

SB 1528 B STAFF MEASURE SUMMARY**Carrier:** Rep. Barnhart**House Committee On Revenue**

Action Date: 02/28/18
Action: Do pass the B-Eng bill.
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: Has minimal revenue impact
Prepared By: Kyle Easton, Economist

WHAT THE MEASURE DOES:

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.

Establishes Opportunity Grant Fund in State Treasury, separate and distinct from 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.

ISSUES DISCUSSED:

- -B18 amendment, full connection to federal internal revenue code
- Types of businesses potentially impacted by Oregon choosing to disconnect from federal deduction recently created as part of federal Tax Cuts and Jobs Act passed in December 2017
- Outcomes supported by Oregon opportunity grant fund
- Brief background on tax credit auctions
- Potential federal tax benefit for taxpayers that purchase auctioned credits
- Potential revenue resulting from amendment proposed increase in cigarette taxes and establishment of tax on inhalant-form nicotine
- Request from Joint Ways and Means for measure if either the -B14 or -B15 amendments are adopted.

EFFECT OF AMENDMENT:

No amendment.

BACKGROUND:

In December 2017, the Tax Cuts and Jobs Act was enacted by Congress and signed by the President. Included in the Act was a provision allowing specified pass through entities a deduction generally equal to twenty percent of the pass through's qualified business income. Due to Oregon's connection to the federal definition of taxable income, the twenty percent deduction, absent any law change in Oregon, automatically becomes part of Oregon's taxable income starting point for determining Oregon tax liability.

The Oregon Opportunity Grant is Oregon's largest state-funded, need-based grant program for college students. More than 40,000 students receive Opportunity Grants each year. Only students with student/family adjusted gross incomes at or below \$70,000 are considered for the grant. Students must be enrolled at least half time fall term to receive Oregon Opportunity Grant funds and maintain their grant eligibility for the rest of the academic year.

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