PRELIMINARY

77TH OREGON LEGISLATIVE ASSEMBLY **MEASURE: HB 3372**
2013 REGULAR SESSION **CARRIER:**
STAFF MEASURE SUMMARY
HOUSE REVENUE COMMITTEE

REVENUE:
FISCAL:

Action:
Vote:

Yeas:
Nays:
Exc.:

Prepared By: Chris Allanach, Economist
Meeting Dates: 3/21

WHAT THE BILL DOES: Creates an addition to Oregon taxable income for income earned by controlled foreign corporations if excluded from federal taxable income. Requires a corresponding subtraction in subsequent years if the income is included in federal taxable income. Applies to tax years beginning on or after January 1, 2014.

ISSUES DISCUSSED:

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EFFECT OF COMMITTEE AMENDMENTS:

BACKGROUND: Under current law, this source of corporate income is excluded from federal taxation. Because of our connection to federal taxable income, this federal exclusion flows through to Oregon and the income is also exempt from Oregon tax. Basically, when a U.S. firm earns income through a foreign subsidiary, the income is exempt from tax unless returned to the parent corporation in the U.S. At such a time that the income is repatriated, the parent corporation may claim a credit for foreign taxes paid by the subsidiary.

According to the Tax Expenditure Report, the 2013-15 revenue loss is roughly $88 million. However, the report's estimates for federal exclusions are generally a share of available federal estimates and contain a number of caveats. In fact, the report itself (on page 3) states that the "…impact is NOT the amount of revenue that could be gained by repealing the tax expenditure." Consequently, an official revenue impact estimate for this policy could be substantially different.

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