74th OREGON LEGISLATIVE ASSEMBLY – 2007 Regular Session **MEASURE: HB 3048-A**
STAFF MEASURE SUMMARY **CARRIER: Rep. Butler**
HOUSE REVENUE COMMITTEE

REVENUE: No revenue impact
FISCAL: Minimal fiscal impact; no statement issued

Action:	Do pass as amended and be printed engrossed
Vote:	9-0-0
Yeas:	Berger, Bruun, Butler, Gelser, Olson, Read, Rosenbaum, Witt, Barnhart
Nays:	
Exc.:	
Prepared By:	Paul Warner, Economist
Meeting Dates:	4/3, 5/1

WHAT THE BILL DOES: Adjusts 2% surplus kicker corporate credit calculation. Changes base year for calculating credit percentage from current year to prior year. Does not alter basic credit formulation in which amount above forecast is divided by total corporate liability for a given year. Allows corporations to carry forward 2% surplus kicker credit.

ISSUES DISCUSSED:
- Accuracy of current year total corporate liability estimates.
- Taxpayer awareness of corporate kicker credits.
- Department of Revenue method of informing taxpayers and processing corporate kicker credits.
- Links to SB 819.

EFFECT OF COMMITTEE AMENDMENTS: Allows corporations to carry forward future 2% surplus kicker credits to future tax years until credit is exhausted. Adds clarifying language to allow Department of Revenue to administer credit.

BACKGROUND: When the Legislature first approved the 2% surplus kicker in 1979 both the personal and the corporate calculation were credits based on dividing the amount above the forecast for each category by total liability in that category in the calendar year the biennium ends. The personal income tax kicker was changed to a refund by the 1995 Legislature. The year for calculating the percentage refund was also changed to the prior year. The corporate kicker credit calculation was left unchanged by the 1995 Legislature. The use of the estimated total liability for the current year increases the possibility for differences between the amount of revenue reduction caused by the credit and the actual amount of the excess above forecast. For example, a 35.9% credit was calculated following the end of the 2003-05 biennium based on excess revenue of $101 million. Because the estimate of total corporate liability for the 2005 tax year turned out to be too low, the actual revenue impact of the 35.9% credit is now estimated at $153.5 million. If the liability estimate is too high, the calculated percentage will reduce revenue by less than the excess in the preceding biennium. This was the case following the 1995-97 biennium.