

SENATE FINANCE & REVENUE COMMITTEE

REVENUE: Yes- Revenue Impact

FISCAL: Minimal Fiscal Impact

Action: Do Pass

Vote: 3-2-0

Yeas: Hass, Rosenbaum, Burdick

Nays: Telfer, Morse

Exc.:

Prepared By: Chris Allanach, Economist

Meeting Dates: February 6, 2009

WHAT THE BILL DOES: Updates Oregon's date of connection to certain federal laws from December 31, 2007 to December 31, 2008. Ends the continuing connection to the federal definition of taxable income and connects to the definition as of December 31, 2008. Updates statutes pertaining to the tax qualification status of the Public Employees Retirement System plans and to unemployment insurance. Includes income tax provisions pertaining 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, 2010 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, 2010. Allows the Department of Revenue to make changes to tax returns that do not file amended returns.

ISSUES DISCUSSED:

- Impact on the Oregon business community
- Implications for Oregon tax policy
- Pending federal action

EFFECT OF COMMITTEE AMENDMENTS: None

BACKGROUND: Oregon currently has a continuing connection (a "rolling reconnect") to the federal definition of taxable income. There are two recent exceptions: (1) the deduction for income from domestic production activities; and (2) the exclusion of certain subsidy payments made by the federal government related to Part D of the Medicare Prescription Drug Insurance program. In each of these cases, taxpayers are required to add the deduction or exclusion to Oregon taxable income. All other connections to the Internal Revenue Code are as of December 31, 2007.