

77TH OREGON LEGISLATIVE ASSEMBLY  
2014 REGULAR SESSION  
STAFF MEASURE SUMMARY  
SENATE FINANCE AND REVENUE COMMITTEE

MEASURE: SB 1534 A  
CARRIER: Sen. Burdick

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

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**Action:** Do Pass with Amendments and be Printed Engrossed  
**Vote:** 5-0-0  
**Yeas:** Baertschiger Jr., George, Hass, Rosenbaum, Burdick  
**Nays:** 0  
**Exc.:** 0

**Prepared By:** Chris Allanach, Economist  
**Meeting Dates:** 2/5; 2/17

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**WHAT THE BILL DOES:** Makes a number of technical clarifications to existing statute and reinstates language pertaining to reciprocal state tax exemptions. Clarifies an Internal Revenue Code reference and the calculation of the phase-out for the medical subtraction. Clarifies the applicability of the 2.5 percent tax on IC-DISCs to those formed prior to January 1, 2014 and aligns the IC-DISC provisions for the 2.5 percent tax, the deduction, and the subtraction. Clarifies that certain cigarette tax revenue is directed to the General Fund. Aligns the meaning of “material participation” with federal law and directly ties the definition to the Internal Revenue Code. Limits the authority of the Department of Revenue to waive penalty and interest in certain cases to tax year 2013. Makes the use of the non-passive income tax rates an ‘opt-in’ choice for taxpayers. Reinstates the handicapped child and severe disability tax credits beginning with tax year 2013.

**ISSUES DISCUSSED:**

- Description of provisions
- Tax exemption reciprocity agreement with Washington
- The potential impact of the amendments

**EFFECT OF COMMITTEE AMENDMENTS:** Reinstates language pertaining to reciprocal state tax exemptions; reinstates the handicapped child and severe disability tax credits beginning with tax year 2013; aligns the IC-DISC provisions for the 2.5 percent tax, the deduction, and the subtraction; directly ties the definition of “material participation” to the IRC; makes the use of the non-passive income tax rates an ‘opt-in’ choice for taxpayers.

**BACKGROUND:** The intent of this bill is to make technical corrections for legislation passed in prior sessions. The original statute pertaining to the reciprocity agreement was inadvertently deleted with SB 1022 in 2007. The remaining statutory changes clarify policies contained in HB 3601 which was passed by the Legislature during the 2013 Special Session.

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