

HB 4009 A STAFF MEASURE SUMMARY**Carrier:** Rep. Nathanson**House Committee On Revenue****Action Date:** 02/20/20**Action:** Do pass with amendments. (Printed A-Eng.)**Vote:** 7-0-0-0**Yeas:** 7 - Hernandez, Keny-Guyer, Marsh, Nathanson, Owens, Reschke, Smith G**Fiscal:** Has minimal fiscal impact**Revenue:** Revenue impact issued**Prepared By:** Chris Allanach, Legislative Revenue Officer**Meeting Dates:** 2/5, 2/10, 2/11, 2/19, 2/20**WHAT THE MEASURE DOES:**

Makes a series of technical and policy clarifications to the Corporate Activity Tax. Ensures that registration is required once instead of annually; changes one reference of 'business revenue' to 'commercial activity'; clarifies tax refunds are not commercial activity; clarifies that manufactured dwelling park nonprofit cooperatives are not taxable; ties unrelated business income to the Internal Revenue Code; excludes from a unitary group entities that have no connection to Oregon; attributes returns and allowances to the year they occur; clarifies the 35% subtraction calculation; reduces penalties to 5% and adds a safe harbor; extends the 80% threshold for quarterly payments through tax year 2021; adds a use tax reference to certain fees and taxes that are excluded; excludes crop insurance payments; excludes certain dairy sales of milk; provides an alternative definition of 'cost inputs' for certain farm businesses; allows farmers to either (1) receive a certificate detailing the portion of their product that is exported, or (2) apply an industry average to estimate exports of their product. Effective the 91st day following sine die.

ISSUES DISCUSSED:

- Technical details of how the corporate activity tax is calculated, such as the 35 percent subtraction
- Determination of 'cost inputs'
- The potential impact on agriculture sector
- Alignment of Department of Revenue draft administrative rules with policy intent
- Potential interaction with Portland's Clean Energy Surcharge
- Imposition of penalties by the Department of Revenue

EFFECT OF AMENDMENT:

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BACKGROUND:

The Corporate Activity Tax was enacted by the 2019 Legislature. It's a 0.57% tax on commercial activity in Oregon. The intent of this bill is to make clarifications and technical modifications where necessary prior to initial estimated payment being made in April of 2020.

This summary has not been adopted or officially endorsed by action of the committee.