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February 5, 2020

VIA EMAIL

Re: COST's Letter re: H.B. 4009 before the House Committee on Revenue

Dear Chair Nathanson, Vice-Chairs Marsh and Werner Reschke, and Members of the Committee:

I am writing on behalf of the Council On State Taxation (COST)¹ regarding H.B. 4009, which if enacted would make technical corrections to the newly enacted Oregon Corporate Activity Tax (Oregon CAT). As passed in 2019, the Oregon CAT requires technical fixes to provide for ease of compliance and administration. It is our understanding that H.B. 4009 as introduced continues to be a work in progress; thus, we offer the following preliminary comments to the Committee as it considers technical corrections to the Oregon CAT:

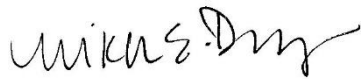
- The ratio for apportioning the statutory subtraction (*i.e.*, subtraction for a portion of cost inputs or labor costs) in H.B. 4009 section 3 should be rejected, as it is administratively burdensome and may dilute the statutory subtraction available for wholly in-state taxpayers.
- The penalty provisions in H.B. 4009 section 5 should be amended to provide clear penalty relief for taxpayers during the 2020 tax year based on the significant uncertainties faced by taxpayers as they determine their Oregon CAT liability and, for future years, penalty provisions should be aligned with the general penalty provisions found in O.R.S. § 314.400.
- A fiscal year filing option should be added to H.B. 4009, because requiring the calculation of the Oregon CAT, which includes an apportioned subtraction for many taxpayers based on federal cost of goods sold (COGS), is a significant burden and has received significant attention since the Oregon CAT legislation was passed last year.

¹ COST is a nonprofit trade association based in Washington, D.C. COST was formed in 1969 as an advisory committee to the Council of State Chambers of Commerce, and today COST has an independent membership of approximately 550 major corporations engaged in interstate and international business representing every industry doing business in every state. COST members conduct substantial business in the state of Oregon, employ a substantial number of Oregon citizens, and own extensive property within the State. COST's objective is to preserve and promote the equitable and nondiscriminatory state and local taxation of multijurisdictional business entities—a mission it has steadfastly maintained since its creation.

COST has been and will continue to work the Department of Revenue and other stakeholders on these as well as other issues and looks forward to providing more detailed comments and insights on technical amendments as H.B. 4009 develops.

COST fully supports the Committee's work on this bill, and please do not hesitate to reach out if you have any additional comments.

Sincerely,

A handwritten signature in black ink, appearing to read "Nikki Dobay". The signature is fluid and cursive, with a long horizontal stroke at the end.

Nikki Dobay

cc: COST Board of Directors
Douglas L. Lindholm, COST President & Executive Director