

Seventy-Eighth Oregon Legislative Assembly - 2015 Regular Session
STAFF MEASURE SUMMARY
House Committee On Revenue

MEASURE: HB 2488 A
CARRIER: Rep. Bentz

Fiscal: Has minimal fiscal impact
Revenue: No revenue impact, statement issued (Indeterminate Impact)

Action Date: 02/23/15
Action: Do Pass As Amended And Be Printed Engrossed.
Meeting Dates: 02/11, 02/23

House
Yeas: 9 - Vega Pederson, Whitsett, Barnhart, Bentz, Smith Warner, Johnson, Lininger, Read, Davis

Prepared By: Christine Broniak, Economist

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:

- The reduction in the number of taxpayers receiving the penalty with inflation-adjustment from 1987 and going forward
- The increase in the number of taxpayers receiving the penalty because the net tax overstatement criteria is more broad.

EFFECT OF COMMITTEE AMENDMENT:

The -1 amendment fills the blanks for the net tax understatement amount that would trigger a 20 percent penalty with \$2,400 for personal income tax and \$3,500 for corporate income tax.

BACKGROUND:

Currently the Department of Revenue issues penalties for a substantial 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. This measure would change the penalty instead to a penalty on the understatement of net tax. This is a more comprehensive penalty that can include an overstatement of income, an overstatement of credits, or an overstatement of subtractions. The current thresholds for the penalty were set in 1987 and not indexed to inflation. The measure also adds indexing for inflation of the thresholds for the substantial understatement of net tax.