REVENUE: Revenue impact issued
FISCAL: Minimal fiscal impact, no statement issued

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: Adds clarity to existing statute pertaining to the removal of inter-company sales and expenses associated with sales for intangible property. Clarifies that the expenses are to be added back to the return when the sales to a related member for the use of intangible property had been excluded from the return. Allows the corporation to claim a tax credit if tax has been paid on the income from the sales. Applies to tax years beginning on or after January 1, 2010.

ISSUES DISCUSSED:
- Recommendations such as this one from the Multi-State Tax Commission
- How this bill adds clarity to existing statute (ORS 314.295)

EFFECT OF COMMITTEE AMENDMENTS: None

BACKGROUND: Because Oregon requires corporations to file consolidated tax returns, inter-company transactions generally do not affect Oregon tax liability. The expenses deducted by one affiliate offset the income of another affiliate. However, if the affiliate receiving the income is not part of the unitary group then it is possible that the expenses are deducted while the income is not included in the tax calculations. Under current law, the Department of Revenue adjusts tax returns accordingly when these circumstances are discovered in the course of an audit.

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