

REVENUE: Yes – Revenue Impact Issued

FISCAL: No – Fiscal Impact

Action: Do Pass with Amendments and be printed A-Eng.

Vote: 5-0-0

Yeas: Hass, Morse, Rosenbaum, Telfer, Burdick

Nays: 0

Exc.: 0

Prepared By: Chris Allanach, Economist

Meeting Dates: 2/3; 4/7

WHAT THE BILL DOES: Requires corporations to include certain entities in a consolidated tax return if the corporation owns at least 80 percent of that entity's stock. 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:

- Workload impact on corporations
- Department of Revenue audit activity
- Costs and benefits

EFFECT OF COMMITTEE AMENDMENTS: Modifies DOR rule making authority; Focuses the impact of the policy to regulated investment companies and real estate investment trusts.

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.