

Fiscal: May have fiscal impact, but no statement yet issued
Revenue: May have revenue impact, but no statement yet issued
Meeting Dates: 02/11

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WHAT THE MEASURE DOES:

Replaces penalty for substantial understatement of taxable income with a penalty for the substantial understatement of net tax.
Provides for adjustment of net tax threshold amounts for inflation.

ISSUES DISCUSSED:

EFFECT OF COMMITTEE AMENDMENT:

No amendment.

BACKGROUND:

There is currently a penalty for the understatement of taxable income equal to 20 percent of the amount of tax attributable to this understatement of income. Taxpayers who file a part-year resident form may understate Oregon taxable income without receiving a penalty if their federal taxable income is not understated. Linking the penalty instead to an understatement of net tax would circumvent this possibility. It is also possible for individuals to inflate the amount of tax credits and receive no penalty for doing so. Basing the penalty on net tax will provide for a penalty for overstating credits, as net tax is calculated using credits.