

SB 164 A STAFF MEASURE SUMMARY

Carrier: Rep. Nathanson

House Committee On Revenue**Action Date:** 06/16/21**Action:** Do Pass the A-Eng bill.**Vote:** 7-0-0-0**Yeas:** 7 - Levy, Marsh, Nathanson, Pham, Reschke, Smith G, Valderrama**Fiscal:** Fiscal impact issued**Revenue:** Has minimal revenue impact**Prepared By:** Kaitlyn Harger, Economist**Meeting Dates:** 6/14, 6/16**WHAT THE MEASURE DOES:**

Adjusts statute to accommodate fiscal year filing. Modifies language to exclude from commercial activity receipts from the transfer of new vehicles between franchised motor vehicle dealerships. Changes net revenue to receipts to conform language throughout statute. Exempts from commercial activity compensation of any consignee engaged in the sale of groceries on behalf of the owner of the groceries, to the extent that the compensation is related to groceries. Exempts from the CAT insurance companies that are subject to the retaliatory tax. Allows for the collection of estimated CAT from the lease of a vehicle. Changes filing deadline for business closures or sales to the 15th day of the fourth month of the taxpayer's tax year. Removes language to clarify tax administration penalties are not limited to penalties explicitly listed in statute. Applies to tax years beginning on or after January 1, 2021. Takes effect 91 days following adjournment sine die.

ISSUES DISCUSSED:

- Car transfers
- Pharmaceutical costs

EFFECT OF AMENDMENT:

No amendment.

BACKGROUND:

The 2019 Legislature passed the Student Success Act thereby creating the Corporate Activity Tax as a dedicated source of education funding. It is based on commercial activity in Oregon conducted by businesses. The tax is \$250 plus 0.57% on taxable commercial activity above \$1 million. Taxpayers are allowed a subtraction equal to 35 percent of the greater of input costs or labor costs. Some products, such as the wholesale and retail sale of groceries and motor fuel are exempt from the tax. General contractors building single-family residential homes are allowed a 15 percent exclusion of qualified labor payments made to subcontractors. The tax changes first take effect with tax year 2020.