

SB 213 STAFF MEASURE SUMMARY

Senate Committee On Finance and Revenue

Prepared By: Kyle Easton, Economist

Meeting Dates: 2/6, 3/21

WHAT THE MEASURE DOES:

Updates income and excise tax connection date to federal Internal Revenue Code and other provisions of federal tax law from December 31, 2017 to December 31, 2018. Eliminates tax year of taxpayer as connection date for certain changes in Internal Revenue Code that are related to definition of taxable income.

ISSUES DISCUSSED:

Public hearing opened concurrently with SB 214

- Last time Oregon disconnected from federal taxation provisions
- Example of federal provisions that Oregon previously disconnected from: e.g. bonus depreciation, section 179 expensing
- Weighing the costs and benefits from a rolling reconnect versus a static connect
- Potential costs and benefits of connection to federal adjusted gross income compared to federal taxable income
- Connection points used by other states
- Fewer deviations from federal tax law can aid in tax simplification for tax preparers
- Legal feasibility of potential for Oregon to use connection point different from federal taxable income such as adjusted gross income
- Background on legal development regarding Oregon's connection to federal provisions.

EFFECT OF AMENDMENT:

No amendment.

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. Over the past forty years, the state has rotated between a policy of automatic connection to federal tax base changes and connection to the federal code at a particular point in time.