

Requested by HOUSE COMMITTEE ON REVENUE

**PROPOSED AMENDMENTS TO
HOUSE BILL 2274**

1 On page 1 of the printed bill, line 2, after “ORS” delete the rest of the
2 line and delete lines 2 and 3 and insert “314.610 and 314.665; and prescribing
3 an effective date.”.

4 Delete lines 6 through 28 and delete pages 2 through 12 and insert:

5 **“SECTION 1.** ORS 314.610 is amended to read:

6 “314.610. As used in ORS 314.605 to 314.675, unless the context otherwise
7 requires:

8 “(1) ‘Business income’ means income arising from transactions and activ-
9 ity in the regular course of the taxpayer’s trade or business and includes
10 income from tangible and intangible property if the acquisition, the man-
11 agement, use or rental, and the disposition of the property constitute integral
12 parts of the taxpayer’s regular trade or business operations.

13 “(2) ‘Commercial domicile’ means the principal place from which the trade
14 or business of the taxpayer is directed or managed.

15 “(3) ‘Compensation’ means wages, salaries, commissions and any other
16 form of remuneration paid to employees for personal services.

17 “(4) ‘Financial institution’ means a person, corporation or other business
18 entity that is any of the following:

19 “(a) A bank holding company under the laws of this state or under the
20 federal Bank Holding Company Act of 1956, 12 U.S.C. 1841 et seq., as
21 amended.

1 “(b) A savings and loan holding company under the National Housing
2 Act, 12 U.S.C. 1701 et seq., as amended.

3 “(c) A national bank organized and existing as a national bank associ-
4 ation under the National Bank Act, 12 U.S.C. 21 et seq., as amended.

5 “(d) A savings association, as defined in 12 U.S.C. 1813(b)(1), as amended.

6 “(e) A bank or thrift institution incorporated or organized under the laws
7 of any state.

8 “(f) An entity organized under the provisions of 12 U.S.C. 611 to 631, as
9 amended.

10 “(g) An agency or branch of a foreign bank, as defined in 12 U.S.C. 3101,
11 as amended.

12 “(h) A state credit union with loan assets that exceed \$50,000,000 as of the
13 first day of the taxable year of the state credit union.

14 “(i) A production credit association subject to 12 U.S.C. 2071 et seq., as
15 amended.

16 “(j) A corporation, more than 50 percent of the voting stock of which is
17 owned, directly or indirectly, by a person, corporation or other business en-
18 tity described in paragraphs (a) to (i) of this subsection, provided that the
19 corporation is not an insurer taxable under ORS 317.655.

20 “(k) An entity that is not otherwise described in this subsection, that is
21 not an insurer taxable under ORS 317.655 and that derives more than 50
22 percent of its gross income from activities that a person, corporation or en-
23 tity described in paragraph (c), (d), (e), (f), (g), (h), (i) or (L) of this sub-
24 section is authorized to conduct, not taking into account any income derived
25 from nonrecurring extraordinary sources.

26 “(L) A person that derives at least 50 percent of the person’s annual av-
27 erage gross income, for financial accounting purposes for the current tax
28 year and the two preceding tax years, from finance leases, excluding any
29 gross income from incidental or occasional transactions. For purposes of this
30 paragraph, ‘finance lease’ means:

1 “(A) A lease transaction that is the functional equivalent of an extension
2 of credit and that transfers substantially all of the benefits and risks of the
3 ownership of the leased property;

4 “(B) A direct financing lease or a leverage lease that meets the criteria
5 of Financial Accounting Standards Board Statement No. 13; or

6 “(C) Any other lease that is accounted for as a financing by a lessor un-
7 der generally accepted accounting principles.

8 “(5) ‘Nonbusiness income’ means all income other than business income.

9 “(6) ‘Public utility’ means any business entity whose principal business
10 is ownership and operation for public use of any plant, equipment, property,
11 franchise, or license for the transmission of communications, transportation
12 of goods or persons, or the production, storage, transmission, sale, delivery,
13 or furnishing of electricity, water, steam, oil, oil products or gas.

14 “(7) ‘Sales’ means all gross receipts of the taxpayer **that are** not allocated
15 under ORS 314.615 to 314.645 **and that are received from transactions and**
16 **activity occurring in the regular course of the taxpayer’s trade or**
17 **business, except:**

18 “(a) **Receipts from hedging transactions and from the maturity,**
19 **redemption, sale, exchange, loan or other disposition of cash or secu-**
20 **rities;**

21 “(b) **Property or money received or acquired by an agent, interme-**
22 **diary, fiduciary or other person acting in a similar capacity on behalf**
23 **of another in excess the recipient’s commission, fee or other**
24 **remuneration; or**

25 “(c) **Amounts received from others and held in trust by the tax-**
26 **payer.**

27 “(8) ‘State’ means any state of the United States, the District of Columbia,
28 the Commonwealth of Puerto Rico, any territory or possession of the United
29 States, and any foreign country or political subdivision thereof.

30 “**SECTION 2.** ORS 314.665 is amended to read:

1 “314.665. (1) As used in ORS 314.650, the sales factor is a fraction, the
2 numerator of which is the total sales of the taxpayer in this state during the
3 tax period, and the denominator of which is the total sales of the taxpayer
4 everywhere during the tax period.

5 “(2) Sales of tangible personal property are in this state if:

6 “(a) The property is delivered or shipped to a purchaser, other than the
7 United States Government, within this state regardless of the f.o.b. point or
8 other conditions of the sale; or

9 “(b) The property is shipped from an office, store, warehouse, factory, or
10 other place of storage in this state and the purchaser is the United States
11 Government or the taxpayer is not taxable in the state of the purchaser. For
12 purposes of this paragraph:

13 “(A) The sale of goods shipped from a public warehouse is not considered
14 to take place in this state if:

15 “(i) The taxpayer’s only activity in Oregon is the storage of the goods in
16 the public warehouse prior to shipment; or

17 “(ii) The taxpayer’s only activities in Oregon are the storage of the goods
18 in the public warehouse prior to shipment and the presence of employees
19 within this state solely for purposes of soliciting sales of the taxpayer’s
20 products; and

21 “(B) ‘Taxpayer’ means a taxpayer as defined in section 7701 of the Inter-
22 nal Revenue Code, an affiliate of the person storing goods in a public ware-
23 house or a person that is related under section 267 of the Internal Revenue
24 Code to the person storing goods in a public warehouse.

25 “(3) Subsection (2)(b) of this section [*shall*] **does** not apply to sales of
26 tangible personal property if:

27 “(a) The sales are included in the numerator of a formula used to appor-
28 tion business income to another state of the United States, a foreign country
29 or the District of Columbia; and

30 “(b) The other state, a foreign country or the District of Columbia has

1 imposed a tax on or measured by the apportioned business income.

2 “(4) Sales, other than sales of tangible personal property, are in this state
3 if (a) the income-producing activity is performed in this state; or (b) the
4 income-producing activity is performed both in and outside this state and a
5 greater proportion of the income-producing activity is performed in this state
6 than in any other state, based on costs of performance.

7 “(5) Where the sales apportionment factor is determined by administrative
8 rule pursuant to ORS 314.682, 314.684, 317.660 or other law, the Department
9 of Revenue shall adopt rules that are consistent with the determination of
10 the sales factor under this section.

11 “[*(6) For purposes of this section, ‘sales’:*]

12 “[*(a) Excludes gross receipts arising from the sale, exchange, redemption
13 or holding of intangible assets, including but not limited to securities, unless
14 those receipts are derived from the taxpayer’s primary business activity.*]

15 “[*(b) Includes net gain from the sale, exchange or redemption of intangible
16 assets not derived from the primary business activity of the taxpayer but in-
17 cluded in the taxpayer’s business income.*]

18 “[*(c) Excludes gross receipts arising from an incidental or occasional sale
19 of a fixed asset or assets used in the regular course of the taxpayer’s trade or
20 business if a substantial amount of the gross receipts of the taxpayer arise from
21 an incidental or occasional sale or sales of fixed assets used in the regular
22 course of the taxpayer’s trade or business. Insubstantial amounts of gross re-
23 ceipts arising from incidental or occasional transactions or activities may be
24 excluded from the sales factor unless the exclusion would materially affect the
25 amount of income apportioned to this state.*]

26 “[*(7)*] **(6)** The department may determine that a warehouse that meets the
27 definition of ‘public warehouse’ under this section may not be treated as a
28 public warehouse if the warehouse is being used primarily for tax avoidance
29 purposes or if transactions related to the use of the warehouse are primarily
30 for tax avoidance purposes.

1 “[8] (7) As used in this section, ‘public warehouse’:

2 “(a) Means a warehouse owned or operated by a person that does not own
3 the goods stored in the warehouse; and

4 “(b) Does not include a warehouse that is owned by a person that is re-
5 lated to the person that owns goods that are stored in the warehouse, as
6 determined under section 267 of the Internal Revenue Code, or an affiliate
7 of the person that owns goods that are stored in the warehouse.

8 **“SECTION 3. The amendments to ORS 314.610 and 314.665 by
9 sections 1 and 2 of this 2017 Act apply to tax years beginning on or
10 after January 1, 2018.**

11 **“SECTION 4. This 2017 Act takes effect on the 91st day after the
12 date on which the 2017 regular session of the Seventy-ninth Legislative
13 Assembly adjourns sine die.”.**

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