

**SB 701 STAFF MEASURE SUMMARY**

**Senate Committee On Finance and Revenue**

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**Prepared By:** Christine Broniak, Economist

**Meeting Dates:** 2/20

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**WHAT THE MEASURE DOES:**

Updates connection to the Internal Revenue Code and to other provisions in federal tax law from December 31, 2015 to December 31, 2016. Updates references in the governing statutes of the Public Employees Retirement System (PERS) to federal law that establishes taxable income, affects annual benefits payable to members, specifies rules around minimum distribution requirements under certain circumstances, and relates to benefits and service credit for a period in the uniformed services. Updates connection to the federal code that defines shareholders in S corporations who may represent their companies in proceedings before the tax court magistrate or the Department of Revenue. Updates connection to the Internal Revenue Code to define which organizations may qualify for consideration for a charitable tax checkoff. Updates statutes governing the Oregon College Savings Plan, Individual Development Accounts, and unemployment insurance to connect to the latest version of the Internal Revenue Code as of December 31, 2016. Specifies that if a refund is due a taxpayer for a tax year beginning before January 1, 2017 due to any retroactive treatment from these federal tax law connection changes then the refund will be paid without interest and cancels the interest or penalties from any deficiencies caused by the reconnect.

**ISSUES DISCUSSED:**

**EFFECT OF AMENDMENT:**

**BACKGROUND:**

Oregon has had a continuing connection ("rolling reconnect") to the definition of taxable income since tax year 2011. Other ties to federal tax law must be updated on a regular basis, with December 31st the usual connection date. Historically, the Legislature adopted the "rolling reconnect" for tax years 1997 to 2002 and then suspended the policy for tax years 2003 to 2005. The "rolling reconnect" was re-established for tax years 2006 to 2008 and then suspended for tax years 2009 and 2010 when the Legislature selectively disconnected from certain provisions.