

DRAFT

SUMMARY

Disconnects from federal tax provisions, including federal repeals of previously enacted limitations on deductions, by requiring additions to federal taxable income for Oregon tax purposes. Reinstates limitations on deductions for excess business loss and net operating loss carryforwards and disallows five-year carryback of net operating loss, for Oregon personal income tax purposes. First applies to tax years beginning on or after January 1, 2018.

Reinstates lower limitation on business interest deduction, for personal income and corporate excise taxation. First applies to tax years beginning on or after January 1, 2019.

Requires Department of Revenue to waive penalty or interest due to underpayment or underreporting resulting from add-back requirement. Applies to tax years beginning on or after January 1, 2018, and before January 1, 2020.

Takes effect on 91st day following adjournment sine die.

A BILL FOR AN ACT

Relating to connection to federal tax law; and prescribing an effective date.

Be It Enacted by the People of the State of Oregon:

SECTION 1. Sections 2 to 4 of this 2020 second special session Act are added to and made a part of ORS chapter 316.

SECTION 2. There shall be added to federal taxable income an amount equal to any excess business loss deducted under section 461(l)(1) of the Internal Revenue Code.

SECTION 3. Notwithstanding ORS 316.028, there shall be added to federal taxable income an amount equal to the sum of:

(1) The amount of any net operating loss carryback deducted under section 172(b)(1)(D) of the Internal Revenue Code; and

(2) The amount by which any net operating loss deduction exceeds

NOTE: Matter in **boldfaced** type in an amended section is new; matter *[italic and bracketed]* is existing law to be omitted. New sections are in **boldfaced** type.

1 80 percent of adjusted taxable income.

2 **SECTION 4.** There shall be added to federal taxable income the
3 amount by which business interest deducted under section 163(j)(1)(B)
4 of the Internal Revenue Code exceeds 30 percent of current tax year
5 adjusted taxable income, as defined in section 163(j)(8) of the Internal
6 Revenue Code and notwithstanding section 163(j)(10)(B) of the Internal
7 Revenue Code.

8 **SECTION 5.** Section 6 of this 2020 second special session Act is
9 added to and made a part of ORS chapter 317.

10 **SECTION 6.** There shall be added to federal taxable income the
11 amount by which business interest deducted under section 163(j)(1)(B)
12 of the Internal Revenue Code exceeds 30 percent of current tax year
13 adjusted taxable income, as defined in section 163(j)(8) of the Internal
14 Revenue Code and notwithstanding section 163(j)(10)(B) of the Internal
15 Revenue Code.

16 **SECTION 7.** (1) Section 2 of this 2020 second special session Act
17 applies to tax years beginning on or after January 1, 2018, and before
18 January 1, 2021.

19 (2) Sections 4 and 6 of this 2020 second special session Act apply to
20 tax years beginning on or after January 1, 2019, and before January
21 1, 2021.

22 (3) Section 3 (1) of this 2020 second special session Act applies to tax
23 years beginning on or after January 1, 2018, and before January 1, 2021,
24 and to any tax year to which a net operating loss arising in those tax
25 years is carried back.

26 (4) Section 3 (2) of this 2020 second special session Act applies to tax
27 years beginning on or after January 1, 2018, and before January 1, 2021,
28 and to net operating losses arising in those tax years.

29 **SECTION 8.** The Department of Revenue may not impose any in-
30 terest or penalty that would otherwise apply to taxes due if the inter-
31 est or penalty is based on underpayment or underreporting that results

1 solely from the operation of section 2, 3, 4 or 6 of this 2020 second
2 special session Act.

3 SECTION 9. Section 8 of this 2020 second special session Act applies
4 to tax years beginning on or after January 1, 2018, and before January
5 1, 2020.

6 SECTION 10. This 2020 second special session Act takes effect on
7 the 91st day after the date on which the 2020 second special session of
8 the Eightieth Legislative Assembly adjourns sine die.

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