



Oregon Society of Certified Public Accountants

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Oregon Legislative Assembly – 2019 Regular Session

Hearing SB 213

Senate Committee on Finance and Revenue

Testimony related to updating the connection date to federal Internal Revenue Code and other provisions of federal tax law.

Support with Exception

DATE: March 21, 2019

Good morning Chair Senator Mark Hass, Vice-Chair Senator Cliff Bentz and Members of the Senate Committee on Finance and Revenue.

For the record, my name is Heather Jackson. I am a member of the Taxation Committee of the Oregon Society of Certified Public Accountants (OSCPA). I am a Certified Public Accountant and Partner with a local firm in Beaverton, Oregon. I appreciate the opportunity to come before you for today's hearing.

BACKGROUND:

On behalf of the approximately 4,400 members of the OSCP, I respectfully testify in support of SB 213 with the exception Section 29 paragraph #1 and #2 and Section 24 and 25.

- We wholeheartedly support updating the connection date from 2017 to 2018 connecting the State of Oregon to the Federal Internal Revenue Code and other provisions of federal tax law.
- Section 29 that contains language that is unclear, and we cannot determine the impact. It appears we are disconnecting for 1 year (2018 tax year).
- Section 24 ORS 317.010 previously provided "if related to the definition of taxable income, as applicable to the tax year of the taxpayer." (Line 5 on page 19). This line was removed. A similar deletion was made in Section 25: "for the year of the taxpayer". (Line 41 on page 19)
- We are available to analyze and discuss provisions and the impacts in this bill.

Thank you for having me back again this session.

On behalf of the Oregon Society of CPAs and our Taxation Committee, I appeared before your committee in mid-February. At that time, my colleague and I presented an overview of the 2018 tax law changes including the Tax Cuts and Jobs Act of 2017, the regulations and guidance to the Act, as well as the various amendments to the 2017 tax act one as most recent as February.

As a reminder, OSCP's primary objective is to be a technical resource to the Legislature and secondarily to promote taxpayer compliance by striving to keep Oregon tax law tied to the IRS Code. Oregon's permanent connection only applies to the definition of taxable income. Oregon has been permanently connected to federal taxable income since Jan 1, 2011.

We support rolling reconnect whether the tax implications to taxpayers are increased or decreased. One current exception to this connection is the deduction related to pass-through income under IRC 199A like Domestic Production Activities Deduction in prior years.

One exemption does not have a large impact to taxpayer compliance, but many exceptions or different connection dates can have negative impact on taxpayer compliance. Subsequently, there is an impact on the Oregon Department of Revenue and thus a cost to the State of Oregon to issue notices and perform audits. There are other issues some of which also have to do with the timing of tax filings.

Recommendation:

On behalf of Oregon Society of CPAs, I respectfully encourage you to support with exception SB 213. Thank you for the opportunity to testify today.

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