

EXPLANATION OF PROPOSED AMENDMENTS TO SB 153
2017 Oregon Legislative Session
Proposed by Standard Insurance Company and StanCorp Financial Group (“Standard”)
and the Oregon Department of Revenue
April 10, 2017

1. For many years, Oregon law has required an insurer to file its own separate return, even though under federal law an insurer files a consolidated return with its parent, which may be a non-insurance company such as a holding company.
2. In 2012-13, Standard litigated with the Department over whether a dividend paid by the insurer sub was taxable, but the question of whether and how to strip out Standard’s income from the holding company’s return was never resolved.
3. To resolve that lingering issue, about a year ago, the Department came up with a proposal (now SB 31) that would not have stripped out Standard’s income but would have diluted it through apportionment.
4. Last summer, Standard came up with its own proposal to resolve the issue (now as-introduced SB 153). Standard’s proposal would have allowed an insurer and a non-insurer to file consolidated returns for Oregon tax purposes if they file consolidated returns for federal tax purposes.
5. Industry has had objections to both proposals. Different companies would have been affected differently by each one.
6. Now the Department and Standard and the industry as a whole have agreed on a third way to resolve the issue. Our consensus amendments would
 - a. Preserve the status quo of separate returns;
 - b. Borrow a method in existing law to prescribe how to strip out the insurer’s income from the parent’s returns; and
 - c. Avoid taxing the dividend.

This is the same economic result that companies have been applying since the Tax Court decision.