

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

MEASURE: SB 179-A
CARRIER: Sen. G. George

REVENUE: Revenue statement issued

FISCAL: Minimal fiscal impact; no statement issued

Action: Do pass as amended and be printed engrossed

Vote: 5-0-0

Yeas: Burdick, G. George, Monroe, Starr, Deckert

Nays:

Exc.:

Prepared By: Chris Allanach, Economist

Meeting Dates: 1/29, 4/23, 5/23, 5/29

WHAT THE BILL DOES: Allows insurance companies to petition the Department of Revenue, and authorizes the department, to use a modified apportionment formula if the current formula does not produce a fair and equitable apportionment of income. Allows potential modifications to include the exclusion of any one or more factors, the inclusion of one or more additional factors, the inclusion of reinsurance premiums in the insurance sales factor, or any other method to achieve a fair and equitable apportionment of the taxpayer's income. Defines "total net income received from real property" for purposes of the real estate income and interest factor. Changes the apportionment formula for insurance companies from an equally weighted three factor formula to a single factor formula based on insurance sales beginning with tax year 2007.

ISSUES DISCUSSED: The income taxation of insurers in general and technical aspects of the apportionment percentage calculation. The fairness, flexibility, and simplification of the statutory changes in the bill.

EFFECT OF COMMITTEE AMENDMENTS: Changes the apportionment formula for insurance companies from an equally weighted three factor formula to a single factor formula based on insurance sales beginning with tax year 2007.

BACKGROUND: Under current law, multi-state insurance companies are subject to an equally weighted three factor apportionment formula: insurance sales, wages and commissions, and real estate income and interest. The Department of Revenue has set negative factors to zero and has excluded factors from the formula in cases where they did not exist for a given insurer. This treatment is similar to that for non-insurance multi-state corporations.

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