

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

MEASURE: SB 178-A  
CARRIER: Sen. Starr

REVENUE: Revenue statement issued

FISCAL: No Fiscal Impact

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Action: Do pass with amendments and be printed engrossed

Vote: 4-0-1

Yeas: G. George, Monroe, Starr, Deckert

Nays:

Exc.: Burdick

Prepared By: Chris Allanach, Economist

Meeting Dates: 1/29, 2/13, 4/23

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**WHAT THE BILL DOES:** Clarifies language pertaining to the definition of a “unitary business”. Current statute states a business is unitary if it, either directly or indirectly, shares or exchanges value as demonstrated by (a) centralized management or a common executive force, (b) centralized administrative services or functions resulting in economies of scale, and (c) flow of goods, capital resources or services demonstrating functional integration. The Department of Revenue has historically interpreted the statute to mean all three conditions as necessary. This bill would modify that interpretation to mean that not all three conditions had to be met to define a business as unitary. Effective for tax years beginning on or after January 1, 2007.

**ISSUES DISCUSSED:**

- The impact on current DOR practices
- The role of the Multistate Tax Commission (MTC)
- Public input regarding MTC recommendations

**EFFECT OF COMMITTEE AMENDMENTS:** Makes the changes effective only for tax years beginning on or after January 1, 2007.

**BACKGROUND:** The Multistate Tax Commission uniform regulations adopted in 2004 stated that the presence of any of the factors would constitute sufficient evidence that a group of entities is a unitary business. In 1993, the Oregon Tax Court ruled that a unitary business may exist even if one of the conditions was not met.

4/27/2007 10:59:09 AM

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