

HB 2283 STAFF MEASURE SUMMARY

House Committee On Revenue

Prepared By: Christine Broniak, Economist

Meeting Dates: 2/7, 3/13

WHAT THE MEASURE DOES:

Provides that if taxpayer elects to apply overpayment of tax to subsequent year estimated tax installment, amount paid is credited as estimated tax on later of first estimated tax due date or date payment is made, if elected on timely filed return, or is credited as estimated tax on later of date return is filed or date payment is made, if elected on return filed late.

Applies to payments made in tax years beginning on or after January 1, 2018.

ISSUES DISCUSSED:

EFFECT OF AMENDMENT:

BACKGROUND:

ORS 316.583 essentially assumes that all tax payments occur by April 15th. This is not true. There are about 10,000 returns each year that have payments made after April 15th but before the return is filed. Once the return is filed and tax calculated, a refund must be issued. If the taxpayer elects to have their refund applied to the next year's estimated tax, the statute requires the Department of Revenue to back-date the refund and give credit to the taxpayer as of April 15th, even though the payment wasn't actually made until sometime after April 15th.

This is an important inconsistency in a generally accepted accounting practice because interest is generally paid or charged under the principle of 'use of the money.' The required posting of the payment to an earlier date than when the state actually has use of the money may affect the calculation of interest on the underpayment of tax. This creates an inequity for taxpayers who do not use the refund application option but make periodic payments, as there is no backdating allowed for the latter option.