

HB 2273 A STAFF MEASURE SUMMARY

Carrier: Sen. Hass

Senate Committee On Finance and Revenue

Action Date: 06/29/17
Action: Do pass with amendments. (Printed A-Eng.)
Vote: 5-0-0-0
Yeas: 5 - Baertschiger Jr, Boquist, Hass, Riley, Taylor
Fiscal: No fiscal impact
Revenue: Has minimal revenue impact
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WHAT THE MEASURE DOES:

Removes the functional test for determining apportioned income for corporations. Clarifies that certain types of money received by corporations is not considered sales for purposes of apportionment. Applies to tax years beginning on or after January 1, 2018. Includes changes to address a conflict with HB 2275.

ISSUES DISCUSSED:

- Differences between apportioned and allocated income
- History of recommendation from the Multistate Tax Commission regarding market-based sourcing of sales of intangibles and services
- Necessity of moving policy language from administrative rules to statute

EFFECT OF AMENDMENT:

Replaces bill

BACKGROUND:

SB 28A changed how corporation income from intangibles and services is apportioned to Oregon. The cost-of-performance approach is replaced by the market-based sourcing of sales. The Multistate Tax Commission has recommended that states adopt the market-based approach and, in conjunction, remove the functional test when determining sales for apportionment purposes. The other change in this bill effectively puts some Department of Revenue administrative rules into statute. The issue of concern is that certain money received by corporations acting as an intermediary should not be considered sales for purposes of apportionment. Under current law, this is achieved through a combination of statute and rule.