

**SB 1524 A STAFF MEASURE SUMMARY****Carrier:** Sen. Beyer**Senate Committee On Finance and Revenue****Action Date:** 02/23/22**Action:** Do pass with amendments. (Printed A-Eng.)**Vote:** 5-0-0-0**Yeas:** 5 - Armitage, Beyer, Boquist, Findley, Sollman**Fiscal:** Has minimal fiscal impact**Revenue:** Revenue impact issued**Prepared By:** Kyle Easton, Economist**Meeting Dates:** 2/7, 2/14, 2/16, 2/23**WHAT THE MEASURE DOES:**

Increases expense reimbursement percentage allowed to single film or single local media production project from Oregon Production Investment Fund (OPIF). Applies to fiscal years beginning on or after July 1, 2022. Expands availability of rural medical provider income tax credit to include certified medical laboratory scientists & technicians that are employed at least 50 miles from a major population center. Applies to tax years beginning on or after January 1, 2022. Requires Department of Revenue to require estimated payments for Business Alternative Income Tax (BAIT). Requires Department of Revenue to adopt rules relating to BAIT when pass-through entity or its members have made sufficient estimated payments. Specifies federally deducted BAIT to be an addition on member's income tax return. Applies to tax years beginning on or after January 1, 2022. Makes administrative technical changes to accommodate businesses filing Corporate Activity Tax (CAT) returns using a fiscal year that differs from the calendar year. Exempts from CAT, amounts received by an eligible pharmacy in receipt for sale of prescription drugs. Defines eligible pharmacy as a pharmacy that has nine or fewer locations under common ownership in Oregon and is not a pharmacy that caters primarily to veterinary customers. Increases limit on Multistate Tax Compact revolving account, from \$150,000 to \$250,000. Modifies income qualification limitation of permissive property tax exemption available to newly constructed housing in rural counties and specifies applicability of new income qualifications. Extends sunset of Gain Share distributions from July 15, 2024 to July 15, 2030.

**ISSUES DISCUSSED:**

2/7/2022

- Previous discussion that occurred in informational meeting held in week prior to public hearing
- Sunset extension of Gain Share program
- Revenue benefit to local governments from Gain Share
- Gain Share's interaction with Strategic Investment Program property tax exemption which impacts local government revenue, contrasted with personal income tax which directs revenue to state General Fund
- Example uses of Gain Share funds by local governments
- Proposed increase in expense reimbursement from modifications to Film and Video Production Investment Fund
- Tax treatment of other states relating to pharmacy prescription drug sales
- Proposed modifications to BAIT, including potential impact on businesses of modifying timing of when a business must opt-in to tax
- Proposed BAIT language regarding taxes paid to another state.

2/14/2022

- Description of amendments being proposed relating to CAT
- Differentiation between -10 and -11 amendments, entities potentially affected by the respective amendments

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- Potential qualification for proposed CAT exemption depending on ownership structure of a pharmacy (e.g. Hi-School Pharmacy)
- Description of proposed amendment relating to BAIT, language modification in response to previous testimony received in public hearing
- Proposed changes to rural medical provider tax credit regarding medical laboratory scientists and technicians employed in rural areas
- Committee member amendment preferences.

2/16/2022

- Overview of the combined -13 amendment
- Description of expected effect of proposed CAT exclusion
- Intent of proposed CAT exemption, discussion of "common ownership".

2/23/2022

- Changes in -17 amendment pertaining to CAT exclusion with intention of most recent modification accounting for small community pharmacies, primarily in rural areas (e.g. Hi-School Pharmacy)
- Modification to BAIT statute and interaction with Oregon's reduced income tax rates for qualified pass through income
- Discussion and policy intent of "common ownership".

### **EFFECT OF AMENDMENT:**

Replaced content of measure.

### **BACKGROUND:**

Measure is an omnibus measure that makes multiple modifications to various tax expenditures and tax programs. Tax expenditures being modified are: film and video income tax credit, rural medical provider income tax credit, and property tax exemption for new housing in rural counties. Other taxes being modified include Oregon's Business Alternative Income Tax and Corporate Activity Tax. Measure increases limit on Multistate Tax Compact revolving account limit reflective of cost associated with Oregon's participation in the compact. Measure extends sunset of Gain Share distributions from July 15, 2024 to July 15, 2030.