

Senate Bill 29

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SUMMARY

The following summary is not prepared by the sponsors of the measure and is not a part of the body thereof subject to consideration by the Legislative Assembly. It is an editor's brief statement of the essential features of the measure **as introduced**.

Updates citation to federal statute governing tax treatment of corporate indebtedness discharged in bankruptcy.

Takes effect on 91st day following adjournment sine die.

A BILL FOR AN ACT

1
2 Relating to the tax treatment of debt of a corporation in bankruptcy; amending ORS 314.306; and
3 prescribing an effective date.

4 **Be It Enacted by the People of the State of Oregon:**

5 **SECTION 1.** ORS 314.306 is amended to read:

6 314.306. (1) If a taxpayer excludes an amount from federal gross income by reason of the dis-
7 charge of indebtedness of the taxpayer under section 108(a)(1)(A) of the Internal Revenue Code (re-
8 lating to discharge of indebtedness in a bankruptcy declared under U.S.C. Title 11), then, with
9 respect to that portion of the excluded amount that is apportioned to Oregon, the taxpayer shall
10 apply the rules in 11 U.S.C. 346(j), as amended and in effect on [*April 15, 1995*] **December 31,**
11 **2016.**

12 (2) If a taxpayer excludes an amount from federal gross income by reason of the discharge of
13 indebtedness of the taxpayer under section 108(a)(1)(B) or (C) of the Internal Revenue Code (relating
14 to discharge of indebtedness in insolvency or discharge of qualified farm indebtedness), then, with
15 respect to that portion of the excluded amount that is apportioned to Oregon, the following para-
16 graphs shall apply, in the following order:

17 (a) If the taxpayer has made the election under section 108(b)(5) of the Internal Revenue Code
18 to first reduce the basis of the depreciable property of the taxpayer, the election shall also be ef-
19 fective for Oregon tax purposes. A corresponding reduction in the basis of the depreciable property
20 of the taxpayer shall be made for Oregon tax purposes.

21 (b) The amount, if any, by which the following attributes are reduced under section 108(b)(1) of
22 the Internal Revenue Code for federal tax purposes shall be added back for Oregon tax purposes:

23 (A) Federal net operating loss.

24 (B) Capital loss carryover.

25 (C) Basis of the property of the taxpayer, excluding amounts subject to the election under sec-
26 tion 108(b)(5) of the Internal Revenue Code.

27 (D) Passive activity loss carryover.

28 (c) Excluding amounts subject to the election in section 108(b)(5) of the Internal Revenue Code:

29 (A) Any Oregon net operating loss of an individual or corporate taxpayer, including a net op-
30 erating loss carryover to the taxpayer, shall be reduced by the amount of discharged indebtedness.

NOTE: Matter in **boldfaced** type in an amended section is new; matter [*italic and bracketed*] is existing law to be omitted.
New sections are in **boldfaced** type.

1 (B) Any net capital loss for the taxable year of the discharge, and any capital loss carryover to
2 the taxable year, shall be reduced by the amount of discharged indebtedness minus the total amount
3 taken into account under subparagraph (A) of this paragraph.

4 (C) The basis of the property of the taxpayer shall be reduced by the amount of discharged
5 indebtedness minus the total amount taken into account under subparagraphs (A) and (B) of this
6 paragraph.

7 (D) The passive activity loss carryover under section 469(b) of the Internal Revenue Code from
8 the taxable year of the discharge shall be reduced by the amount of discharged indebtedness minus
9 the total amount taken into account under subparagraphs (A), (B) and (C) of this paragraph.

10 **SECTION 2. This 2017 Act takes effect on the 91st day after the date on which the 2017**
11 **regular session of the Seventy-ninth Legislative Assembly adjourns sine die.**

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