

HB 4301 STAFF MEASURE SUMMARY

Carrier: Sen. Beyer

Joint Committee On Sole Proprietors

Action: Do pass.

Senate Vote

Yeas: 3 - Burdick, Hass, President Courtney

Nays: 2 - Boquist, Winters

House Vote

Yeas: 5 - Barnhart, McLane, Smith G, Speaker Kotek, Williamson

Fiscal: Has minimal fiscal impact

Revenue: Revenue impact issued

Prepared By: Chris Allanach, Acting Revenue Officer

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:

- Tax fairness across business types
- Need to study the policy impact and address issues raised in prior testimony
- Department of Revenue auditing of sole proprietors
- Intersection of school funding, student debt, and tax policy

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.