

Joint Committee on Ways and Means

Carrier – House: Rep. Barnhart
Carrier – Senate: Sen. Burdick

Revenue: Revenue statement issued

Fiscal: Fiscal statement issued

Action: Do Pass the A-Engrossed Measure

Vote: 13 – 6 – 3

Yeas: Buckley, D. Edwards, Galizio, Hunt, Kotek, Nathanson, Shields

Nays: Gilman, Richardson

Exc: Garrard, Jenson, G. Smith

Senate

Yeas: Bates, Carter, Johnson, Monroe, Verger, Walker

Nays: Girod, Nelson, Whitsett, Winters

Exc:

Prepared By: Laurie Byerly, Legislative Fiscal Office

Meeting Date: June 5, 2009

WHAT THE MEASURE DOES: Increases the corporate minimum tax, other corporate taxes, and certain Secretary of State fees.

Increases the C-corporation minimum tax from \$10 to an amount that ranges from \$150 for corporations with less than \$500,000 in Oregon sales to \$100,000 for corporations with Oregon sales of more than \$100 million. Increases the minimum tax on S-corporations from \$10 to \$150. Imposes a \$150 entity tax on entities filing a partnership return. Creates a second marginal corporate tax rate of 7.9% that is applied to taxable income greater than \$250,000 for tax years 2009 and 2010; reduces the rate to 7.6% for tax years 2011 and 2012. For tax years after 2012 the top tax rate of 7.6% applies to net income greater than \$10 million. Other tax changes are applicable beginning with tax year 2009. Increases the Secretary of State filing from \$50 to \$100 for domestic corporations and to \$275 for foreign corporations. Increases fee to file a 5-year uniform commercial code financing statement from \$10 to \$15 and increases the application fee for a 4-year notary public commission from \$20 to \$40. Becomes effective 91 days following sine die.

ISSUES DISCUSSED:

- Measure is a key component of the plan to balance the statewide budget and needed to solve an unprecedented fiscal crisis affecting education, courts, public safety, human services, etc.
- Appreciation for involvement and input from business community
- Complex issue; bill is a result of discussion and compromise
- Bill protects interests of small business; potential impacts on businesses
- Hard and productive work by the House Revenue Committee

EFFECT OF COMMITTEE AMENDMENT: No amendment.

BACKGROUND: The measure came to the Joint Committee on Ways and Means from the House Revenue Committee, where it was one of several options considered for raising revenue.

The corporation excise tax was created in 1929 for the primary purpose of property tax relief. The tax rate was 5%, used an equally weighted three-factor apportionment formula, and had a minimum tax of \$25. In 1931 the rate was increased to 8% and the minimum tax reduced to \$10. The corporation income tax was created in 1955 with a tax rate equal to that of the excise tax, 8%. The rates have changed over time and have been a flat 6.6% since 1987; the minimum excise tax of \$10 has not changed since 1931. The federal law allowing for the creation of S-corporations was enacted in 1958. The Oregon minimum tax for S-corporations was established in 1989 at \$10.