

SB 1528 -5, -8 STAFF MEASURE SUMMARY

Senate Committee On Finance and Revenue

Prepared By: Kyle Easton, Economist

Meeting Dates: 2/6, 2/8, 2/9

WHAT THE MEASURE DOES:

Limits expenses for which dependent care income tax credit may be claimed to lesser of each spouse's income on joint return and to earned income taxable by Oregon. Applies to tax years beginning on or after January 1, 2019. Allows, in years in which tax credits have been certified for contributions to Oregon Production Investment Fund, Legislative Assembly to appropriate to fund balance of amount allowed for certification but not certified. Applies to fiscal years beginning on or after January 1, 2019. Adjusts sunset date for property tax exemption for low income rental housing.

ISSUES DISCUSSED:

- Federal pass through deduction created by Tax Cuts and Jobs Act
- CPA's thoughts on OR pass through entity (PTE) rates
- Whether changes in -3 more focuses the reduced rate to the original intent, views of CPAs
- Need for uniformity in balancing federal and OR policy
- Time needed to more fully understand federal changes
- Complexity of federal deduction, may be years before fully understood
- Delineation between passive or active income for sole props
- Timing of changes in the -3 in regards to OR reduced rates for PTEs
- Sole proprietorship taxation in general, complexity comparison of states
- OR Opportunity Grant Program, how funds would be expended, Higher Education Coordinating Commission's request for changes to -3 amendment
- Solicitation of view from union representation regarding OR's broad based tax cut contained in -3 (rate reductions)
- Oregon \$250,000 proposed new pass through rate threshold limit, opinion from business community on what they would support
- Potential revenue reduction options other than the proposed rate reductions for Oregon's first two income tax brackets.

EFFECT OF AMENDMENT:

-5 Replaces content of measure.

Makes available credit against personal or corporate income/excise taxes to taxpayers that make certified Opportunity Grant contributions to the Opportunity Grant Fund. Requires Department of Revenue, in cooperation with Higher Education Coordinating Commission to conduct auction of tax credits. Limits fiscal year certifications of tax credits to no more than \$14 million. Allows unused portion of tax credit to be carried forward up to three succeeding tax years. Applies to tax years beginning on or after January 1, 2018 and before January 1, 2024.

Established Opportunity Grant Fund in the State Treasury, separate and distinct from the General Fund. Directs moneys in the fund to be continuously appropriated to Higher Education Coordinating Commission. After paying administrative costs, directs funds to be used for the Oregon Opportunity Grant program.

Effective for tax years beginning on or after January 1, 2018, requires addition to federal taxable income for amount allowable as a deduction under section 199A(a) of the Internal Revenue Code.

This Summary has not been adopted or officially endorsed by action of the committee.

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Applicable beginning January 1, 2018. Makes available to sole proprietorships preferential tax rates on business income. Limits preferential tax rates available to sole proprietorships and nonpassive income of partnerships or S corporations to first \$250,000 of qualified taxable income. Limits use of preferential rates to businesses not classified in certain North American Industry Classification System industries.

For tax years 2018 - 2025, reduces personal income tax rates from 5% to 4% and 7% to 6%.

Eliminates reporting requirement of Legislative Revenue Office.

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For tax years 2018 - 2025, increases Oregon personal exemption credit from \$90 to \$113. After adjusting for inflation per Oregon law, change in personal exemption credit reflects an approximate increase in the personal exemption credit of \$50 beginning in tax year 2018.

Eliminates reporting requirement of Legislative Revenue Office.

BACKGROUND: