74th OREGON LEGISLATIVE ASSEMBLY – 2008 Special Session **MEASURE: SB 1081**
STAFF MEASURE SUMMARY **CARRIER: Rep. Bentz**
HOUSE REVENUE COMMITTEE

REVENUE: Revenue statement issued
FISCAL: No fiscal impact

Action:		Do pass
Vote:		6-0-3
	Yeas:	Bentz, Berger, Bruun, Gelser, Olson, Barnhart
	Nays:	
	Exc.:	Read, Rosenbaum, Witt
Prepared By:		Chris Allanach, Economist
Meeting Dates:		2/15, 2/18

WHAT THE BILL DOES: Updates Oregon's date of connection to federal income tax laws from December 31, 2006 to December 31, 2007. Examples of this change include updating Oregon law to recent changes made to the definition of charitable organizations, federal Adjusted Gross Income for the purposes of Oregon's Elderly Rental Assistance and Senior Deferral programs, rules for S-corporation representation before magistrate, the Department of Revenue, and the Oregon Tax Court. 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, 2008 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, 2008. Allows the Department of Revenue to make changes to tax returns that do not file amended returns.

ISSUES DISCUSSED:
- The impact on Oregon taxpayers of the federal stimulus package
- How a bill is determined to be a bill for raising revenue
- The impact of disconnecting from certain federal actions
- The "rolling reconnect" for the definition of taxable income

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, 2006. 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 in 2008 from the exclusion of certain subsidy payments made by the federal government related to Part D of the Medicare Prescription Drug Insurance program.