

HB 3100 -1 STAFF MEASURE SUMMARY

House Committee On Revenue

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Meeting Dates: 4/13

WHAT THE MEASURE DOES:

Imposes additional tax on investment services partnership income treated as net capital gain and taxed at a lower rate on personal income taxpayer's federal return. Sets the additional tax equal to the difference between the federal rate on ordinary income and the lower federal capital gains tax rate.

ISSUES DISCUSSED:

EFFECT OF AMENDMENT:

-1 The amendment is not yet available but would set the additional rate of Oregon tax on this type of income at 19.6%. This is the difference between the federal tax rate on ordinary income (39.6%) and the federal tax rate on capital gains income (20%) for a taxpayer at the highest income tax bracket. Eliminates the additional rate on this type of income if it is treated as ordinary income instead of capital gains income at the federal level.

BACKGROUND:

The measure is designed to recuperate the federal tax advantage given to this type of carried interest income as revenue for Oregon. This type of income is given to professional investors as compensation for their services. Since its source is interest income, it is treated as capital gains at the federal level and taxed at a lower rate.