

SB 1529 B STAFF MEASURE SUMMARY**Carrier:** Rep. Barnhart**House Committee On Revenue****Action Date:** 02/28/18**Action:** Do pass with amendments. (Printed B-Eng.)**Vote:** 5-4-0-0**Yeas:** 5 - Barnhart, Hernandez, Marsh, Nosse, Smith Warner**Nays:** 4 - Buehler, Findley, Reschke, Smith G**Fiscal:** Fiscal impact issued**Revenue:** Revenue impact issued**Prepared By:** Kyle Easton, Economist**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 tax haven legislation and applied against Oregon tax from repatriated income. 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. Repeals the tax haven law for tax years 2017 and later.

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.

ISSUES DISCUSSED:

2/22/2018

- 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 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

2/28/2018

- Proposed amendments
- Tax revenue resulting from repatriation viewed as one-time funding source
- Other potential uses of revenue resulting from repatriation including funding for child welfare division of Department of Humans services as proposed in -A16 amendment
- Need for additional funding of Oregon child welfare division, potential future conversation for Ways and Means.

EFFECT OF AMENDMENT:

SB 1529 B STAFF MEASURE SUMMARY

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 and School Districts Unfunded Liability Fund.

By December 1, 2020, requires Department of Revenue to prepare report.

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).