

Senate Bill 727

Sponsored by Senator FERRIOLI

SUMMARY

The following summary is not prepared by the sponsors of the measure and is not a part of the body thereof subject to consideration by the Legislative Assembly. It is an editor's brief statement of the essential features of the measure **as introduced**.

Extends favorable tax treatment for domestic international sales corporations to corporations formed after January 1, 2014. Applies to tax years beginning on or after January 1, 2014.
Takes effect on 91st day following adjournment sine die.

A BILL FOR AN ACT

1
2 Relating to the taxation of commissions received by a domestic international sales corporation;
3 creating new provisions; amending ORS 317.283 and 317.635; and prescribing an effective date.

4 **Be It Enacted by the People of the State of Oregon:**

5 **SECTION 1.** ORS 317.635 is amended to read:

6 317.635. (1) Except as provided in ORS 317.283, a domestic international sales corporation,
7 commonly referred to as "DISC," as defined in section 992 of the Internal Revenue Code, shall be
8 taxed in the manner provided for other corporations under this chapter and without regard to
9 sections 991 to 996 of the Internal Revenue Code.

10 (2) An interest charge DISC [*formed on or before January 1, 2014,*] is exempt from the tax im-
11 posed under ORS 317.090.

12 **SECTION 2.** ORS 317.283, as amended by section 2, chapter 114, Oregon Laws 2014, is amended
13 to read:

14 317.283. (1) To derive Oregon taxable income, federal taxable income shall be modified to the
15 extent necessary to not recognize for Oregon tax purposes any transaction between the taxpayer
16 and a related domestic international sales corporation. The taxpayer shall be considered to have
17 entered directly into any transactions with third parties that are treated for federal income tax
18 purposes as having been entered into by a related domestic international sales corporation. To sat-
19 isfy the requirements of this section:

20 (a) [*No*] **A** deduction [*shall be*] **is not** allowed to any taxpayer for any payment to a related do-
21 mestic international sales corporation;

22 (b) [*No*] **Any** income or expense that would be attributed to a taxpayer but for the provisions
23 of sections 991 to 996 of the Internal Revenue Code [*shall*] **may not** be treated as attributable to
24 a related domestic international sales corporation; and

25 (c) [*No*] **A** deduction [*shall be*] **is not** allowed to a taxpayer for interest on DISC-related deferred
26 tax liability paid pursuant to section 995(f) of the Internal Revenue Code.

27 (2) Notwithstanding subsection (1) of this section[, *if a domestic international sales corporation*
28 *is formed on or before January 1, 2014*]:

29 (a) A tax shall be imposed under this chapter at a rate of 2.5 percent on any commission re-
30 ceived by the domestic international sales corporation on or after January 1, 2013; and

31 (b) A deduction shall be allowed for commission payments to the domestic international sales

NOTE: Matter in **boldfaced** type in an amended section is new; matter [*italic and bracketed*] is existing law to be omitted.
New sections are in **boldfaced** type.

1 corporation made on or after January 1, 2013, if the tax in paragraph (a) of this subsection is im-
2 posed on the commission.

3 (3) As used in this section, “domestic international sales corporation” means a domestic inter-
4 national sales corporation as defined in section 992 of the Internal Revenue Code.

5 **SECTION 3. The amendments to ORS 317.283 and 317.635 by sections 1 and 2 of this 2015**
6 **Act apply to tax years beginning on or after January 1, 2014.**

7 **SECTION 4. This 2015 Act takes effect on the 91st day after the date on which the 2015**
8 **regular session of the Seventy-eighth Legislative Assembly adjourns sine die.**

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