



Oregon Society of Certified Public Accountants

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2021 Oregon Legislative Assembly House Committee on Revenue Testimony related to HB 2577 – **Opposition/Comments**

Date: February 10, 2021

Good afternoon, Chair Representative Nathanson, Vice-Chair Representative Pham, Vice-Chair Representative Reschke and Members of the House Committee on Revenue.

On behalf of over 4,100 members of the OSCPA, we respectfully submit testimony related to **HB 2577**.

Background:

HB 2577 disconnects from automatic/rolling reconnect for definition of taxable income and also updates fixed date conformity to 12/31/2020. The disconnect from automatic/rolling reconnect in HB 2577 is referenced in these sections: Section 18 line 24, Section 21 line 45, Section 22 lines 5 and 6, Section 25 line 27 and Section 26 line 18. We have no concerns with the remainder of the provisions in this bill.

Concerns:

Respectfully, our concerns relate to this disconnect from rolling reconnect thus the continuing need for fixed date conformity updates. This adds complexity and uncertainty for taxpayers and the tax advisors that support them. Supporting conformity to federal tax law is in the best interest of all Oregon taxpayers and the Oregon Department of Revenue. This helps taxpayers to understand that the decisions they make for federal purposes also impact their Oregon tax obligation and compliance.

Unfortunately, HB 2577 advances the idea that Oregon disconnecting from specific federal tax statute and updating “periodically” is a simple course of action with few consequences. The opposite is the case. Remaining connected supports taxpayer planning and conformity, and reduces complexity and exceptions for taxpayers, tax advisors and others.

This house bill does not become law until 91 days after the end of the 2021 legislative session, thus these revised rules would not be incorporated into Oregon tax law for months. What will taxpayers do in the interim? Also, without reconnect it may make taxpayers more anxious and less certain about their own tax situation as the taxpayer waits for Oregon to write its own tax code. Given tax filing deadlines, this places taxpayers in an uncertain position of not being able to file returns in accordance with Oregon law.

We are concerned that this would place a large burden on future legislatures to quickly adopt changes to the Internal Revenue Code that affect Oregon taxpayers. The current process of annually updating the fixed date conformity may vastly increase taxpayer complexity as federal law changes throughout the year.

This is likely to cause a significant number of Oregon taxpayers to be unable to file returns before the April deadline each year, otherwise they may be faced with significant costs of amending or correcting previously filed returns. This would affect both taxpayers and the Department of Revenue.

Conformity is important!

Without conformity, Oregon must write and maintain its own tax code – a significant, resource heavy and complex undertaking. Additionally, without conformity, this means that taxpayers, both individuals and businesses alike, are having to attempt to follow two different sets of tax code – one at the national level and one at the state level.

Complex tax law raises costs for taxpayers as tax advisors must spend more time on returns. Instead, many tax advisors would prefer to advise their business clients on the important aspects of running and strengthening their businesses. This is particularly the case for small businesses that may have much need for support, versus the tax advisor and taxpayer needing to focus on overly complicated tax code. Plus, not all businesses nor individual taxpayers utilize the expertise of tax advisors. This makes the need for conformity to ensure compliance even more important.

Complexity also has the potential to negatively impact the Department of Revenue. The more complex the process of understanding the differences between state and federal statutes and provisions, the higher the risk of unintended noncompliance by taxpayers.

Recommendation:

Supporting conformity to federal tax law is in the best interest of Oregon taxpayers and the Department of Revenue. This helps taxpayers to understand that the decisions made for federal purposes also impact their Oregon tax obligation and compliance.

We would support an amendment which retains automatic reconnect.

On behalf of Oregon Society of CPAs, we respectfully encourage you to oppose HB 2577 as introduced. We encourage support for connection to federal tax code and provisions. Thank you for the opportunity to share our concerns.

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