

**77TH OREGON LEGISLATIVE ASSEMBLY
2013 REGULAR SESSION
STAFF MEASURE SUMMARY
HOUSE REVENUE COMMITTEE**

**MEASURE: HB 2456 A
CARRIER: Rep. Barnhart**

**REVENUE: Revenue Impact Statement Issued
FISCAL: Fiscal Impact Issued**

Action: Do Pass as Amended and be Printed Engrossed
Vote: 5-4-0
Yeas: Bailey, Gelser, Read, Vega Pederson, Barnhart
Nays: Bentz, Berger, Conger, Davis
Exc.:

Prepared By: Chris Allanach, Economist
Meeting Dates: 2/20; 4/9; 4/10; 4/11; 4/12; 4/15; 4/16; 4/17

WHAT THE BILL DOES: Phases-out itemized deductions on incomes above \$125,000 for single filers and \$250,000 for joint filers. Excludes charitable contributions from the phase-out. Modifies the corporation minimum tax for corporations with at least \$100 million in Oregon sales from \$100,000 to \$100,000 plus 0.1 percent of the amount of sales above \$100 million. Changes the higher corporation tax bracket and rate from 7.6 percent on taxable income above \$10 million to 7.9 percent on taxable income above \$2.5 million. Eliminates the personal exemption credit for single filers with income above \$125,000 and joint filers with income above \$250,000. Requires the taxable income or loss of corporations that are headquartered in certain countries and are a member of a unitary group to be included in the Oregon tax return. Requires the Department of Revenue to report to the Legislature every other year on potential changes to the list of such countries. Maintains the current projection of Rainy Day Fund contributions from the higher corporation tax rate. The inclusion of income from listed countries applies to tax years beginning on or after January 1, 2014; all other changes apply to tax years beginning on or after January 1, 2013.

ISSUES DISCUSSED:

- Improved accuracy in reporting the corporate tax base
- Current revenue situation and the use of funds from adopting the measure
- Potential impact of reducing deductions, such as charitable giving
- Impact on businesses
- Impact on the Rainy Day Fund

EFFECT OF COMMITTEE AMENDMENTS: Replaces bill

BACKGROUND: Oregon itemized deductions under current law are equal to federal itemized deductions with two exceptions: Oregon does not allow the deduction for state income taxes and does allow an additional medical deduction for taxpayers age 62 or older. The personal exemption credit was \$183 in 2012 and is indexed to inflation. Beginning with tax year 2007, it is phased down by up to 67% for the highest income filers. Oregon's current corporation minimum tax was adopted by voters in Measure 67 and is one of twelve values ranging between \$150 and \$100,000

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as corporation sales in Oregon increase from \$500,000 to \$100 million or more. Measure 67 also raised the top corporation tax rate and was 7.6% on taxable income above \$250,000 in 2012. With a lack of action at the federal level regarding corporations attributing income to countries where they have little, if any, economic presence, states have begun to review and implement policies intended to more accurately report U.S. profits. The policy proposed in this bill is modeled after such efforts by the state of Montana.