

**74TH OREGON LEGISLATIVE ASSEMBLY 2007 Regular Session
STAFF MEASURE SUMMARY
SENATE FINANCE & REVENUE COMMITTEE**

**MEASURE: HB 2235
CARRIER: Rep. Butler**

REVENUE: Revenue Statement Issued

FISCAL: No Fiscal Impact

Action: Do pass
Vote: 9-0-0
Yeas: Berger, Bruun, Butler, Gelser, Olson, Read, Rosenbaum, Witt, Barnhart
Nays:
Exc.:
Prepared By: Chris Allanach, Economist
Meeting Dates: 2/15, 2/27

WHAT THE BILL DOES: Changes Oregon's date reference for statute pertaining to the definitions of S corporations. Changes date reference of the definition of "Internal Revenue Code" to the federal Internal Revenue Code as amended and in effect on December 31, 2006. Lists the federal legislation that is affected by this Act. Provides a mechanism for a taxpayer to have interest or penalties canceled for tax deficiencies that are attributable to the federal law connection changes in this Act. Specifies that if a refund is due a taxpayer for a tax year beginning before January 1, 2007 due to any retroactive treatment from these federal tax law connection changes then the refund will not be paid with interest. Clarifies that taxpayers must file an amended return for changes in Oregon's law due to these federal tax law changes for tax years before January 1, 2007. Allows the Department of Revenue to make changes to tax returns that do not file amended returns. Takes effect 90 days after the end of the legislative session.

ISSUES DISCUSSED:

- Federal law changes in 2005 and 2006
- Oregon's permanent connection ("rolling reconnect") to federal taxable income
- Updated connections to the Federal Unemployment Tax Act (FUTA)

EFFECT OF COMMITTEE AMENDMENTS: None

BACKGROUND: Oregon currently has a permanent connection (a "rolling reconnect") to the federal definition of taxable income. Other connections are to the Internal Revenue Code as amended and in effect on December 31, 2004. There are two recent exceptions. First, Oregon is not tied to the deduction related to income from domestic production activities; if this deduction is taken at the federal level, taxpayers are required to add the deduction amount when determining taxable income for Oregon. Second, Oregon is scheduled to disconnect from the exclusion of certain subsidy payments made by the federal government related to Medicare Prescription Drug Insurance – Part D.

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This summary has not been adopted or officially endorsed by action of the committee.