

SB 1529 A -A16, -A20 STAFF MEASURE SUMMARY

House Committee On Revenue

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Meeting Dates: 2/22, 2/27, 2/28

WHAT THE MEASURE DOES:

Updates connection to the Internal Revenue Code and to other provisions in federal tax law from December 31, 2016 to December 31, 2017. Requires the addback of the federal dividend received deduction related to repatriation. Creates a tax credit based on taxes paid from the tax haven legislation and applied against the Oregon tax from repatriated income. Requires the Department of Revenue to estimate actual collections and place that amount into the Rainy Day Fund. Repeals the tax haven law for tax years 2017 and later.

ISSUES DISCUSSED:

- Oregon's rolling connection to taxable income contrasted with point in time connections that are generally annually updated by the Legislative Assembly
- Oregon's tax haven legislation, potentially eliminating the repeal of the Oregon's tax haven law that is contained in engrossed version
- Potential effectiveness of federal provisions in reducing corporate tax sheltering/structuring
- Submitted testimony from Dan Bucks, former Montana Department of Revenue Director, impacts of tax haven laws

EFFECT OF AMENDMENT:

-A16 Makes technical change to connection to federal law for addback of the federal dividend received deduction related to repatriation. Requires the Department of Revenue to estimate actual collections and transfer up to \$50 million of estimate to Department of Human Services for the purpose of stabilizing the child welfare division through the funding of a rapid response team. Balance of funds, if any, following \$50 million distribution is transferred to the Rainy Day Fund.

By December 1, 2020, requires Department of Revenue to prepare report regarding the relative efficacy of Oregon's tax haven law in comparison with federal internal revenue code provisions requiring shareholders of controlled foreign corporations to include global intangible low-taxed income (GILTI) in gross income.

-A20 Makes technical change to connection to federal law for addback of the federal dividend received deduction related to repatriation. Requires the Department of Revenue to estimate actual collections and transfer amount equal to estimate as follows: 18 percent to the Employer Incentive Fund and 82 percent to the School Districts Unfunded Liability Fund.

Establishes Employer Incentive Fund with State Treasury, separate and distinct from the General Fund. Directs moneys in the fund to be continuously appropriated to the Public Employees Retirement Board for the purpose of incentivizing participating public employers to make lump sum prepayments of employer contributions.

Establishes School Districts Unfunded Liability Fund in State Treasury separate and distinct from the General Fund. Moneys in the fund are continuously appropriated to the Public Employees Retirement Board for the purpose of applying the moneys against the liabilities of participating public employers that are school districts.

By December 1, 2020, requires Department of Revenue to prepare report regarding the relative efficacy of Oregon's tax haven law in comparison with federal internal revenue code provisions requiring shareholders of controlled foreign corporations to include global intangible low-taxed income (GILTI) in gross income.

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 being the usual connection date.

Oregon allows an income tax subtraction for contributions made to Oregon 529 College Savings Network accounts for higher education. Proceeds of the accounts are intended to be used to pay higher education related expenses for a designated beneficiary. Changes to federal law regarding 529 programs made in the Tax Cuts and Jobs Act passed in December of 2017 expanded the definition of qualified higher education expenses to include public, private and religious elementary or secondary schools (up to \$10,000 per taxable year).

Article 1, Section 5 of the Oregon Constitution (Commonly referred to as the Blaine Amendment) reads:

Section 5. No money to be appropriated for religion. No money shall be drawn from the Treasury for the benefit of any religious [sic], or theological institution, nor shall any money be appropriated for the payment of any religious [sic] services in either house of the Legislative Assembly.—