

HB 2142 STAFF MEASURE SUMMARY

House Committee On Revenue

Prepared By: Jonathan Hart, Economist

Meeting Dates: 2/8, 3/2

WHAT THE MEASURE DOES:

Creates exclusion from Corporate Activity Tax for agricultural commodities sold to a processor for out-of-state sale. Allows taxpayers to determine excluded commercial activity for agricultural products sold to processors based on a certificate received from the processor stating the percentage sold out-of-state, or by using an industry average percentage for the commodity from the previous year.

ISSUES DISCUSSED:

- Portion of crops sold to processors for freezing, shelling, or other primary processing
- Incentive for farmers to sell to out-of-state processors

EFFECT OF AMENDMENT:

No amendment.

BACKGROUND:

The Corporate Activity Tax was enacted by the 2019 Legislative Assembly with an exclusion for sales made to wholesalers if, when the item is sold, the wholesaler provides the taxpayer a certificate showing the item will be resold outside Oregon. Agricultural commodities are often comingled by a wholesaler before being resold, so an exclusion for item-by-item sales outside Oregon is not practical. A wholesale exclusion was created by HB 4202 (2020 1st Special Session) for comingled agricultural products (excluding timber) sold to wholesalers or brokers. The exclusion is based on a certification of a percentage of the product sold out-of-state by the wholesaler or broker. For these sales, a taxpayer may alternatively estimate the percentage based on the industry average percentage for the commodity from the previous year. This measure expands the treatment of comingled agricultural commodities sold to brokers or wholesalers, allowing the same treatment for commodities sold to processors.