SB 214 STAFF MEASURE SUMMARY

Senate Committee On Finance and Revenue

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Meeting Dates: 2/6, 3/21

WHAT THE MEASURE DOES:

For purposes of personal income taxation, eliminates the allowance of standard or itemize deductions. Eliminates additional deduction for blind or elderly. Modifies Oregon personal income tax filing thresholds. Applies to tax years beginning on or after January 1, 2019.

ISSUES DISCUSSED:

Public hearing opened concurrently with SB 213

- 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 personal income tax filers can reduce their income subject to taxation by choosing to utilize the standard deduction or by applying the sum total of their allowable itemize deductions. With the exception of the deduction for Oregon income tax, Oregon itemize deductions align with itemize deductions available in federal statute. Oregon's standard deduction differs from the federal standard deduction amount and was equal to $2,215 (single filer) and $4,435 (joint filer) for tax year 2018. Oregon's standard deduction amounts are indexed to inflation.

Oregon has had a continuing connection ("rolling reconnect") to the definition of federal 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.