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Representative Ben Unger, 503-986-1429 | rep.benunger@state.or.us

House Bill 3477:

Fixes an antiquated loophole that allows nine out-of-state banks doing business in Oregon to avoid corporate income tax.

Co-Sponsors: Senator Shields, Representative Boone, Representative Buckley, Representative Dembrow, Representative Fagan, Representative Frederick, Representative Gallegos, Representative Garrett, Representative Gelser, Representative Gomberg, Representative Gorsek, Representative Greenlick, Representative Harker, Representative Holvey, Representative Lively, Representative McKeown, Representative Nathanson, Representative Reardon, Representative Tomei, Representative Vega Pederson, Representative Williamson, Representative Witt

Background:

In 1999, a banking loophole made its way through the legislature that allows nine out-of-state banks to do business in Oregon without paying corporate income taxes. Whether the loophole was intentional, it exists, and it is not fair to other banks and financial institutions that must pay corporate income tax on these same activities.

The relevant statute (ORS 713.300) states, “Any out-of-state bank, extra-national institution or foreign association ... may take, acquire, hold and enforce notes secured by mortgages or trust deeds and make commitments to purchase such notes...and may foreclose the mortgages or trust deeds in the courts of this state, acquire the mortgaged property, hold, own and operate the property for a period not exceeding five years and dispose of the property” – and they may do all of this business outside of our tax system.

The Problem:

The problem is that nine out-of-state banks do business in Oregon without being subject to the same tax code as every other banking and financial institution. In addition to creating an uneven playing field, this loophole costs taxpayers without delivering any quantifiable benefits.

The following nine banks this loophole applies to are:

Darien Rowayton Bank (Darien, CT 06820)

Fifth Third Bank (Cincinnati, OH 45263)

First Bank (Chesterfield, MO 63141)

Fremont Bank (Fremont, CA 94538)

Opus Bank (Irvine, CA 92612)

Pacific Enterprise Bank (Irvine, CA 92614),

Pacific Trust Bank (Irvine, CA 92612)

PNC Bank (Pittsburgh, PA 15222-2707)

T Bank, N.A. (Dallas, TX 75248)

The Solution:

Closing this loophole is a simple fix that will modernize the tax code and end an unfair advantage that hurts state-chartered banks.

Questions/More Info?

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