

**76TH OREGON LEGISLATIVE ASSEMBLY
2012 Regular Session
STAFF MEASURE SUMMARY
SENATE FINANCE AND REVENUE COMMITTEE**

**MEASURE: SB 1531 A
CARRIER: Sen. Telfer**

**REVENUE: Revenue Impact Issued
FISCAL: Minimal Fiscal Impact, no statement issued**

Action: Do Pass with Amendments and be printed A-Engrossed
Vote: 4-0-0
Yeas: Hass, Morse, Telfer, Burdick
Nays: 0
Exc.: 0

Prepared By: Chris Allanach, Economist
Meeting Dates: 2/3, 2/8

WHAT THE BILL DOES: Updates Oregon's date of connection to certain federal laws from December 31, 2010 to December 31, 2011. 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), rules for S-corporation representation before, magistrate, the Department of Revenue, and the Oregon Tax Court. Specifies that interest and penalties will not be assessed for tax deficiencies 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, 2012 due to any retroactive treatment from these federal tax law connection changes then the refund will be paid without interest. Requires taxpayers to file an amended return for changes in Oregon's law due to these federal tax law changes for tax years beginning before January 1, 2012; requires the Department of Revenue to make changes to tax returns for taxpayers who do not file amended returns. Adds the connection date to the statutes pertaining to the Oregon 529 College Savings Network. Clarifies that, for agricultural and horticultural cooperatives, Oregon's disconnect from federal IRC Section 199 deductions (domestic production activities) should not affect the calculation of patronage dividends.

ISSUES DISCUSSED:

- Federal action on tax law during 2011
- The impact of the 2005 disconnect from the domestic production activities deduction

EFFECT OF COMMITTEE AMENDMENTS: Adds the Internal Revenue Code connection date to the statutes pertaining to the Oregon 529 College Savings Network. Clarifies that, for agricultural and horticultural cooperatives, Oregon's disconnect from federal IRC Section 199 deductions (domestic production activities) should not affect the calculation of patronage dividends.

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.

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**REVENUE IMPACT OF
PROPOSED LEGISLATION**
76th Oregon Legislative Assembly
2012 Regular Session
Legislative Revenue Office

Bill Number: SB 1531 A
Revenue Area: Income Taxes
Economist: Chris Allanach
Date: 2/8/12

Measure Description: Updates Oregon's date of connection to certain federal laws from December 31, 2010 to December 31, 2011. In addition to connecting to general provisions in statute, the updates include provisions pertaining to the definition of charitable organizations, federal Adjusted Gross Income (for the purposes of Oregon's Elderly Rental Assistance), rules for S-corporation representation before magistrate, the Department of Revenue, and the Oregon Tax Court. Includes provisions related to the Oregon 529 College Savings Network. Clarifies that, for agricultural and horticultural cooperatives, Oregon's disconnect from federal IRC Section 199 deductions (domestic production activities) should not affect the calculation of patronage dividends.

Revenue Impact: A minimal revenue gain or loss of less than \$50,000 per biennium.

Impact Explanation: There was little federal legislation passed in 2011 that would lead to a revenue impact at the state level. One of the more significant federal policies was the two percentage point reduction in payroll taxes, but that does not have a direct impact on Oregon income taxes. The inclusion of the language pertaining to cooperatives does not result in a revenue impact because it is a clarification of existing law. With the passage of this bill, the affected cooperatives would continue filing their tax returns as they have since the state disconnected from IRC Section 199 in 2005.

Creates, Extends, or Expands Tax Expenditure: Yes No