

SB 56 STAFF MEASURE SUMMARY

Senate Committee On Finance and Revenue

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Meeting Dates: 2/8

WHAT THE MEASURE DOES:

Creates Corporate Activity Tax exemption for receipts from reimbursed health care services for recipients of medical assistance under ORS chapter 414, Medicare, the Public Employee's Benefit Board, the Oregon Educator's Benefit Board, the Children's Health Insurance Program, or the U.S. Department of Defense under a TRICARE contract. Creates Corporate Activity Tax exemption for receipts from administration or dispensing of medications in a clinical setting other than a hospital. Applies to tax years beginning on or after January 1, 2024. Takes effect 91 days following adjournment sine die.

ISSUES DISCUSSED:

EFFECT OF AMENDMENT:

No amendment.

BACKGROUND:

Currently, healthcare-related commercial activity is generally taxable under Oregon's Corporate Activity Tax (CAT) unless a specific exemption is in statute for either the commercial activity or the business receiving payment for the activity. Oregon statutes currently define several relevant entities that are not subject to the CAT, including nonprofits (e.g., 501(c) corporations), government providers, as well as hospitals and other providers subject to Oregon medical provider taxes. Additionally, receipts of residential care facilities and in-home care agencies received as compensation for providing service to a medical assistance or Medicare recipient are currently excluded.

For 2020, there was \$42.3 billion spent on personal health care in Oregon according to the Centers for Medicaid and Medicare studies. A significant portion of commercial activity related to health care is currently exempt either because the recipient is an exempt entity or because the taxpayer's commercial activity is below the taxability threshold of \$1 million in commercial activity. Overall, more than two-thirds of health care commercial activity in Oregon is currently exempt.

This bill would add categories of commercial activity exempt from the CAT based on specified programs providing the payment, the specified programs were responsible for over \$20 billion in health care spending in Oregon for 2020. The bill also creates an exemption for medications dispensed or administered in clinical settings outside a hospital.