

Tapes36-37(A/B)
Work Session: HB 2164
HOUSE COMMITTEE ON REVENUE AND SCHOOL FI - NCE
SUBCOMMITTEE ON INCOME TAXATION

April 24, 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: Jim Brown, Department of Revenue (DOR)
Staff: Dick Yates, Legislative Revenue Office
Linda Leach, Committee Assistant

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005 CHAIR SCHOON called the meeting to order at 8:23 and conducted administrative business.

WORK SESSION HB 2164 - INVITED TESTIMONY

007 DICK YATES referred to proposed amendments to HB 2164. Exhibits 1, 3, 5, and 7-12

015 DICK YATES explained the (-5) proposed amendments to HB 2164 provide for indexing of the personal income tax brackets and drew attention to HB 216 4-5 for an explanation. Exhibits 1 and 2

034 DICK YATES discussed revenue impact in relation to (-5) proposed amendments with questions and discussion interspersed. Exhibit 2

048 DICK YATES explained why something occurs with unindexed brackets and provided an example of a progressive income tax structure, noting as income goes up the tax rate goes up. Exhibit 2

Questions and discussion followed regarding Exhibit 2.

100 CHAIR SCHOON commented on current inflation and income brackets being fairly low and suggested action this biennium.

Discussion among members regarding the importance of fairness.

170 CHAIR SCHOON expressed his preference to place the index in HB 2164 and make effective 1993-95 biennium.

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 ~ School Finance Subcommittee on Income Taxation April 24, 1991 Page 2

Discussion followed regarding tax indexing and the benefits.

190 DICK YATES explained a progressive income tax in Oregon would benefit everybody proportionately, but because Oregon is indexed so rapidly at the bottom and flat at the top the benefit of indexing occurs at the low income levels. Exhibit 2

210 REP. BURTON noted his support of the (-5) proposed amendments being incorporated with HB 2164. Exhibit 1

Discussion regarding the implementation date. Exhibit 1

246 DICK YATES noted concern for the first six months of 1990, if the effective date is deferred, but then the question is if you index these numbers for 1993, do you want to boost them all the way up from what they were in 1990, or do you want to start indexing in '93 based on '92 property, so you get a one year bump.

Questions and discussion followed regarding the projected loss in revenue for the 1993-95 biennium. Exhibit 2

258 CHAIR SCHOON suggested the indexing start in 1994 from the 1992 base. - Questions and discussion followed regarding committee procedure.

339 DICK YATES explained the payment of estimated taxes in relation to the

effective date of HB 2164-5 proposed amendments. Discussion followed.

Exhibit 2

369 CONSENSUS Chair Schoon noted consensus to adopt the HB 2164-5 proposed amendments with a change of date to 1992 on line 10, page 2. Exhibit 1

372 DICK YATES reviewed the proposed amendments to HB 2164-7 which tie Oregon to Federal limits on itemized deductions for high income taxpayers. Exhibit 3

430 DICK YATES provided an example of the HB 2164-7 proposed amendments. Exhibit 4

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001 DICK YATES continued with his example of the HB 2164-7 proposed amendments. Exhibit 4

Questions and discussion interspersed regarding Exhibit 4.

115 CONSENSUS Chair Schoon noted consensus to adopt the HB 2164-7 proposed amendments.

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116 DICK YATES referred to the HB 2164-8 proposed amendments, noting Oregon does not have a Generation Skipping Transfer Tax (GSTT). Discussed an exclusion on the Oregon return in relation to the GSTT. Exhibit 5, page 3, lines 11-14

163 DICK YATES explained tax law of 1989 in relation to estate tax and GSTT. Exhibit 6

200 DICK YATES referred to page 3, line 7, Subsection g of HB 2164-8 proposed amendments and explained. Exhibit 5

216 JIM BROWN explained differences between old and new law regarding federal elections in relation to inheritance tax and GSTT.

Questions and discussion followed regarding HB 2164-8 proposed amendments. Exhibit 5

306 CHAIR SCHOON felt the consensus to permit estates to deduct the expense from income even though the individual elected at the federal level to apply it to the GSTT, which Oregon does not have.

306 CONSENSUS Chair Schoon noted consensus to adopt the HB 2164-8 proposed amendments. Exhibit 5

319 DICK YATES pointed out that both HB 2164-9 and HB 2164-12 proposed amendments deal with the earned income credit (EIC) now having a health insurance exclusion. Discussed affects regarding federal elections in relation to health insurance, noting these amendments should have been combined. Exhibits 7 and 8

Questions and discussion followed.

410 CONSENSUS Chair Schoon noted consensus to adopt the HB 2164-9 proposed amendments. Exhibit 7

Discussion followed.

433 DICK YATES explained the HB 2164-12 proposed amendments also involve the floating tie to federal law with respect to the health insurance cost for self-employed. Exhibit 8

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001 DICK YATES continued explaining HB 2164-12 proposed amendments also involve the floating tie to federal law with respect to the health insurance cost for self-employed. Exhibit 8

Discussion followed regarding HB 2164-12 proposed amendments. Exhibit 8
031 CONSENSUS Chair Schoon noted consensus to adopt the HB 2164-12 proposed amendments. Exhibit 8

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034 DICK YATES mentioned the HB 2164-10 proposed amendments were requested by Oregon Society of CPAs. Exhibit 9

044 JIM BROWN discussed a loss corporation with loss carryforwards being merged with another corporation, noting HB 2164-10 proposed amendments allow that loss to be claimed. This amendment would make Oregon consistent with federal interpretation. Exhibit 9

059 CONSENSUS Chair Schoon noted consensus to adopt the HB 216410 proposed amendments. Exhibit 9

062 DICK YATES explained the HB 2164-11 proposed amendments modify Oregon's tax credit to include the Business and Occupations (B&O) tax as being eligible for that tax credit; discussed affects. Noted concern regarding C corporations being converted to S corporations. Exhibit 10

Questions and discussion followed regarding HB 2164-11 proposed amendments being considered as a separate bill. Exhibit 10

112 CHAIR SCHOON noted consensus not to adopt the HB 2164-11 proposed amendments, but rather consider them in a separate bill. Exhibit 10

136 DICK YATES explained the HB 2164-13 proposed amendments deal with involuntary conversions and lifetime exchanges being allowed nonrecognition of gain. Federal government allows gain, which would normally trigger a taxable event, to be deferred, noting the problem is when to recognize these gains. Current Oregon statute and DOR rules were not consistent; when gain occurs at different times, Oregon does not want to tax twice. Provided example. Exhibit 11, pages 3-5

Questions and discussion followed regarding jurisdiction to tax.

228 DICK YATES read HB 2164-13 proposed amendments regarding Oregon jurisdiction. Exhibit 11, pages 5 and 6

Questions and discussion followed regarding deferral of gain. Exhibit 11, page 6

320 REP. BURTON pointed out that line 3 should say "or" and provided an example. Exhibit 11, page 6

359 JIM BROWN provided an example of gain deferral taxation with questions and discussion interspersed.

386 JIM BROWN explained the variation between current law and Attorney General advice to DOR regarding exchanges and involuntary conversions; discussed Oregon jurisdiction to tax.

410 JIM BROWN suggested a period after "State of Oregon" and deleting the rest of the sentence, clarifying this change would make the law consistent with advice received from the Attorney General. Exhibit 11, page 5, line 27

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Questions and discussion followed regarding HB 2164-13 language. Exhibit 11, pages 5 and 6

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Questions and discussion continued regarding HB 2164-13 language. Exhibit 11, pages 5 and 6

005 DICK YATES continued with his explanation of the HB 216413 proposed amendments regarding the recognition of gain and the prevention of double taxation. Exhibit 11, page 6, Subsection 4

030 CHAIR SCHOON conducted administrative business, noting final action to delay HB 2164-13 proposed amendments. Exhibit 11
Discussion among members regarding committee procedure.

063 JIM BROWN deliberated the need to have ORS 314.295 modified to coincide with Internal Revenue Code (IRC) Section 482. Exhibit 12

Questions and discussion followed regarding language of the proposed amendments. Exhibit 12

140 JIM BROWN described this as an extraordinary remedy that would be used in extreme circumstances and would not commonly be used by DOR. Exhibit 12

Questions and discussion continued regarding the proposed amendments. Exhibit 12

165 CHAIR SCHOON summarized discussion regarding the use of DOR proposed amendments. Exhibit 12

168 CONSENSUS Chair Schoon noted no objection to adopt DOR proposed amendments. Exhibit 12

Discussion regarding HB 2164 issues from previous meetings. Exhibits 13, 14 and 15

337 CHAIR SCHOON conducted administrative business and adjourned the meeting at 10:10.

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Transcribed by: Marlene Stickley

Linda Leach, Committee Assistant

Kimberly Taylor, Office Manager

EXHIBIT SUMMARY

1. Proposed Amendments to HB 2164-5, 4/19/91, LRO - HB 2164
2. HB 2164-5, 4/24/91, LRO - HB 2164
3. Proposed Amendments to HB 2164-7, 4/22/91, LRO - HB 2164
4. HB 2164-7, 4/24/91, LRO - HB 2164
5. Proposed Amendments to HB 2164-8, 4/22/91, LRO - HB 2164
6. Tax Law of 1989, 4/24/91, LRO - HB 2164
7. Proposed Amendments to HB 2164-9, 4/22/91, LRO - HB 2164
8. Proposed Amendments to HB 2164-12, 4/22/91, LRO - HB 2164
9. Proposed Amendments to HB 2164-10, 4/22/91, LRO - HB 2164
10. Proposed Amendments to HB 2164-11, 4/22/91, LRO - HB 2164
11. Proposed Amendments to HB 2164-13, 4/23/91, LRO - HB 2164

12. Proposed Amendments to HB 2164, 4/23/91, DOR - HB 2164
13. An Analysis of Changes, Oregon Society of Certified Public Accountants (OSCPA), 4/16/91 (See Exhibit 2 from 4/16/91 Income Meeting) - HB 2164
14. OSCPAs 1989 OBRA statistics, LRO, 4/16/91 (See Exhibit 4 from 4/16/91 Income Meeting) - HB 2164
15. OSCPAs 1990 OBRA statistics, LRO, 4/16/91 (See Exhibit 5 from 4/16/91 Income Meeting) - HB 2164

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