

**A-Engrossed**  
**House Bill 2653**

Ordered by the Senate June 18  
Including Senate Amendments dated June 18

Sponsored by COMMITTEE ON REVENUE

**SUMMARY**

The following summary is not prepared by the sponsors of the measure and is not a part of the body thereof subject to consideration by the Legislative Assembly. It is an editor's brief statement of the essential features of the measure.

Removes exception to standard income apportionment method that provides for double-weighted sales factor in apportionment formula as applicable to forest products industry taxpayers. Applies to tax years beginning on or after January 1, 2010.

**Requires Department of Revenue to waive penalty or interest if penalty or interest is based on underpayment or underreporting that results solely from changes to corporate minimum tax and rate of corporate excise tax or imposition of entity tax on partnerships made by House Bill 3405. Applies to tax years beginning on or after January 1, 2009, and before January 1, 2010.**

Takes effect on 91st day following adjournment sine die.

**A BILL FOR AN ACT**

1  
2 Relating to corporate income taxation; creating new provisions; amending ORS 314.650, 314.655 and  
3 314.660; and prescribing an effective date.

4 **Be It Enacted by the People of the State of Oregon:**

5 **SECTION 1.** ORS 314.650 is amended to read:

6 314.650. *[(1)] All business income shall be apportioned to this state by multiplying the income*  
7 *by the sales factor.*

8 *[(2)(a) Notwithstanding subsection (1) of this section, the business income of a taxpayer that is in*  
9 *the forest products industry, that owns and manages 300,000 or more acres in this state, but less than*  
10 *400,000 acres, and that processes at least 20 percent of the taxpayer's total wood chip supply for*  
11 *papermaking from sawmill residue generated within this state, shall be apportioned to this state by*  
12 *multiplying the income by a fraction, the numerator of which is the property factor plus the payroll*  
13 *factor plus two times the sales factor, and the denominator of which is four.]*

14 *[(b) If the denominator of the property factor, payroll factor or sales factor, as determined under*  
15 *ORS 314.650 to 314.665, is zero, then the denominator specified in paragraph (a) of this subsection*  
16 *shall be reduced by the number of factors with a denominator of zero.]*

17 **SECTION 2.** ORS 314.655 is amended to read:

18 314.655. (1) *[As used in ORS 314.650]* **For purposes of ORS 317.391**, the property factor is a  
19 fraction, the numerator of which is the average value of the taxpayer's real and tangible personal  
20 property owned or rented and used in this state during the tax period and the denominator of which  
21 is the average value of all the taxpayer's real and tangible personal property owned or rented and  
22 used during the tax period.

23 (2) Property owned by the taxpayer is valued at its original cost. Property rented by the tax-  
24 payer is valued at eight times the net annual rental rate. Net annual rental rate is the annual rental

**NOTE:** Matter in **boldfaced** type in an amended section is new; matter *[italic and bracketed]* is existing law to be omitted. New sections are in **boldfaced** type.

1 rate paid by the taxpayer less any annual rental rate received by the taxpayer from subrentals.

2 (3) The average value of property shall be determined by averaging the values at the beginning  
3 and ending of the tax period but the Department of Revenue may require the averaging of monthly  
4 values during the tax period if reasonably required to reflect properly the average value of the  
5 taxpayer's property.

6 **SECTION 3.** ORS 314.660 is amended to read:

7 314.660. (1) [As used in ORS 314.650] **For purposes of ORS 317.391**, the payroll factor is a  
8 fraction, the numerator of which is the total amount paid in this state during the tax period by the  
9 taxpayer for compensation, and the denominator of which is the total compensation paid everywhere  
10 during the tax period.

11 (2) Compensation is paid in this state if:

12 (a) The individual's service is performed entirely within the state; [or]

13 (b) The individual's service is performed both within and without the state, but the service  
14 performed without the state is incidental to the individual's service within the state; or

15 (c) Some of the service is performed in the state and (A) the base of operations or, if there is  
16 no base of operations, the place from which the service is directed or controlled is in the state, or  
17 (B) the base of operations or the place from which the service is directed or controlled is not in any  
18 state in which some part of the service is performed, but the individual's residence is in this state.

19 **SECTION 4.** The amendments to ORS 314.650 by section 1 of this 2009 Act apply to tax  
20 years beginning on or after January 1, 2010.

21 **SECTION 5.** The Department of Revenue shall waive any penalty or interest that would  
22 otherwise apply to taxes due if the penalty or interest is based on underpayment or  
23 underreporting that results solely from section 3, chapter \_\_\_, Oregon Laws 2009 (Enrolled  
24 House Bill 3405), and the amendments to ORS 317.061 and 317.090 by sections 1 and 5, chapter  
25 \_\_\_, Oregon Laws 2009 (Enrolled House Bill 3405).

26 **SECTION 6.** Section 5 of this 2009 Act applies to tax years beginning on or after January  
27 1, 2009, and before January 1, 2010.

28 **SECTION 7.** This 2009 Act takes effect on the 91st day after the date on which the reg-  
29 ular session of the Seventy-fifth Legislative Assembly adjourns sine die.

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