HB 2050 STAFF MEASURE SUMMARY

House Committee On Revenue

Prepared By: Kyle Easton, Economist
Meeting Dates: 2/16

WHAT THE MEASURE DOES:
Changes timing of interest computation when refunding excess tax payments for emergency communications and transient lodging tax programs. Requires interest to be paid on excess tax payments beginning 45 days after the later of the due date of the return to which the excess relates or the date the excess was paid.

ISSUES DISCUSSED:

EFFECT OF AMENDMENT:
No amendment.

BACKGROUND:
Under current law, interest relating to excess payments received by the Department of Revenue (DOR) for the Emergency Communications and Transient Lodging Tax programs is computed from the date of the excess payment, until the date DOR refunds the excess. Until a return related to the tax payment is received, DOR is incapable of knowing whether a refund will be required as tax liability is unknown. Changes to timing of interest rate computation contained in measure would cause interest on excess payments in the two affected tax programs to begin accumulating 45 days after the later of the date the return was received or the excess was paid. This 45 day period effectively provides DOR with a time window in which to process refunds without interest accumulating. Interest is computed at a rate of five-sixths of 1% per month or fraction thereof (10% per year). ORS 314.415 specifies interest computation for personal income taxation program which includes similar 45 day period before interest begins accumulating.