

**REVENUE: Revenue Impact Issued**

**FISCAL: No Fiscal Impact**

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**Action:** Do Pass with Amendments and be printed A-Engrossed

**Vote:** 3-0-1

**Yeas:** Morse, Telfer, Burdick

**Nays:** 0

**Exc.:** Hass

**Prepared By:** Chris Allanach, Economist

**Meeting Dates:** 2/7; 2/15; 2/16

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**WHAT THE BILL DOES:** Updates Oregon's date of connection to certain federal laws from December 31, 2009 to December 31, 2010. Maintains a December 31, 2009 connection date for bonus depreciation and Section 179 expensing. Updates statutes pertaining to the tax qualification status of the Public Employees Retirement System plans and to unemployment insurance. Includes income tax provisions pertaining to the definition of charitable organizations, federal Adjusted Gross Income (for the purposes of Oregon's Elderly Rental Assistance and Senior Deferral programs), rules for S-corporation representation before magistrate, the Department of Revenue, and the Oregon Tax Court. Provides a mechanism for a taxpayer to have interest or penalties canceled for tax deficiencies that are attributable to the federal law connection changes in this Act. Specifies that if a refund is due a taxpayer for a tax year beginning before January 1, 2011 due to any retroactive treatment from these federal tax law connection changes then the refund will not be paid with interest. Clarifies that taxpayers must file an amended return for changes in Oregon's law due to these federal tax law changes for tax years before January 1, 2011. Allows the Department of Revenue to make changes to tax returns that do not file amended returns.

**ISSUES DISCUSSED:**

- Federal legislation passed in 2010
- Department of Revenue processing of 2010 tax returns
- Emergency clause and tax related bills

**EFFECT OF COMMITTEE AMENDMENTS:** Maintains a December 31, 2009 connection date for bonus depreciation and Section 179 expensing.

**BACKGROUND:** Oregon had a continuing connection ("rolling reconnect") to the definition of taxable income for tax years 1997 to 2002. It was temporarily suspended by the 2003 Legislature for tax years 2003 to 2005. The rolling reconnect was re-established for tax years 2006 to 2008. In 2009, the Assembly ended the rolling reconnect for tax years 2009 and 2010, selectively disconnecting from certain provisions. The rolling reconnect is currently in place beginning with tax year 2011.