

REVENUE: Revenue Statement Issued

FISCAL: Fiscal Statement Issued

Action: Do pass as amended, be printed engrossed, and rescind subsequent referral to Ways and Means.

Vote: 9-0-0

Yeas: Berger, Bruun, Butler, Gelser, Olson, Read, Rosenbaum, Witt, Barnhart

Nays:

Exc.:

Prepared By: Chris Allanach and Mazen Malik, Economists

Meeting Dates: 1/29, 3/5, 3/8

WHAT THE BILL DOES: Creates a one-time 67% credit for C-corporations. The credit is applied against tax year 2007 liability (i.e. taxes after other credits) for corporations with less than \$5 million in Oregon sales. Defines 'Oregon sales' for purposes of the credit. States that the bill only takes effect if HB 2707-C is passed by both houses of the Legislative Assembly and signed by the Governor on or before March 16, 2007.

ISSUES DISCUSSED:

- Interaction of the minimum tax and the 67% credit
- Taxation of businesses not turning a profit
- Shift in tax policy from a profits tax to a sales tax or a gross receipts tax
- The effective tax rates of the different minimum tax categories (the "cliff effect")
- Possible options for smoothing the "cliff effect"
- The policy agreement represented by HB 2031 and HB 2707A
- An alternative minimum tax credit
- The impact of the corporate minimum tax on small and emerging businesses

EFFECT OF COMMITTEE AMENDMENTS:

- Removes the increase in the estate tax exemption
- Removes the increase to the corporate minimum tax

BACKGROUND:

The credit is intended to allow small corporations (those with less than \$5 million of Oregon sales) to keep their portion of the 2005-07 kicker that is mostly being directed to a Rainy Day Fund in HB 2707-C.