rule policy was started because taxing authorities wanted to avoid the idea of "nowhere income".
255 TERRY TAYLOR described the evolution of apportionment rules, noting most states have slowly modified their apportionment formulas to attract economic activity into their jurisdictions.
260 Questions and discussion regarding the affects of HB 3057.
294 LORI SIEPELMEYER discussed the throwback rule as it relates to double taxation.
319 Questions and discussion regarding tax uniformity.
326 LORI SIEPELMEYER defined the UDITPA as a model act to achieve uniformity among states, which included a throwback rule. The MultiState Tax Commission (MTC) adopted the UDITPA formula for apportionment. States that became members of MTC were not obligated to adopt the formula, therefore many states picked and collected among the different provisions to suit their own needs.
360 Questions and discussion regarding sales factors.
374 GARY CARLSON explained how nexus is established in a state.
400 Questions and discussion regarding Oregon sales taxation compared to other states.

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TAPE 15, SIDE A

001 Questions and discussion continued regarding Oregon sales taxation compared to other states.
009 LORI SIEPELMEYER provided an example of Washington state sales taxation, noting an exemption for export sales.
036 REP. CLARNO questioned port states in relation to export sales.
040 LORI SIEPELMEYER explained the relation of the throwback rule to port states and mentioned states without throwback rule. Exhibit 4, page 6
065 REP. NELSON questioned the revenue impact if the throwback rule is repealed.
067 JERRY FISHER clarified there would be a loss of revenue to the state, but the loss would be difficult to determine because of the variance in tax filings. From an economic development standpoint it could be considered as an opportunity to bring in more revenue.
080 JERRY FISHER described competitiveness as an important issue to be considered.
089 Questions and discussion regarding competitiveness.
099 JERRY FISHER noted that Oregon would appear as a good place to do business if the throwback rule were repealed.
100 Questions and discussion regarding economic development.
140 GARY CARLSON testified in support of HB 3057 and discussed double weighted sales in relation to the throwback rule.
178 BRIAN PETERSON attested support of the throwback rule regarding export sales.
216 REP. SCHOON questioned the modified unitary tax.
218 BRIAN PETERSON explained the unitary tax was a method used by a state to tax its share of the worldwide income of a unitary group.
230 BRIAN PETERSON explained repealing the throwback rule gives the message that Oregon wants international business, therefore making Oregon more competitive.
244 JIM BROWN illustrated the apportionment formula in Oregon Statutes. Exhibit 5, page 1

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280 JIM BROWN explained a federal law limiting jurisdiction of a state to tax corporations on the amount of business in a state and mentioned the purpose of HB 3057 is to eliminate "nowhere" sales.

325 JIM BROWN discussed jurisdiction and provided an example, noting the allocation of sales as a problem.

358 JIM BROWN presented Eliminatina Throwback Sales examples. Exhibit 6, page 1

TAPE 14, SIDE B

001 JIM BROWN continued with Eliminating Throwback Sales examples. Exhibit 6, page 2

014 JIM BROWN illustrated taxation of sales thrown back to Oregon. Exhibit 5, page 2

036 Questions and discussion regarding DOR requirements in relation to throwback sales.

058 DICK YATES pointed out the throwback rule and treatment of U.S. Government sales report and summary sheet. Exhibits 7 and 8

067 DICK YATES discussed U.S. Government sales and application of the destination rule.

100 DICK YATES estimated the cost of all throwback sales as addressed in HB 305 7.

110 Questions and discussion interspersed regarding throwback sales.

159 JERRY FISHER proposed that DOR provide a list of corporations to gather data regarding sales.

175 BRIAN PETERSON felt more data is needed to determine the revenue impact especially regarding the question of which portion of the throwback rule to delete.

192 TERRY TAYLOR explained the solicitation of sales and provided an example of Government sales being double taxed.

221 REP. SCHOON commented on secondary affects and revenue impact.

244 DICK YATES explained the "throwout" rule is an alternative to the throwback rule. Exhibit 7, page 4

267 CHAIR SCHOON conducted administrative business and adjourned the meeting at 9:30.

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Marlene Stickley, Committee Assistant

Kimberly Taylor, Office Manager

EXHIBIT SUMMARY

1. Testimony, Barbara Clark, 3/27/91 - HB 2352
2. A Review of Costs and Benefits, Barbara Clark, 11/90 - HB 2352
3. Testimony, Jerry Fisher, 3/27/91 - HB 3057
4. Why Oregon Should Repeal the Throwback Rule, Jerry Fisher,

3/27/91 - HB 3057

5. Illustration, Jim Brown, 3/27/91 - HB 3057

6. Eliminating Throwback Sales Examples, Jim Brown, 3/27/91 - HB
305 7

7. Exemption of sales factor memo, LRO, 3/27/91 - HB 3057

8. Apportionment formula, LRO, 3/27/91 - HB 3057

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