

HB 4301 STAFF MEASURE SUMMARY

Joint Committee On Sole Proprietors

Prepared By: Chris Allanach, Acting Revenue Officer

Meeting Dates: 5/21

WHAT THE MEASURE DOES:

Extends the existing policy of preferential tax rates for non-passive income received from partnerships and S-corporations to sole proprietors. Defines 'qualifying income' as the combination of non-passive income or loss and business income or loss from a sole proprietor. Applies to tax years 2018 and later. Takes effect on the 91st day following sine die.

ISSUES DISCUSSED:

EFFECT OF AMENDMENT:

No amendment.

BACKGROUND:

During the 2013 special session, the Legislature made non-passive income received by personal income taxpayers from either a partnership or S-corporation (or an LLC filing as either) taxable at preferential rates. Taxpayers had the choice of opting into the program where non-passive income could be taxed at a rate as low as seven percent. The amount of eligible income was the net non-passive income from all qualifying entities. A qualifying entity is one that employed at least one person who is not an owner, member, or partner; had at least an annual 1,200 of hours work performed in Oregon by qualifying employees; and only hours worked in a week in which an employee worked at least 30 hours count toward the total.