



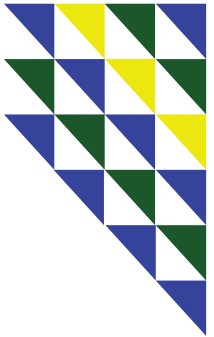
# An Analysis of Changes in Federal Tax Laws for the Year 2016



Prepared by the Taxation Strategic Committee  
Oregon Society of CPAs



# Oregon Society of Certified Public Accountants



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## Introduction

*On behalf of the Oregon Society of CPA's Taxation Strategic Committee, it is both an honor and a pleasure that we present an Analysis of Changes in Federal Tax Laws for 2016.*

### Oregon Society of CPAs (OSCPA) Legislative Analysis

This OSCPAs Legislative Analysis presents all Federal tax law changes that have been enacted since the Legislature adjourned from the 2016 session. Unlike most years there was very little new legislation enacted. Additionally, there were several Federal Acts passed in 2015 that have provisions taking effect during 2016 and beyond that our committee feels should be brought to the attention of the Oregon Legislature. Therefore, we have included information about these past Acts in addition to the new 2016 legislation. Our committee has been presenting the Legislature with this analysis for many years. Our primary objective is to be a technical resource to the Legislature and, secondarily, to promote taxpayer compliance by striving to keep Oregon tax law tied to the Internal Revenue Code. This connect is accomplished by using both a "fixed date conformity" and a "permanent connection."

Oregon has a long history of conforming to the Internal Revenue Code, and to do so each Legislative Assembly analyzes the implications of recent Federal law changes. Occasionally, Federal Acts passed during the last several plus current year should be considered by the Legislature due to tax implications and the dates associated with the Act(s).

Oregon's "permanent connection" applies only to the definition of taxable income. Typically, we will recommend that Federal changes to provisions that fall outside the definition of taxable income also be changed to conform to the Internal Revenue Code. Some examples of the types of items requiring a law change are tax credits, estimated tax provisions, and net operating loss rules. Many of these provisions are currently tied to definitions in the Internal Revenue Code as of December 31, 2015 and the tie date should generally be updated to December 31, 2016. For years beginning on or after January 1, 2011, Oregon is permanently connected to the Internal Revenue Code for the definition of Federal taxable income. One exception to this connection is for the domestic production activities deduction.

Federal Acts that passed in 2015 and 2016 that should be noted and analyzed here are:

- \* 21<sup>st</sup> Century Cures Act of 2016
- \* Combat-Injured Veterans Tax Fairness Act of 2016
- \* United States Appreciation for Olympians and Paralympians Act of 2016
- \* Trade Facilitation and Trade Enforcement Act of 2015
- 2016 Consolidated Appropriations Act
- Bipartisan Budget Act of 2015
- Defending Public Safety Employees' Retirement Act
- Fixing America's Surface Transportation Act
- Protecting Americans from Tax Hikes Act of 2015
- Trade Preferences Extension Act of 2015

\* *New in 2016*

## Recommendations Key

### A

**General reconnect:** Oregon automatically reconnects to the Federal change. Oregon generally subscribes to the provisions being amended, and therefore, we do not recommend any change. No modification is necessary to tie to the Federal change.

### B

**No ORS change necessary:** No change is necessary to the ORS. This provision affects a credit, penalty or administrative rule which applies only to the Federal tax system, does not apply to the determination of taxable income, or is automatically modified by provisions in the ORS. Oregon does not automatically adopt these provisions, however, no modification of ORS is necessary. We have noted with an asterisk (\*) items that may be of interest and warrant further consideration by Oregon.

### C

**ORS change necessary:** A change to the ORS is necessary in order to conform to this Federal provision. To increase taxpayer compliance, it is recommended that Oregon Statutes be amended to conform as closely as possible to this change.

### D

**No ORS change necessary:** These provisions reference the tax code, but do not impact tax law. We have analyzed any relevant tax provisions and they are included in Recommendations A through C above.

### E

**These Acts may reference the tax code but may not impact income tax law.** We have not analyzed these Acts in full and have noted with an asterisk (\*) items that may be of interest and warrant further consideration by Oregon.

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Code Section	Topic	Law Before Act	Law After Act	Effective Date
<b>*21<sup>st</sup> Century Cures Act of 2016</b>				
106(g)	Limitations on Exclusion from Gross Income.	Code Sec.106 provides that an employee's gross income doesn't include employer-provided coverage under an accident or health plan that compensates that employee for the personal injuries or sickness of the employee, the employee's spouse, or dependents	The Act provides that payments or reimbursements from a qualified small employer HRA are only excludible from gross income if, for the month in which such medical care is provided, the individual had minimum essential coverage under Code Sec. 5000A(f). The Act also provides that any amounts eligible for exclusion from gross income do not apply for purposes of the Code Sec. 4980I, the Cadillac tax.	Effective for years beginning after Dec. 31, 2016.
<b>*United States Appreciation for Olympians and Paralympians Act of 2016</b>				
74	Awards to Olympians excluded from gross income.	Awards to Olympians were subject to income tax.	The measure eliminates tax on medals or other prizes awarded to Team USA athletes during Olympic and Paralympic games for those athletes whose adjusted gross income does not exceed \$1 million (\$500,000 for a married individual filing a separate return).	Prizes and awards received after Dec. 31, 2015.
<b>Protecting Americans from Tax Hikes Act of 2015</b>				
108(a)(1)(E)	Exclusion of home mortgage forgiveness from debt discharge income is retroactively extended through 2016.	A discharge of indebtedness generally gives rise to gross income, known as "debt discharge income" or "Cancellation of Debt (COD) income." Under a "mortgage forgiveness exclusion," any debt discharge income resulting from a discharge (in whole or in part) of "qualified principal residence indebtedness" is excluded	Under the Act, the mortgage forgiveness exclusion will apply to indebtedness discharged before Jan. 1, 2017.	Discharges of indebtedness after Dec. 31, 2014 and before Jan. 1, 2017. <b>Not extended to 2017.</b>

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		from gross income. The basis of the residence is reduced, but not below zero, by the excluded debt discharge income. Under prior law, the mortgage forgiveness exclusion applied to indebtedness discharged before Jan. 1, 2015.		
163(h)(3)(E)(iv)(I)	Mortgage insurance premium deduction is retroactively extended through 2016.	Premiums paid or accrued during the tax year for qualified mortgage insurance in connection with acquisition indebtedness for the taxpayer's main or second home are treated as qualified residence interest, and so are deductible through Dec 31, 2014.	Under the Act, the rules that treat qualified mortgage insurance premiums as deductible qualified residence interest will not apply to amounts that are paid or accrued after Dec. 31, 2014 and before Jan 1, 2017.	Amounts paid or accrued after Dec. 31, 2014 and before Jan. 1, 2017. <b>Not extended to 2017.</b>
168(i)(15)(D)	Seven-year recovery period for motorsports entertainment complexes is retroactively restored and extended to facilities placed in service before Jan. 1, 2017.	Motorsports entertainment complexes placed in service after Oct. 22, 2004 and before Jan. 1, 2015 are treated as seven-year Modified Accelerated Cost Recovery System (MACRS) property.	The Act retroactively restores the treatment of qualifying property used for land improvement and support facilities at motorsports entertainment complexes as seven-year property for property placed in service in 2015 and extends it to property placed in service before Jan. 1, 2017.	Property placed in service after Dec. 31, 2014 and before Jan.1, 2017. <b>Not extended to 2017.</b>
168(j)(8)	Accelerated depreciation rules for Indian reservation property are retroactively restored and extended to property placed in service through Dec. 31, 2016.	Under prior law, shortened depreciation recovery periods could be used for qualified Indian reservation property placed in service before Jan. 1, 2015. For example, property normally depreciable over a five-year period could be depreciated over a three-year period if it was qualified Indian reservation property. Also, the depreciation deduction allowed for regular tax purposes with respect to qualified Indian reservation property was also allowed for	The Act retroactively restores the treatment of qualifying property for property placed in service in 2015 and extends it to property placed in service before Jan. 1, 2017.	Property placed in service after Dec. 31, 2014 and before Jan.1, 2017. <b>Not extended to 2017.</b>

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		purposes of the Alternative Minimum Tax (AMT).		
179D	Energy efficient building standards changed and deduction is retroactively restored and extended.	A deduction for an amount equal to the cost of Energy Efficient Commercial Building (EECB) property wasn't available for property placed in service after Dec. 31, 2014.	The definition of EECB property is modified by requiring increased efficiency standards for property placed in service after Dec. 31, 2015. The deduction for EECB property is retroactively extended through 2016.	Property placed in service after Dec. 31, 2014 and before Jan. 1, 2017. <b>Not extended to 2017.</b>
179E(g)	Election to expense cost of qualified advanced mine safety equipment property.	The law provided for an election to expense advanced mine safety equipment, but the election did not apply to property placed in service after Dec. 31, 2014.	The present-law placed-in-service date is retroactively extended through 2016, allowing a taxpayer to expense 50 percent of the cost of any qualified advanced mine safety equipment property.	Property placed in service after Dec. 31, 2014 and before Jan. 1, 2017. <b>Not extended to 2017.</b>
181(f)	Expensing rules for qualified film and television productions.	Taxpayers could elect to expense the cost of qualified film and television productions, rather than capitalizing those costs, for productions beginning before Jan. 1, 2015.	The availability of the election is retroactively extended through 2016.	Productions beginning after Dec. 31, 2014 and before Jan. 1, 2017. <b>Not extended to 2017.</b>
222(e)	Qualified tuition deduction is extended retroactively through 2016.	Individuals are allowed an above-the-line deduction for "qualified tuition and related expenses" for higher education paid during the tax year. The qualified tuition deduction was not available for tax years beginning after Dec. 31, 2014.	The deduction is retroactively extended through 2016.	Tax years beginning after Dec. 31, 2014 and before Jan. 1, 2017. <b>Not extended to 2017.</b>

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Code Section	Topic	Law Before Act	Law After Act	Effective Date
831(b)(2)831(d)	Rules on nonlife insurance companies' election to be taxed only on investment income are modified after 2016.	Before PATH, nonlife insurance companies with certain written premiums less than \$1,200,000 for the taxable year could elect to be taxed, at regular corporate rates, only on their investment income.	The Act added a new clause incorporating subparagraph (B) diversification requirements into the qualifying characteristics non-life insurance companies must have for the subsection to apply. Additionally, it increases the maximum amount of annual premiums from \$1,200,000 to \$2,200,000 and set forth an annual inflation adjustment to the election threshold dollar amount. Finally, it added a new reporting requirement for every non-life insurance company making the election under Code Section 831(b).	Tax years beginning after Dec. 1, 2016.

## Bipartisan Budget Act of 2015

771-777	The Tax Equity and Fiscal Responsibility Act (TEFRA) and electing large partnership audit provisions are repealed and replaced.	Partnership audits were conducted under procedures that were enacted as part of The Tax Equity and Fiscal Responsibility Act of 1982 (the TEFRA rules). Disputes as to the tax treatment of partnership items and affected items were resolved at the partnership level in a unified proceeding, while nonpartnership items are determined in separate proceedings with the individual partners. Tax deficiencies, penalties and interest are assessed at the partner level. Simplified audit procedures applied to Electing Large Partnerships (ELPs).	The TEFRA and ELP rules are repealed and replaced with a new, single set of audit rules. Each partnership will designate a partner (or other person) with a substantial presence in the U.S. to be the partnership representative with the power to bind the partnership and its partners.	Returns filed for tax years beginning after Dec. 31, 2017.
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Code Section	Topic	Law Before Act	Law After Act	Effective Date
<b>*21<sup>st</sup> Century Cures Act of 2016</b>				
36B(c)(4)(A)	Premium Tax Credit Provisions.	Provides a premium tax credit to eligible taxpayers who enroll in a qualified health plan, or have a spouse or dependent enrolled in a qualified health plan, through a Marketplace, depending on the taxpayer's household income.	The Act provides the threshold rules for determining the amount of Premium Tax Credit a taxpayer may be eligible for when provided a small employer HRA.	Effective for years beginning after Dec. 31, 2016.
9831(d)(1)	Qualified Small Employer Health Reimbursement Arrangements (HRAs) exempted from Group Health Plan requirements.	Under pre-Act law, after June 30, 2015, small employers that maintain a stand-alone HRA could be liable for the Code Sec. 4980D excise tax.	The Act provides that a "qualified small employer HRA" is not treated as a group health plan, exempting them from the excise tax levied on group health plans that do not meet the Affordable Care Act market reform requirements.	Effective for years beginning after Dec. 31, 2016, with extension of relief under Notice 2015-17 to any plan year beginning on or before Dec. 31, 2016.
9831(d)(4)	Small employer HRA reporting & notice requirements.	No prior provisions.	The Act added a provision requiring small employers funding a qualified HRA for any year to provide a written notice to each eligible employee which includes certain information on the HRA that is to be provided to any health insurance exchange to which the employee applies for advance payment of the premium assistance tax credit, and a statement that if the employee is not covered under minimum essential coverage for any month, the employee may be subject to the individual mandate tax for such month, and reimbursements under the arrangement may be includible in	Effective for years beginning after Dec. 31, 2016.

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			gross income. The Act also provided penalties of \$50 per-employee, per-incident-of-failure penalty, subject to a \$2,500 calendar year maximum for failure to provide such notice.	
<b>*Trade Facilitation and Trade Enforcement Act of 2015</b>				
6651(a)	Penalty or failure to file certain types of tax returns.	Under pre-Act law, the minimum penalty for failure to file certain types of tax returns (including income, estate, and gift tax returns) within 60 days of the due date (including extensions) equaled the lesser of \$135 or 100% of the amount of tax required to be shown on the return.	The Act raises the minimum penalty to the lesser of \$205 or 100% of the amount of tax required to be shown on the return.	Effective for returns required to be filed in calendar years after 2015.
<b>Protecting Americans from Tax Hikes Act of 2015</b>				
25C(c)(1) & (g)(2)	Nonbusiness energy property credit is retroactively extended for two years through 2016 and windows and doors must meet Version 6.0 Energy Star requirements to qualify for nonbusiness energy property credit.	Nonbusiness energy property credit was not available for property placed in service after Dec. 31, 2014.	Credit is now available for property placed in service through Dec. 31, 2016. Also, new requirements exist for determining which property is eligible for the credit.	Property placed in service after Dec. 31, 2015. <b>Not extended to 2017.</b>
30A	Possessions tax credit for American Samoa extended through 2016.	Federal law provided a credit for tax paid to American Samoa for corporations that met certain qualified domestic production activities. The law expired at the end of 2014.	Law extended for tax years beginning before Jan. 1, 2017.	Tax years beginning after Dec. 31, 2014 and before Jan. 1, 2017. <b>Not extended to 2017.</b>

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Code Section	Topic	Law Before Act	Law After Act	Effective Date
30B(k)(1), 30C(g) & 30D(g)	Qualified fuel cell motor, alternative fuel and two-wheeled plug-in elective vehicle credit is retroactively restored and extended to property placed in service before Jan. 1, 2017.	Qualifying property had to be purchased by Dec. 31, 2014 to be eligible for credit.	Credit extended for two years through Dec. 31, 2016.	Property placed in service after Dec. 31, 2014 and before Jan. 1, 2017. <b>Not extended to 2017.</b>
40(b)(6)(J)(i) & 40A(g)	Second generation biofuel producer credit is retroactively restored and extended to production before Jan. 1, 2017.	Federal law provided a tax credit for certain cellulosic biofuel producers and the use of biodiesel and renewable fuels.	These credits were extended for an additional two years through 2016.	Qualified second generation biofuel produced, sold or used after Dec. 31, 2014 and before Jan. 1, 2017. <b>Not extended to 2017.</b>
45(d)	Renewable electricity production credit is retroactively restored and extended for certain qualified facilities for which construction begins before Jan. 1, 2017.	Federal law provides tax credits for electricity produced from renewable energy resources. Construction on facilities was qualified only if it began before Jan. 1, 2015.	Facilities are qualified if construction begins before Jan. 1, 2017, resulting in a two-year extension.	Certain qualified facilities for which construction begins after Dec. 31, 2014 and before Jan. 1, 2017. <b>Not extended to 2017.</b>
45(d) & (e)	Indian coal facility pre-2009 placed-in-service limitation and prohibition on any sales of Indian coal to related persons no longer apply for purposes of the Indian coal production credit.	Coal produced from reserves that were owned by an Indian tribe are taken in to account for a tax credit that expired for 2015.	Credit availability is extended through 2016 and expanded in a variety of ways.	Coal produced and sold after Dec. 31, 2015. <b>Not extended to 2017.</b>

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Code Section	Topic	Law Before Act	Law After Act	Effective Date
45A(f) & 45C(b)(1)(D)	Indian employment credit for wages paid to qualified Native Americans is retroactively restored and extended to tax years beginning before Jan. 1, 2017.	Credit was not available after Dec. 31, 2014.	Credit restored and extended through 2016.	Tax years starting after Dec. 31, 2014 and before Jan. 1, 2017. <b>Not extended to 2017.</b>
48(a)(5)(C)(ii)	Energy credit is retroactively restored and extended for qualified investment credit facilities for which construction begins before Jan. 1, 2017.	Taxpayers can elect to treat facilities as energy property, but it was not available if construction began after Dec. 31, 2014.	Protecting Americans from Tax Hikes Act restoration and extension restores credit for two years and is for construction beginning before Jan. 1, 2017.	Qualified investment credit facilities for which construction begins after Dec. 31, 2014 and before Jan. 1, 2017. <b>Not extended to 2017.</b>
54E(c)(1)	Qualified Zone Academy Bond program is extended through 2016.	Qualified Zone Academy Bonds (QZABs) are a type of qualified tax credit bond entitling the holder to a nonrefundable tax credit. The amount of QZABs that can be issued for a calendar year is subject to a national limitation. The Internal Revenue Service (IRS) allocates this limitation among the states, the District of Columbia, and U.S. possessions based on the percentage of individuals below the poverty line in their respective populations. A state can carry over any unused limitation for up to two years.	Retroactively extends the QZAB program for calendar year 2015 and authorizes the issuance of up to \$400 million of QZABs for 2015 and 2016.	Obligations issued after Dec. 31, 2014 and before Jan. 1, 2017. <b>Not extended to 2017.</b>

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Code Section	Topic	Law Before Act	Law After Act	Effective Date
856(c)(4)(B)(ii)	A Real Estate Investment Trust's interest in taxable Real Estate Investment Trust (REIT) subsidiaries will be limited to 20 percent of assets for tax years beginning after 2017.	Provides the requirements an entity must have in order to meet the definition of a Real Estate Investment Trust.	The Act decreased the percentage of value that an entity's total assets must be represented by the securities of taxable REIT subsidiaries in order to meet the definition of a REIT from 25 percent to 20 percent.	Tax years beginning after Dec. 31, 2017.
936	Possessions tax credit for American Samoa extended through 2016.	Provides for the Puerto Rico and possession tax credit.	The Act extends the American Samoa Economic Development Tax Credit and amends certain time periods for qualification rules contained within the section.	Tax years beginning after Dec. 31, 2014 and before Jan. 1, 2017. <b>Not extended to 2017.</b>
1391(d)(1)(A)(i)	Empowerment zone designation period is retroactively restored and extended through Dec. 31, 2016.	Provides for the period of time for which an area may be designated an empowerment zone.	The Act extends the period of time to Dec 31, 2016.	Tax years beginning after 2014 and before Jan. 1, 2017. <b>Not extended to 2017.</b>
6031(b)	Consistency requirement for a partner's tax return for post-2017 partnership returns.	A partner must treat a partnership item on its return in a manner that is consistent with the treatment on the partnership return. This consistency requirement does not apply if the partner files a statement with the tax return identifying the inconsistency.	The consistency requirement has been expanded to cover all items of income, gain, loss, deduction or credit from the partnership.	Returns filed for partnership tax years beginning after Dec. 31, 2017.
6031(b)	Repeal of the Tax Equity and Fiscal Responsibility Act (TEFRA) and electing large partnership audit provisions-related provisions.	Federal law provided special audit rules applicable to partnerships which either have a large number of partners or certain types of partners.	Federal law has been revised, repealing the unified partnership audit rules, and provides replacement rules.	Returns filed for tax years beginning after Dec. 31, 2017.

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Code Section	Topic	Law Before Act	Law After Act	Effective Date
6045(g)(2)(B)(iii)	Brokers are not required to correct a customer's adjusted basis in securities in the case of de minimis errors on information returns.	Brokers required to provide information reporting of the gross proceeds for a security must also provide the customer's adjusted basis. Penalties apply for providing incorrect information.	Rules have been updated as to when penalties apply.	Returns required to be filed, and payee statements required to be provided, after Dec. 31, 2016.
6402(m)	The Internal Revenue Service (IRS) has extended time to review refund claims based on refundable part of Child Tax Credit (CTC) and Earned Income Credit (EIC).	Existing law provided no special rule to give the IRS additional time to review refund requests which involve a Child Tax Credit (CTC) or Earned Income Credit (EIC).	The provision provides additional time for the IRS to review refund claims based on the Earned Income Tax Credit and the refundable portion of the Child Tax Credit in order to reduce fraud and improper payments.	Credits or refunds made after Dec. 31, 2016.
6721(c)(3)	Safe harbor for de minimis errors on information returns and payee statements.	No safe harbor for errors on information returns.	Under the safe harbor, if the error for any single amount is \$100 or less (\$25 or less in the case of errors involving withholding), the issuer of an information return or payee statement is not required to file a corrected return. The provision contains an exception whereby the recipient of an incorrect payee statement can elect to have a corrected return issued.	Information returns required to be filed, and payee statements required to be furnished, after Dec. 31, 2016.
6722(c)(3)	Safe harbor for de minimis errors on information returns.	A 2016 Act increased the penalties on failure to file correct, or late, returns or statements.	The new law provides an exception where errors on any information returns are for income of less than \$100 or tax of less than \$25.	For returns and statements required to be filed after Dec. 31, 2016.

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<b>2016 Consolidated Appropriations Act</b>				
25D(a), (g) & (h)	Residential Energy Efficient Property Credit for solar property is extended through 2021, but is phased out after 2019.	Residential Energy Efficient Property Credit was to have expired for property placed in service after Dec. 31, 2016.	Credit for solar property extended through 2021, but fuel cell, wind energy and geothermal heat pump property will expire for property placed in service after Dec. 31, 2016.	Jan. 1, 2017.
<b>Fixing America's Surface Transportation Act</b>				
6050H	Additional mortgage interest reporting requirements will apply for returns made and statements furnished after 2016.	Any person who receives mortgage interest must provide certain information relating to name, address and the amount of interest.	The recipient of this income must additionally provide the amount of outstanding principal, the date of origination of the mortgage and the address of the property.	Returns required to be made, and statements required to be furnished, after Dec. 31, 2016.
6412(a)(1)	Floor stocks credit, or refund for tire tax and removal-at-terminal fuel tax, is to apply to tires or fuel held by dealers on Oct. 1, 2022.	Current law expires Oct. 1, 2016.	The Act extends through Sept. 30, 2022 the three excise taxes imposed on highway motor fuels, the retail sales taxes on heavy highway vehicles and the manufacturers' excise tax on heavy vehicle tires. The annual use tax on heavy vehicles is extended through Sept. 30, 2023.	Oct. 1, 2016.

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<b>Bipartisan Budget Act of 2015</b>				
6031(b)	Consistency requirement for a partner's tax return for post-2017 partnership returns.	A partner must treat a partnership item on its return in a manner that is consistent with the treatment on the partnership return. This consistency requirement does not apply if the partner files a statement with the tax return identifying the inconsistency.	The consistency requirement has been expanded to cover all items of income, gain, loss, deduction or credit from the partnership.	Returns filed for partnership tax years beginning after Dec. 31, 2017.
6221-6235, 6240-6242, 6245-6248, 6251-6252, 6255 & 6330	Tax Equity and Fiscal Responsibility Act (TEFRA) and electing large partnership audit provisions are repealed and replaced.	Special IRS audit rules were provided for certain partnerships.	The Tax Equity and Fiscal Responsibility Act (TEFRA) rules have been modified.	Returns filed for tax years beginning after Dec. 31, 2017.
6422, 6501, 6503-6504, 6511-6512, 6515, 6601, 7482 & 7485	Repeal of Tax Equity and Fiscal Responsibility Act (TEFRA) and electing large partnership audit provisions-related provisions.	A partner must treat a partnership item on its return in a manner that is consistent with the treatment on the partnership return. This consistency requirement does not apply if the partner files a statement with the tax return identifying the inconsistency.	The consistency requirement has been expanded to cover all items of income, gain, loss, deduction or credit from the partnership.	Returns filed for tax years beginning after Dec. 31, 2017.
<b>Trade Preferences Extension Act of 2015</b>				
7527	The Internal Revenue Service (IRS) must re-establish program for advance payment of Health Care Tax Credit (HCTC) directly to health insurance provider.	Before 2014, the IRS had established a program for paying the Health Coverage Tax Credit (HCTC) in advance on behalf of individuals for whom a qualified health insurance cost credit eligibility certificate was in effect ("certified individuals") to	No later than June 29, 2016, the IRS is to establish a program for making HCTC payments on behalf of certified individuals to providers of qualified health insurance on behalf of those individuals.	Coverage months in tax years beginning after Dec. 31, 2013, and before Jan. 1, 2020.



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		providers of qualified health insurance for those individuals. The HCTC had expired for coverage months beginning after Dec. 31, 2013.		

## Defending Public Safety Employees' Retirement Act

72(t)	Penalty-free early plan withdrawals for certain public safety officers expanded to include others.	A 10 percent penalty tax applies to premature distributions from a qualified retirement plan. Specifically, if a taxpayer takes an “early withdrawal” from a “qualified retirement plan,” the taxpayer's income tax for the tax year in which that amount is received is increased by an amount equal to 10 percent of the portion of the amount that is includible in gross income. However, an exception applied to certain public safety officers.	The acts expanded the definition of public safety employees to include a number of expanded categories of public safety officers.	Distributions after Dec. 31, 2016.
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**Note regarding corporation filing dates:** Federal law has specified that corporation tax returns are due by the 15th day of the third month after the close of the corporation's tax year. This legislation has changed the due date for corporate tax returns to the 15th day of the fourth month after the close of the tax year. ORS 314.385(b) specifies that the due date for corporation returns is the 15th day of the month following the due date of the corresponding Federal return for that tax year. This ORS would need to be revised if the Oregon due date is intended to remain the same as in the past.

## Section C

**ORS change necessary:** A change to the ORS is necessary in order to conform to this Federal provision. To increase taxpayer compliance, it is recommended that Oregon Statutes be amended to conform as closely as possible to this change.

Code Section	Topic	Law Before Act	Law After Act	Effective Date
<b>*Combat-Injured Veterans Tax Fairness Act of 2016</b>				
104	Refunds related to withholding on severance payments to veterans with combat-related injuries.	Severance payments to Individuals separated from service in the Armed Forces for combat-related injuries (as defined in section 104(b)(3)) are specifically excluded from taxable income. However, the Department of Defense (DOD) has improperly withheld taxes on these severance payments.	The DOD will identify certain severance payments to veterans with combat-related injuries paid after January 17, 1991, from which DOD withheld amounts for tax purposes, DOD shall provide each such veteran with notice of the amount of improperly withheld severance payments, and instructions for filing amended tax returns to recover such amount. Also, the period for filing a related claim with the Internal Revenue Service for a credit or refund is extended beyond the three-year limitation to the date that is one year after DOD provides the veteran with the information required by this Act.	Withholding amounts paid after January 17, 1991.
<b>Protecting Americans from Tax Hikes Act of 2015</b>				
199(d)(8)(C)	Allowance of "Domestic Production Activities Deduction" (DPAD) for Puerto Rico activities is extended.	There are special rules for determining domestic production gross receipts for taxpayers with gross receipts from sources within Puerto Rico, but only if all of the taxpayer's Puerto Rico-sourced gross receipts are taxable. There are also special rules for determining the wage limitation for the DPAD with regard to wages paid to bona fide residents of Puerto Rico for services performed in Puerto Rico. These special rules for Puerto Rico applied only for the first nine tax years of a taxpayer beginning after Dec. 31, 2005 and before Jan. 1, 2015.	The special DPAD rules for Puerto Rico apply for the first 11 tax years of a taxpayer beginning after Dec. 31, 2005 and before Jan. 1, 2017.	Tax years beginning after Dec. 31, 2014 and before Jan. 1, 2017. <b>Not extended to 2017.</b>

## Section C

**ORS change necessary:** A change to the ORS is necessary in order to conform to this Federal provision. To increase taxpayer compliance, it is recommended that Oregon Statutes be amended to conform as closely as possible to this change.

Code Section	Topic	Law Before Act	Law After Act	Effective Date
<b>2016 Consolidated Appropriations Act</b>				
199(c)(3)(C)	Independent oil refiners can exclude 75 percent of oil-transportation costs in computing net income for the "Domestic Production Activities Deduction" (DPAD).	Subject to certain limitations, taxpayers are allowed a deduction (known as the "Section 199 deduction," "Domestic Production Activities Deduction" or "DPAD") equal to nine percent of the taxpayer's "Qualified Production Activities Income" ("QPAI") for the tax year. Under Code Section 199(d)(9), the otherwise-allowable DPAD of taxpayers with "oil-related Qualified Production Activities Income" ("oil-related QPAI") is reduced by three percent of the least of: (1) the taxpayer's oil-related QPAI for the tax year; (2) the taxpayer's QPAI for the tax year; or (3) the taxpayer's taxable income (determined without regard to the DPAD).	Applicable crude oil refiners may exclude 75 percent of their oil-transportation costs (such as pipeline tariffs, rail costs and tanker fees) when computing their DPAD. Specifically, in computing their oil-related QPAI, refiners will have to reduce the amount of their domestic production gross receipts by only 25 percent of their oil-transportation expenses allocable to those receipts, which will increase their QPAI, and increase the amount of their initial DPAD before the oil-related QPAI reduction.	Tax years beginning after Dec. 31, 2015 and before Jan. 1, 2022.

## Section D

**No ORS change necessary:** These provisions reference the tax code, but do not impact tax law. We have analyzed any relevant tax provisions and they are included in Recommendations A through C.

Code Section	Topic	Law Before Act	Law After Act	Effective Date
<b>Bipartisan Budget Act of 2015</b>				
7421(a), 7422 & 7459(c)	Change in procedures related to certain lawsuits.	Previously a suit could be filed by a taxpayer if it was made after a notice of deficiency was issued but before expiration of the time for bringing a Tax Court suit.	The law strictly limits the circumstances under which a suit to enjoin the assessment or collection of any tax is permitted. No suit for the purpose of restraining the assessment or collection of any tax can be maintained, whether or not that person is the one against whom the tax is assessed.	Returns filed for tax years beginning after Dec. 31, 2017.

## Section E

**These Acts reference the tax code** but may not impact income tax law. We have not analyzed these Acts in full and have noted with an asterisk (\*) items that may be of interest and warrant further consideration by Oregon.

Code Section	Topic	Law Before Act	Law After Act	Effective Date
<b>Protecting Americans from Tax Hikes Act of 2015</b>				
4191(c)	Medical device excise tax is suspended for two years, for sales in 2016 and 2017.	Provides for the rate of tax on medical devices.	The Act provided for a two-year moratorium for the tax imposed on medical devices, beginning Jan 1, 2016 and ending Dec. 31, 2017.	Sales after Dec. 31, 2015 and before Jan. 1, 2018.
6426(c) & 6427(e)	Excise tax credits/refunds for biodiesel and renewable diesel are extended retroactively through 2016.	The existing \$1 per gallon tax credit for biodiesel and biodiesel mixtures, and the small agri-biodiesel producer credit of 10 cents per gallon. The provision also extends through 2016 the \$1 per gallon production tax credit for diesel fuel created from biomass.	The provision extends the tax credits/refunds through 2016.	Fuel sold or used after Dec. 31, 2014 and before Jan. 1, 2017. <b>Not extended to 2017.</b>
6426(d), 6426(e), 6426(i) & 6427(e)	Alternative fuel and alternative fuel mixture excise tax credits and/or refunds are retroactively extended through 2016; credit modified to reflect reduced Liquefied Petroleum Gas (LPG) and Liquefied Natural Gas (LNG) tax rates after 2015.	Tax law provided rules relating to certain fuel and terminal excise taxes. The taxes terminated for any sale or use after 2014.	The provision is extended retroactively through 2017.	For extension, for fuel sold or used after 2014 and before 2017; for LPG and LNG credit equivalency, for fuel sold or used after 2015. <b>Not extended to 2017.</b>
<b>Fixing America's Surface Transportation Act</b>				
4041(a)(1)-(3) 4041(m)(1)(A)-(B)	Various higher fuel excise tax rates are extended to apply through Sept. 30, 2022.	Provides for the rate of tax on certain alternative fuels.	The Act extended the provisions of the paragraph through September 30, 2022 and added a provision for liquefied petroleum gas to be taxed at 18.3 cents per energy equivalent of a gallon of gasoline and for liquefied natural gas to be taxed at 24.3 cents per energy equivalent of a gallon of diesel.	Oct. 1, 2016.

## Section E

**These Acts reference the tax code** but may not impact income tax law. We have not analyzed these Acts in full and have noted with an asterisk (\*) items that may be of interest and warrant further consideration by Oregon.

Code Section	Topic	Law Before Act	Law After Act	Effective Date
4051(c)	Retail truck and manufacturer's tire excise taxes, and certain exemptions, are extended through Sept. 30, 2022.	Provides for the rate of tax on certain heavy trucks and trailers sold at retail.	The Act extended the provisions of the paragraph through Sept. 30, 2022.	Oct. 1, 2016.
4071(d)	Retail truck and manufacturer's tire excise taxes, and certain exemptions, are extended through Sept. 30, 2022.	Provides for the rate of tax on certain tires sold at retail.	The Act extended the provisions of the paragraph through Sept. 30, 2022.	Oct. 1, 2016.
4081(d)(1)	Various higher fuel excise tax rates are extended to apply through Sept. 30, 2022.	Provides for the rate of tax on the removal, entry or sale of fuel.	The Act extended the provisions of the paragraph through Sept. 30, 2022.	Oct. 1, 2016.
4081(d)(3)	Leaking Underground Storage Tank (LUST) Trust Fund 10-cent-per-gallon tax is extended through Sept. 30, 2022.	Provides for the Leaking Underground Storage Tank Trust Fund financing rate.	The Act extended the provisions of the paragraph through Sept. 30, 2022.	Oct. 1, 2016.
4221(a)	Retail truck and manufacturer's tire excise taxes, and certain exemptions, are extended through Sept. 30, 2022.	Provides for certain exclusions.	The Act extended the exclusions of certain sales to state and local government and certain sales to nonprofit educational organizations from the taxes imposed in Code Section 4051 and Code Section 4071 through Sept. 30, 2022.	Oct. 1, 2016.
4481(f)	Highway use tax, and certain exemptions from the tax, are extended through Sept. 30, 2023.	Federal law provided for an excise tax on gross vehicle weight. This law was scheduled to expire Sept. 30, 2017.	The highway use tax was extended through Sept. 30, 2023.	Oct. 1, 2016.
4482 & 4483	Highway use tax, and certain exemptions from the tax, are extended through Sept. 30, 2023.	Federal law provided for an excise tax on gross vehicle weight. This law was scheduled to expire Sept. 30, 2017.	The highway use tax was extended through Sept. 30, 2023.	Oct. 1, 2016.