

Tapes 186-187, (A\B)
Public Hearing: HB 2164A
Work Session: HB 2164A, SB 814
SENATE COMMITTEE ON REVENUE AND SCHOOL FINANCE

June 6, 1991 1:00 PM Hearing Room A State Capitol Building

Members Present: Senator Jane Cease, Chair
Senator Joan Dukes, Vice Chair (excused 2:05 - 2:32)
Senator John Brenneman (arrived 1:50)
Senator Shirley Gold
Senator Ron Grensky (arrived 1:45)
Senator Bill McCoy
Senator Tricia Smith (arrived 1:55)
Staff Present: Jim Scherzinger, Legislative Revenue Officer
Steve Bender, Legislative Revenue Office
Dick Yates, Legislative Revenue Office
Mary Ann Zimmermann, Committee Assistant
Witnesses Present: Leonard Powers, Oregon Society of Certified Public
Accountants (OSCPA)
Jim Brown, Department of Revenue (DOR)

TAPE 186 SIDE A

005 CHAIR CEASE called the meeting to order at 1:20 and conducted administrative business.

WORK SESSION - SB

814

010 CHAIR CEASE explained the portion of SB 814 dealing with the Western Oregon Severance Tax (WOST) leveling fund was not addressed.

018 CONSENSUS CHAIR CEASE noted no objection to reconsider SB 814.

023 JIM SCHERZINGER presented SB 814-15 amendments which contain two additional issues to be considered by the committee. EXHIBIT 1

028 JIM SCHERZINGER pointed out a change on Page 6, Lines 16-17 which incorporates the high mobility and migrant language into the bill.

035 STEVE BENDER explained Sections 33 and 34 were added on Page 31, Line 26, of SB 814-15 which distributes the WOST "set aside account" for the 199 2-93 school year. EXHIBIT 1

049 JIM SCHERZINGER noted a correction on Page 7, Line 14 the "F" needs to be changed to "G". EXHIBIT 1

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Senate Committee on
Revenue and School Finance

June 6, 1991 Page 2

060 CONSENSUS CHAIR CEASE noted no objection to adopt the corrections to SB 814 -15. EXHIBIT 1

062 MOTION SEN. MCCOY moved SB 814 as further amended to the Senate floor with a do pass recommendation.

069 VOTE In a roll call vote the motion passed (4-0). AYES:
Senators Gold, McCoy, Dukes, Cease. Senators Grensky,
Smith, Brenneman were excused. (Senator Grensky, Smith
and Brenneman cast aye votes later in the meeting. See
Tape 187, Side B, Meter #105 changing the vote (7-0)

072 CHAIR CEASE conducted administrative business.

PUBLIC HEARING HB 2164A

090 DICK YATES presented and explained a descriptive list of the Sections in HB 2164A to use as a key during the committee's address of the bill.
EXHIBIT 2

142 CHAIR CEASE questioned the indexing portion of HB 2164A.
155 DICK YATES presented a document explaining the indexing in HB 2164A
which index the personal income tax brackets beginning in 1993. EXHIBIT 3
177 Discussion continues regarding EXHIBIT 3.
217 LEONARD POWERS presented a book on the analysis of changes resulting
from the Revenue Reconailiation Act of 1989, The Medicare Catastrophic
Coverage Repeal Act of 1989, and The Revenue Reconciliation Acto of 1990.
EXHIBIT 4
240 LEONARD POWERS explained the code system in EXHIBIT 4, Page 4 regarding
the standard recommendations from The State and Local Taxation Committee
and the Oregon Society of Certified Public Accountants. It was clarified
that the focus of the book is on the calculation of taxable income.
261 DICK YATES presented the revenue impact of the various sections of
EXHIBIT 4. EXHIBIT 5
260 JIM BROWN explained the date correction in Section 1 of HB 2164A.
286 LEONARD POWERS referred to Page 9-13, EXHIBIT 4 and presented an
explanation of the recommendations of the general business provisions.
309 JIM BROWN explained a change in HB 2164A on Page 15, Section 7g
regarding the sunset of the allowance of the 25 percent medical deduction
for self employed people.
383 LEONARD explained the corporate provisions with an explanation of Pages
14-22. EXHIBIT 4

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Senate Com mitte on
Revenue and School Finance
June 6, 1991 Page 3
TAPE 187 SIDE A

000 LEONARD POWERS continued addressing the corporate provisions with
reference to Page 18, EXHIBIT 4.
060 LEONARD POWERS discussed the estimated tax and information returns
beginning on Page 23 through Page 26 of EXHIBIT 4.
087 LEONARD POWERS explained consolidated returns with reference to Pages
27-29 of EXHIBIT 4.
122 JIM BROWN explained Section 14, Page 20 in HB 2164A deals with the same
issue on Page 27, EXHIBIT 4.
125 LEONARD POWERS continued addressing consolidated returns with reference
to recapture of excess loss account. Page 27, EXHIBIT 4
161 LEONARD POWERS discussed tax credits as depicted on Page 30 of EXHIBIT
4.
172 JIM BROWN referred to Page 19-20 of HB 2164A in which the
recommendation for tax credits is provided as suggested on Page 30 of
EXHIBIT 4.
177 LEONARD POWERS explained the exchange tax provisions as depicted on
Pages 31-34 of EXHIBIT 4. The recommendation of the modified language was
addressed.
227 JIM BROWN presented Section 16a, Page 21 and Section 7d, Page 10 in HB
216 4A explaining how HB 2164A~addresses the issue of limitation on the use
of like-kind exchanges to defer taxable income when the recipient of the
property is related to the transferor of the property and the recipient
disposes of the property. Discussion and questions are interspersed.
348 CHAIR CEASE presented a letter from Robert Shatzen. EXHIBIT 9
377 Discussion follows regarding revision of tax revisions.
382 LEONARD POWERS addressed employee stock ownership plan (ESOP)
provisions as presented on Pages 35-38 of EXHIBIT 4.
434 DICK YATES pointed out the high revenue impact in Section G of the ESOP
provisions. EXHIBIT 5

TAPE 186 SIDE

B

030 LEONARD POWERS continued addressing the ESOP provisions on Page 37 of EXHIBIT 4.

056 LEONARD POWERS explained the estate tax provisions in Section H of EXHIBIT 4, Pages 39.

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Senate Committee on

Revenue and School Finance

June 6, 1991 Page 4

076 JIM BROWN addressed the recommendation for the estate tax provision is in Section 7b, Page 11, Lines 19-21 of HB 2164A.

088 LEONARD POWERS discussed the recommendations for employee benefits and retirement plan provisions in Section I, Pages 40-41, EXHIBIT 4.

107 DICK YATES referred to the revenue impact of Section I. EXHIBIT 5

111 LEONARD POWERS continued explaining the recommendation on Page 41 of EXHIBIT 4.

136 LEONARD POWERS addressed the recommendations for tax-exempt bonds in Section J on Pages 43-46 in EXHIBIT 4.

163 LEONARD POWERS discussed Section K, Pages 47-57 dealing with foreign income and foreign taxpayers. EXHIBIT 4

282 LEONARD POWERS focused on the unrelated business income from DISCs (Domestic International Sales Corporation) which is not provided by Oregon. It is recommended that a modification be made to provide for DISC distribution.

286 JIM BROWN explained in HB 2164A, Section 14a, Page 20 language has been included to provide language for DISCs as recommended by the CPA's .

295 LEONARD POWERS addressed Section L, Page 58 dealing with withholding tax provisions. EXHIBIT 4

312 JIM BROWN referred to the ORS 316.162 and ORS 316.197 and explained Oregon already has the Federal requirements in statute.

339 LEONARD POWERS discussed Section M, Page 59 dealing with penalty provisions.

345 JIM BROWN noted that the third item on Page 59 should have an "I" recommendation instead of a "C" because Oregon does tie to the Federal requirements for filing information returns on magnetic media. This change is amended in HB 2164A, Section 17, Page 22. EXHIBIT 4

353 SEN. SMITH commented on addressing the portions of EXHIBIT 4 that apply to Oregon explaining there is little interest in the other portions of the report.

362 LEONARD POWERS addressed the recommendation for the authorization for preparer to disclose tax information for peer review under the penalty provisions in Section M, Page 60 of EXHIBIT 4.

389 LEONARD POWERS noted the information on Page 60, EXHIBIT 4 does not pertain to Oregon.

396 JIM BROWN explained the exception to the federal law for preparers to disclose tax information because it is already in Oregon law.

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Senate Committee on

Revenue and School Finance

June 6, 1991 Page 5

TAPE 187 SIDE B

003 LEONARD POWERS presented an explanation of the Revenue Act of 1990 on Page 67, EXHIBIT 4 with reference to the "I" recommendation for Oregon to conform with the federal change to reduce the deduction of certain itemized deductions for individuals.

016 DICK YATES recommended to revisit the issue of conforming with the federal change to reduce the deduction of certain itemized deductions for individuals.

019 LEONARD POWERS discussed the "I" recommendation on Page 68, EXHIBIT 4 dealing with the federal establishment of a health insurance credit of 6 percent of earned income.

026 DICK YATES referred to the recommendation in Sections 7d and 7g in HB 216 4A.

030 LEONARD POWERS addressed the Insurance Provisions on Pages 72-74. It was noted that Oregon has a system for taxing insurance companies.

037 LEONARD POWERS discussed the compliance provisions on Page 75, EXHIBIT 4.

043 LEONARD POWERS explained Section F, Page 78 and Section G, Page 84 have provisions that do not apply to Oregon. EXHIBIT 4

048 LEONARD POWERS presented the recommendation for miscellaneous provisions in Section H, Page 87-89. EXHIBIT 4

055 LEONARD POWERS addressed Section I, Pages 90-96 which do not apply to Oregon and are categorized with an "A" recommendation.

069 LEONARD POWERS noted Pages 97-107 have no impact for the state of Oregon. EXHIBIT 4

081 LEONARD POWERS discussed the technical corrections on Page 108, EXHIBIT 4 but there is no impact for the state of Oregon.

092 LEONARD POWERS commented that Oregon has been a leader in the collection of child support. EXHIBIT 4, Page 114

100 JIM BROWN noted Section 9b of HB 2164A deals with different treatment of the Oregon and Federal income tax statutes. Discussion follows regarding addressing the issues in HB 2164A during another meeting.

105 CONSENSUS CHAIR CEASE noted no objection to allow Sen. Grensky, Sen. Smith and Sen. Brenneman to be recorded as an aye vote on SB 814 with a do pass to the Senate floor. (See Tape 186, Side A, Meter #069 earlier in this meeting).

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Senate Committee on
Revenue and School Finance
June 6, 1991 Page 6

109 CHAIR CEASE conducted administrative business and adjourned the meeting 2:55.

Mary Ann Zimmermann, Committee Assistant

Kimberly Taylor, Office Manager
EXHIBIT SUMMARY

1. Proposed Amendments SB 814-15 (LC 2994), 6/6/91 - SB 814
2. Outline HB 2164A, LRO, 6/6/91 - HB 2164A
3. HB 2164A: Indexing, LRO, 6/6/91 - HB 2164A
4. An Analysis of Changes resulting from the: Revenue Reconciliation Act of 1989, Medicare Catastrophic Coverage Repeal Act of 1989, and Revenue Reconciliation Act of 1990, OSCPA, 6/6/91 - HB 2164A
5. OSCPA Revenue Impact, LRO, 6/6/91 - HB 2164A
6. Staff Measure Summary, LRO, 6/6/91 - HB 2164A

7. Revenue Analysis, LRO, 5/2/91 - HB 2164A
8. Fiscal Analysis, LFO, 5/2/91 - HB 2164A
9. Written Testimony, Robert Shatzen, 6/6/91 - HB 2164A

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