## 2007 Regular Legislative Session FISCAL ANALYSIS OF PROPOSED LEGISLATION Prepared by the Oregon Legislative Fiscal Office

MEASURE NUMBER: HB 2031 STATUS: A-Engrossed

**SUBJECT:** Change in inheritance and corporate minimum tax structures; provide a one-time corporate

income tax credit.

Office Assistant 2 Data Entry Operator

**GOVERNMENT UNIT AFFECTED:** Department of Revenue

**PREPARED BY:** Adrienne Sexton **REVIEWED BY:** Dallas Weyand

**DATE:** March 6, 2007

		2007-2009	2009-2011
<b>EXPENDITURES – General Fund:</b>			
Personal Services	\$	375,620	\$ 370,395
Services and Supplies	\$	220,311	\$ 54,959
Capital Outlay	\$	22,297	\$ 17,863
Tota	al – General Fund \$	618,228	\$ 443,217
REVENUES:			
See Revenue Impact Report issued by Legi	slative Revenue Office		
POSITIONS / FTE:			
Tax Auditor 2		2/2	2/2
Revenue Agent		1 / .50	1 / .50
Office Specialist 2		1 / .40	1 / .40

1/.25

1 / .48

6/3.79

1/.24

1 / .48

6/3.73

**EFFECTIVE DATE:** 91 days after adjournment sine die.

**GOVERNOR'S BUDGET:** This bill is not anticipated by the Governor's recommended budget.

**LOCAL GOVERNMENT MANDATE:** This bill does not affect local governments' service levels or shared revenues sufficient to trigger Section 15, Article XI of the Oregon Constitution.

Total Positions / FTE

**COMMENTS:** The measure provides for three changes to the state's tax structure. First, taxes imposed on inheritance from decedents who die on or after January 1, 2007 would occur after the first \$2 million of the adjusted taxable estate. Second, the minimum tax structure for certain corporations would consist of several tiers beginning with the 2007 tax year. Third, the measure would provide for the same class of corporate taxpayer with Oregon sales of less than \$5 million, a one-time tax credit for the tax year that begins on or after January 1, 2007 and before January 1, 2008.

Notwithstanding the measure's effective date, the projected Department of Revenue expenditures in 2007-09 reflect the need for additional staff, the services and supplies and capital outlay associated with new positions, and additional computer programming to implement the initial program. For purposes of this fiscal statement sine die is assumed to be June 29. The department would not wait until 91 days after sine die to begin work to set up the data system, establish internal processes, and create tax return

documents. The department's estimates assume that tax information and materials would be available to the subject corporate taxpayers at the same time as 2007 personal tax return materials.

The Governor's recommended budget for the department did include funding for the agency to administer a corporate minimum tax program, however the 2007-09 budget for the department has not yet been established by the Legislative Assembly. The Legislative Fiscal Office (LFO) will monitor the progress of this measure so that appropriate adjustments are made when the Joint Committee on Ways and Means takes final action.

LFO notes that this bill, either in whole or in part, is subject to the referendum process. Any person can file a petition with the Secretary of State within 90 days of the legislature's adjournment sine die to refer the bill to the November 2008 general election ballot. Filing of a petition would freeze the effect of the bill until such time as one of the following occurs: 1) the petition with signatures is submitted to the Secretary of State and it is determined there are insufficient signatures to place the measure on the ballot; or 2) the measure is placed on the ballot and the election is certified 30 days after the election as having been ratified. If the measure were to be placed on the ballot, corporate tax returns for 2007, due April 15, 2008, would be filed under current law. If the measure were ratified, the department would need to implement a billing structure to collect the taxes due under HB 2031-A.