

HB 2548 -3 STAFF MEASURE SUMMARY

House Committee On Revenue

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Meeting Dates: 2/1, 3/7, 3/21, 4/6

WHAT THE MEASURE DOES:

Requires local government that imposes an income tax to conform to state statutory provisions governing determination of net income, including the apportionment and sourcing of income. Repeals authority of metropolitan service district to impose an income tax. Applies to ordinance imposing local income tax that has not received approval of electors of local government before January 1, 2024. Takes effect 91st day following adjournment sine die.

ISSUES DISCUSSED:

Public Hearing 2/1

- Expected amendment making measure apply to current law local income taxes
- Overview/background of existing local government income taxes
- Potential impact on local income tax revenue
- Potential impact on Metro's existing income tax
- Existing law sunsets of local income taxes, expectation of extending such tax applicability
- Registered domestic partnerships
- Taxes imposed on businesses at federal, state and local level
- Tax policy of other states, and varying tax policies of local governments
- Potential taxpayer behavior in response to tax policy.

Informational Meeting 3/7

- Overview of local personal and business income taxes and compare/contrast with Oregon personal and corporate tax provisions
- Apportionment and allocation
- Administration of local income tax
- Discretion of local governments in designing and administering local income taxes
- Metro's authority to impose an income tax.

Informational Meeting 3/21

- Discussion provided by CPAs regarding local taxes and alignment/overlap with state tax design/administration
- Local income tax thresholds
- General complexity in tax filing and requirements
- Balancing policy flexibility with administrative consistency
- Self-determination of local governments balanced with state alignment and simplicity.

EFFECT OF AMENDMENT:

-3 Replaces content of measure.

Requires local government that imposes an income tax to conform to state statutory provisions governing determination of net income, including the apportionment and sourcing of income. Applies to all local income taxes whenever enacted. Excludes from requirement, any business license tax imposed by a city on net income that is operative on January 1, 2023 and includes any such tax subsequently amended. Applies beginning January 1, 2025. Takes effect on 91st day following adjournment sine die.

BACKGROUND:

Several Oregon local governments impose a local income tax in Oregon. Examples include Multnomah County, City of Portland and Metro.

Apportionment is dividing apportionable income among taxing jurisdictions by use of a formula. Allocation is the assignment of specific nonapportionable income to a taxing jurisdiction. For state tax purposes, Oregon generally uses single sales factor apportionment where an apportionment factor is determined by dividing a business's Oregon sales by the business's everywhere sales. Apportionable income is income arising from transactions and activities in the regular course of the business's trade or business. Nonapportionable income is earned income that is not associated with the taxpayer's regular business. Nonapportionable income is allocated to a particular taxing jurisdiction based upon the source of the income.