

REVENUE: Yes – Revenue Impact Issued

FISCAL: No – Fiscal Impact

Action: Do Pass

Vote: 10-0-0

Yeas: Bailey, Bentz, Berger, Bruun, Gelser, Kahl, Read, Riley, Sprenger, Barnhart

Nays: 0

Exc.: 0

Prepared By: Chris Allanach, Economist

Meeting Dates: 5/14

WHAT THE BILL DOES: Requires an affiliated group that files a consolidated return to include certain entities in their state tax return. Pertains to real estate investment trusts and regulated investment companies. Changes the Department of Revenue rule making authority from mandatory to permissive. Applies to tax years beginning on or after January 1, 2010.

ISSUES DISCUSSED:

- Oregon's corporation apportionment formula
- Impact of policy on tax compliance

EFFECT OF COMMITTEE AMENDMENTS: None

BACKGROUND: Oregon requires corporations that file a federal consolidated tax return to file an Oregon consolidated return. However, federal law does not require the inclusion of the listed types of companies in the federal consolidated return. Because this federal return is the starting point for Oregon, there is an incentive for corporations to create so-called "captive" entities that serve no economic purpose and exist for the sole purpose of avoiding state tax. When discovered through audit activity, these entities are disallowed, the income is included in the consolidated tax return, and the corporation is assessed tax and interest.