



CAPITOL COMMENTS

*State Legislative Bulletin of the
Oregon Bankers Association*

March 2, 2007

House and Senate leaders reach compromise on plan for Rainy Day Fund

Late Wednesday, House and Senate leaders agreed on a plan to establish a “rainy day” fund for Oregon, one of only a few states without a reserve fund. The target balance for the account will be capped at 7.5% of the General Fund and will initially be funded by the state instituting a one-time suspension of the 2005-2007 corporate kicker – estimated at \$250 million. In addition, the minimum corporate income tax has been increased from \$10 to a sliding scale of \$25 - \$50,000 based on how much a company sells in Oregon. This increase is projected to generate close to \$150 million in new revenue for the fund. Small businesses – those with \$5 million or less in Oregon sales - are exempt, however, and will collectively receive almost \$25 million in tax credits. In working out the compromise, the inheritance tax exemption has been increased from \$1 million to \$2 million.

In order to withdraw from the rainy day fund, a 3/5 vote in each chamber would be necessary, and no more than 2/3 of the account balance would be accessible in a single biennium. New bills to implement Wednesday's tax agreement are expected to move through the Legislature next week.

The fundamentals of this bi-partisan agreement were supported by many of the state’s leading business organizations, such as the Oregon Business Association, Associated Oregon Industries and the Portland Business Alliance.

Overview of Several Key Legislative Proposals Introduced to Date

SB 38 – This bill, proposed by the Housing Alliance of Oregon, is part of an agenda seeking \$100 million in funding for affordable housing. Up to an estimated \$60 million would be raised in this bill by an increase in the state-imposed fee for recording and filing documents from \$11 to \$26. In essence, it establishes a third fee for the recording and filing of documents in county deed and mortgage records. A hearing was held on February 26, with county clerks raising some concerns about the workability of the fee collection system this bill would require. The remainder of testimony on the bill was generally supportive. Negotiations on the fee amount may still be forthcoming. OBA will remain involved in these discussions.

SB 39 – This bill deals with a voluntary compliance initiative, withholding, and disclosure of tax information. First, the bill establishes reporting and registration requirements for persons who use certain “listed transactions,” or who serve as material advisors to those transactions, to underpay tax liability. The penalties associated with the transactions are enhanced. The bill also

establishes a voluntary compliance initiative, which would waive all penalties that would otherwise be imposed if a taxpayer filed an amended return listing all income and then paid all taxes in full with interest. Secondly, the bill would require mandatory withholding of income tax from distributions from employer-sponsored retirement plans. Lastly, the bill would allow the Department of Revenue to disclose certain information (name, address, SSN, TIN, amount of refund claimed, etc) from tax returns to local governments that have the necessary requirements for confidentiality.

A similar bill was introduced last session. The OBA has several significant concerns with the bill and continues to be involved in discussion and work on amendments.

SB 120 – Relates to enforcement of unlawful collection practices. This bill is scheduled to be heard on the Senate floor for its third reading on Monday, March 5. OBA has been working with other financial services lobbyists to have this bill sent back to the Senate Commerce committee for amendments relating to enforcement penalties.

SB 138 – This bill modifies the language regarding paper records in credit or debit card transactions. It states that no person shall create a receipt or record that contains more than a consumer's name and 5 digits of the consumer's credit or debit card number. OBA's concern relates to receipts retained by merchants from manual imprinters or other handwritten records. This can be particularly problematic for merchants with a small number of transactions or those that use merchant processing for occasional special events and don't have electronic processing equipment. . The bill has been heard in the Senate Commerce Committee, and at this time, a work session has not been scheduled. OBA is in favor of amendments that make an exception to truncated merchant records for the smaller merchants.

SB 150 – This bill would establish the Mezzanine Financing Fund, which would allow the Oregon Economic and Community Development Department (OECDD) to provide higher risk loans to Oregon businesses and creates partnership opportunities with banks. The OBA is supportive of the legislation.

SB 177 – This bill would adopt a Multistate Tax Commission uniformity provision stating that entities with a threshold level of property, payroll or sales in Oregon are deemed to have nexus with the state for income or excise tax purposes. Several states have adopted this proposal, and so far, seven states have had their courts declare it unconstitutional. Passage of this bill would have a major financial impact on corporations doing business here, many of which already have a significant presence and employ a number of Oregonians. OBA opposes this bill and believes it is in the state's interest to wait until court or federal legislative action clarifies the permissibility of such an approach to taxation. We remain involved in the discussions and expect a hearing shortly.

SB 178 - Deals with changing the definition of "single trade or business" to "unitary business" for corporate income and excise tax purposes. OBA is opposed to the ability to apply this change retroactively and is seeking amendments to remove that provision of the bill.

SB 180 - Modifies definition of "financial organization" for corporate excise and income tax purposes. OBA is opposed to the ability to apply this change retroactively and is seeking amendments to remove that provision of the bill.

SB 460 - This bill provides that unused gift cards become abandoned property. The OBA is drafting amendments that would exempt bank issued cards from this bill. Proponents of the bill have indicated their acceptance of our amendments. OBA will continue to monitor the activity of this bill.

SB 583 - A public hearing will be held on Friday, March 9 in Eugene for SB 583, which would require any business owners who maintain or otherwise possess an individual's personal information that is used in the course of business to notify the individual of a security breach. The bill also authorizes a consumer to put a security freeze on their consumer report. OBA has been involved in a workgroup on these data security and credit file freeze issues for the past 18 months. While the current draft of the bill is largely acceptable to the OBA, we still have a few significant concerns. OBA will be supporting amendments to this bill and attending the hearing on Friday.

SB 592 - As mentioned in the cover e-mail of the last *Capitol Comments* edition, the Credit Union Association has introduced their bill to amend the credit union statutes, which would:

- Remove the requirement that credit unions' donations to charities and political or community organizations be subject to rules of the Department of Consumer and Business Services (DCBS).
- Allow credit unions to sell negotiable checks (including traveler's checks), money orders and other money transfer instruments (including electronic funds transfers) to persons eligible for credit union membership under ORS 723.172, whether or not that person is actually a member of the credit union.
- Allow credit unions to cash checks and money orders and to send and receive electronic funds transfers for a fee to persons eligible for credit union membership under ORS 723.172, whether or not that person is actually a member of the credit union.
- Permit persons who are not members to be guarantors or co-obligors on a member's loan.

Moreover, if DCBS determines by rule that "most" of the credit union's members are "low income," the credit union could:

- Receive deposits from non-members and allow those non-members to hold shares.
- Issue secondary capital accounts that are subject to any terms and conditions established by the DCBS.

"Secondary capital account" means a deposit or share account that is not insured by the National Credit Union Share Insurance Fund or other primary insurer and is subordinate to all other claims against the credit union, including claims of creditors, owners of share accounts and the National Credit Union Share Insurance Fund.

Our chief concern with the bill thus far is the secondary capital accounts for "low income" credit unions. As of today, a public hearing has yet to be scheduled.

Additional Legislation Expected

Additional legislation is expected to surface regarding mandatory reporting of suspected elder financial abuse in Oregon. Thus far, Oregon banks have been very proactive in educating employees and local communities across the state under the state's voluntary reporting mechanism. OBA leadership met with Senator Devlin, who is introducing this legislation, and

communicated that the Association has been a recognized leader in preventing elder financial abuse for the past 12 years under the voluntary reporting system. We will continue to advocate that voluntary reporting is working effectively in Oregon.

At least 500 new bills are still in the process of being introduced are reviewed, so we expect to report on a number of other new measures in the coming weeks. Note four of the six bills introduced by the OBA are in this latest batch. We'll be reporting on the progress of these measures as well.

Check Out Bill TrackOR

Be sure to look up the aforementioned bills on Bill TrackOR to monitor their status. As new bills are introduced, they are uploaded to the system daily. Instructions for accessing the system are attached.

Spend a Day in Salem

Plan to join bankers from across the state who will gather at the state Capitol in Salem on Thursday, April 5, 2007. This event will provide a great opportunity for bankers to communicate with a unified voice to lawmakers about the leadership and service roles Oregon banks play in their communities. A registration form is attached. Take a moment to send it in today!

Thought for the Week

Truth is the glue that holds government together. Compromise is the oil that makes governments go.

- *Gerald R. Ford (1913-2006)*



2007 Political Contact Survey

Tell us who you know!

On difficult issues, elected officials respond best to constituents and friends. In order to tap our hidden reservoir of influence, the OBA must identify bankers who have personal and/or professional relationships with state and federal public officials.

Please take time to complete this form and return it to the OBA by fax (503-581-8714), email (ayoung@oregonbankers.com) or mail (OBA, PO Box13429, Salem, OR 97309).

Your name: _____

Bank: _____

Address: _____

Phone: _____ Email: _____

Please provide names of Oregon elected officials with whom you are acquainted. Check the appropriate boxes for your relationship to the individual:

Elected Official's Name: _____

- Friend Professional Acquaintance Contributor Campaign Worker
 Other _____

Elected Official's Name: _____

- Friend Professional Acquaintance Contributor Campaign Worker
 Other _____

Elected Official's Name: _____

- Friend Professional Acquaintance Contributor Campaign Worker
 Other _____

Additional Comments (business partner, relative, member of church, etc.):

*Please Join Your
Fellow Oregon Bankers For...*

BANKERS' DAY

At the Capitol

Thursday, April 5, 2007



Oregon bankers from across the state will gather at the State Capitol in Salem to engage in a dialogue with lawmakers about the important leadership and service roles Oregon banks play in their local communities, as well as the current policy issues facing the financial services industry. Don't miss this important advocacy event for the Oregon banking community!

Tentative Schedule at a Glance:

7:30 - 8:00 am	Check-In at the Capitol Room 50 (ground floor) - Coffee Served
8:00 - Noon	Overview of Schedule & Key Issues Comments from Legislative Leadership Observe Floor Session
Noon	Box Lunches Available
12:30 - 3:30 pm	Individual Meetings with Legislators (appointments made by OBA) Observe Committee Hearings as Schedule Permits
3:30 pm	Optional Tour of the Capitol
5:00 - 7:00 pm	Legislative Reception Salem Conference Center, 200 Commercial Street SE - 2 nd Level

REGISTRATION FORM (fax to OBA at 503-581-8714 or mail to OBA, PO Box 13429, Salem, OR 97309)

NAME _____ TITLE _____

BANK _____ EMAIL _____

ADDRESS _____ PHONE _____

The OBA will be making afternoon appointments with all available Oregon legislators.
Would you like to meet with any specific legislators on Bankers' Day?

Questions? Contact the OBA staff at 503-581-3522 or e-mail ayoung@oregonbankers.com



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