SB 28 -6 STAFF MEASURE SUMMARY

Senate Committee On Finance and Revenue

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Meeting Dates: 2/6, 2/13, 4/3

WHAT THE MEASURE DOES:

Changes the method of determining which sales of members of a unitary group are included in the numerator of the sales factor. The change would move Oregon from the current Joyce approach to the Finnigan approach.

ISSUES DISCUSSED:

How C-corporations apportion their U.S. income to Oregon

EFFECT OF AMENDMENT:

-6 Replaces the bill. Changes the corporation apportionment method for intangibles and services from the cost-of-performance method to the market-based method.

BACKGROUND:

Joyce and Finnigan refer to decisions out of California involving methods of apportioning the income of multi-state corporations. The Joyce method of apportionment means that the taxable status of each member of a unitary group is determined individually. Under the Finnigan approach, if one member of a unitary group is taxable, then the entire unitary group is taxable. The determination of whether or not a corporation is taxable in Oregon affects which sales of that corporation are included in the numerator of the sales factor. The approach used ultimately interacts with the throwback rule for tangible personal property.