House Bill 2674

Sponsored by Representative PHAM K (Presession filed.)

SUMMARY

The following summary is not prepared by the sponsors of the measure and is not a part of the body thereof subject to consideration by the Legislative Assembly. It is an editor's brief statement of the essential features of the measure as introduced.

Includes, for purposes of corporate excise tax, corporation incorporated in United States or foreign country in determination of unitary relationship among corporations. Applies to tax years beginning on or after January 1, 2023. Takes effect on 91st day following adjournment sine die.

A BILL FOR AN ACT


Be It Enacted by the People of the State of Oregon:

SECTION 1. Sections 2 to 7 of this 2023 Act are added to and made a part of ORS chapter 317.

SECTION 2. As used in sections 2 to 7 of this 2023 Act and ORS 317.720:

(1) “Apportionable income” has the meaning given that term in ORS 314.610.

(2) “Combined group” means the group of all persons whose income and apportionment factors are required to be taken into account pursuant to section 3 of this 2023 Act in determining the taxpayer's share of the net apportionable income or loss apportionable to this state.

(3) “Corporation” means a corporation for profit that is incorporated under or subject to ORS chapter 60 or that is incorporated under laws other than the laws of this state, or organization of any kind treated as a corporation for tax purposes under the laws of this state, wherever located, which if the organization were doing business in this state would be a taxpayer.

(4) “Nonapportionable income” has the meaning given that term in ORS 314.610.

(5) “Partnership” means a general or limited partnership, or an organization of any kind treated as a partnership for tax purposes under the laws of this state.

(6) “Person” means any individual, firm, partnership, general partner of a partnership, limited liability company, registered limited liability partnership, foreign limited liability partnership, association, corporation, company, syndicate, estate, trust, business trust, trustee, trustee in bankruptcy, receiver, executor, administrator, assignee or organization of any kind.

(7) “Taxpayer” means any person subject to the tax imposed by ORS chapter 317 or 318.

(8) “Unitary business” means a single economic enterprise whose members are separate parts of a single business entity, or of a commonly controlled group of business entities, that are sufficiently interdependent, integrated and interrelated through their activities to pro-
vide a mutual benefit that produces a sharing or exchange of value among the entities and 
a significant flow of value to the separate parts.

(9) “Unitary income” means income of a corporation or group of corporations engaged 
in business activities that constitute a unitary business that includes the subsidiary to which 
excess losses are attributable, and a member of which is subject to taxation under this 
chapter.

(10) “United States” means a state, territory or insular possession of the United States, 
the District of Columbia and the Commonwealth of Puerto Rico.

SECTION 3. (1) A taxpayer engaged in a unitary business with one or more other cor-
porations shall file a combined report that includes the income determined under section 6 
of this 2023 Act and the apportionment factors determined under ORS 314.280 or 314.605 to 
314.675 and section 5 of this 2023 Act of all corporations that are members of the unitary 
business and any other information required by the Department of Revenue.

(2) The department may adopt rules requiring that the combined report include the in-
come and associated apportionment factors of any persons that are not included under sub-
section (1) of this section, but that are members of a unitary business, in order to reflect 
proper apportionment of income of the entire unitary business. Rules adopted under this 
subsection may require combination of persons doing business in this state that are not, or 
would not be, subject to the tax imposed under ORS chapter 317 or 318.

(3) The department shall by rule adopt policies and procedures ensuring that persons are 
not subject to duplicate taxation or allowed duplicate deductions.

(4) If the department determines that the reported income or loss of a taxpayer engaged 
in a unitary business with any person not included pursuant to subsection (1) of this section 
represents an avoidance or evasion of tax by the taxpayer, the department may, on a case-
by-case basis, require all or any part of the income or loss and associated apportionment 
factors of this person be included in the taxpayer's combined report.

(5) If the department determines that the inclusion of associated apportionment factors 
under subsection (2) of this section does not fairly reflect the taxpayer's business activity in 
this state, the department may require:

(a) The exclusion of any one or more of the factors;

(b) The inclusion of one or more additional factors that will fairly reflect the taxpayer's 
business activity in this state; or

(c) The employment of any other method to effectuate a fair reflection of the total 
amount of income subject to apportionment and an equitable allocation and apportionment 
of the taxpayer's income.

(6) The business conducted by a partnership that is directly or indirectly held by a cor-
poration shall be considered the business of the corporation to the extent of the 
corporation's distributive share of the partnership income, inclusive of guaranteed payments 
to the extent prescribed by rules adopted by the department.

SECTION 4. (1) The members of an affiliated group making a consolidated federal return 
or a combined report under sections 2 to 7 of this 2023 Act may not be treated as one tax-
payer, but the property, payroll, sales or other factors of all members of a unitary group 
shall be included in the numerator of the Oregon apportionment percentage if any member 
of the group is taxable in this state. Each taxpayer member is responsible for tax based on 
its taxable income or loss apportioned or allocated to this state, which includes, in addition
to other types of income, the taxpayer member's apportioned share of apportionable income
of the combined group, where apportionable income of the combined group is calculated as
a summation of the individual net apportionable incomes of all members of the combined
group. A member's net apportionable income is determined by removing all but apportionable
income, expense and loss from that member's total income.

(2) Each taxpayer member is responsible for tax based on the taxpayer member's taxable
income or loss apportioned or allocated to this state, which shall include:

(a) The taxpayer member's share of any apportionable income apportionable to this state
of each of the combined groups of which the taxpayer is a member, determined under section
5 of this 2023 Act;

(b) The taxpayer member's share of any apportionable income apportionable to this state
of a distinct business activity conducted within and without the state wholly by the taxpayer
member, determined under ORS 314.280 or 314.605 to 314.675;

(c) The taxpayer member's income from a business conducted wholly by the taxpayer
member entirely within the state;

(d) The taxpayer member's income sourced to this state from the sale or exchange of
capital or assets, and from involuntary conversions, as determined under section 6 of this
2023 Act;

(e) The taxpayer member's nonapportionable income or loss allocable to this state, de-
determined under ORS 314.280 or 314.625 to 314.645; and

(f) The taxpayer member's income or loss allocated or apportioned in an earlier year,
required to be taken into account as state source income during the taxable year, other than
a net operating loss.

(3) If the taxable income computed pursuant to sections 4 to 6 of this 2023 Act results
in a loss for a taxpayer member of the combined group, that taxpayer member has an Oregon
net loss. An Oregon net loss is applied as a deduction in a subsequent year, as provided in
ORS 317.476, only if that taxpayer has Oregon source positive net income, whether or not the
taxpayer is or was a member of a combined reporting group in the prior or subsequent year.

(4) Except as otherwise provided, a tax credit or post-apportionment deduction earned
by one member of the combined group, but not fully used by or allowed to that member, may
not be used in whole or in part by another member of the combined group or applied in whole
or in part against the total income of the combined group. A post-apportionment deduction
carried over into a subsequent year as to the member that incurred the deduction and
available as a deduction to that member in a subsequent year will be considered in the
computation of the income of that member in the subsequent year, regardless of the com-
position of that income as apportioned, allocated or wholly within this state.

SECTION 5. The taxpayer's share of the apportionable income apportionable to this state
of each combined group of which the taxpayer is a member shall be the product of:

(a) The apportionable income of the combined group, determined under section 6 of this
2023 Act; and

(b) The taxpayer member's apportionment percentage, determined under ORS 314.280 or
314.605 to 314.675. The sales of a partnership shall be included in the determination of the
partner's apportionment percentage in proportion to a ratio, the numerator of which is the
amount of the partner's distributive share of the partnership's unitary income included in
the income of the combined group in accordance with section 6 of this 2023 Act, and the de-
SECTION 6. The apportionable income of a combined group is determined as follows:

(1) From the total income of the combined group, determined under subsection (2) of this section, subtract any income, and add any expense or loss, other than the apportionable income, expense or loss of the combined group.

(2) Except as otherwise provided, the total income of the combined group is the sum of the income of each member of the combined group determined under federal income tax laws, as if the member were not consolidated for federal purposes, with the additions, subtractions, adjustments and other modifications contained in this chapter. The income of each member of the combined group shall be determined as follows:

(a) For any member incorporated in the United States, or included in a consolidated federal corporate income tax return, the income to be included in the total income of the combined group shall be the federal taxable income for the corporation with the additions, subtractions, adjustments and other modifications contained in this chapter.

(b) (A) For any member not described in paragraph (a) of this section, the income to be included in the total income of the combined group shall be determined as follows:

(i) A profit and loss statement shall be prepared for each foreign branch or corporation in the currency in which the books of account of the branch or corporation are regularly maintained.

(ii) Adjustments shall be made to the profit and loss statement to conform it to the accounting principles generally accepted in the United States for the preparation of similar statements, except as modified by this section.

(iii) Adjustments shall be made to the profit and loss statement to conform it to the tax accounting standards required by ORS chapters 317 and 318.

(iv) Except as otherwise provided by law, the profit and loss statement of each member of the combined group, and the apportionment factors related thereto, whether United States or foreign, shall be translated into the currency in which the parent company maintains its books and records.

(v) Income apportioned to this state shall be expressed in United States dollars.

(B) In lieu of the procedures set forth in subparagraph (A) of this paragraph, any member not described in paragraph (a) of this subsection may determine its income on the basis of the consolidated profit and loss statement that includes the member and that is prepared for filing with the Securities and Exchange Commission by related corporations if the Director of the Department of Revenue determines that the profit and loss statement reasonably approximates income as determined under this chapter. If the member is not required to file with the Securities and Exchange Commission, the director may allow the use of the consolidated profit and loss statement prepared for reporting to shareholders and subject to review by an independent auditor. If the statements filed with the Securities and Exchange Commission or prepared for reporting to shareholders do not reasonably approximate income as determined under this chapter, the director may accept those statements with appropriate adjustments to approximate income determined under this chapter.

(c) If a unitary business includes income from a partnership, the income to be included in the total income of the combined group shall be the member of the combined group’s direct and indirect distributive share of the partnership’s unitary apportionable income.

(d) All dividends paid by one member to another member of the combined group shall,
to the extent those dividends are paid out of the earnings and profits of the unitary business included in the combined report, in the current or an earlier year, be eliminated from the income of the recipient. This provision does not apply to dividends received from members of the unitary business that are not a part of the combined group.

(e) Except as otherwise provided by law, apportionable income from an intercompany transaction between members of the same combined group shall be deferred in a manner similar to 26 C.F.R. 1.1502-13. Deferred apportionable income resulting from an intercompany transaction between members of a combined group shall be restored to the income of the seller and shall be treated as apportionable income earned immediately before the event if:

(A) The object of a deferred intercompany transaction is:
   (i) Resold by the buyer to an entity that is not a member of the combined group;
   (ii) Resold by the buyer to an entity that is a member of the combined group for use outside the unitary business in which the buyer and seller are engaged; or
   (iii) Converted by the buyer to a use outside the unitary business in which the buyer and seller are engaged; or

(B) The buyer and seller are no longer members of the same combined group, regardless of whether the members remain unitary.

(f) A charitable expense incurred by a member of a combined group shall, to the extent allowable as a deduction pursuant to section 170 of the Internal Revenue Code, be subtracted first from the apportionable income of the combined group, subject to the application of the income limitations of section 170 of the Internal Revenue Code to the entire apportionable income of the group, and any remaining amount shall then be treated as a nonapportionable expense allocable to the member that incurred the expense, subject to the application of the income limitations of section 170 of the Internal Revenue Code to the nonbusiness income of that specific member. Any charitable deduction disallowed under this paragraph, but allowed as a carryover deduction in a subsequent year, shall be treated as originally incurred in the subsequent year by the same member, and this paragraph shall apply in the subsequent year in determining the allowable deduction in that year.

(g) Gain or loss from the sale or exchange of capital assets, property described by section 1231(a)(3) of the Internal Revenue Code and property subject to an involuntary conversion, shall be removed from the total separate net income of each member of a combined group and shall be apportioned and allocated as follows:

(A) For each class of gain or loss, namely, short term capital, long term capital, Internal Revenue Code section 1231, or involuntary conversions, all members' apportionable gain and loss for the class shall be combined without netting between such classes, and each class of net apportionable gain or loss shall be separately apportioned to each member using the member's apportionment percentage determined under section 5 of this 2023 Act.

(B) Each taxpayer member shall then net its apportionable gain or loss for all classes, including any such apportionable gain and loss from other combined groups, against the taxpayer member's nonapportionable gain and loss for all classes allocated to this state, using the rules of sections 1222 and 1231 of the Internal Revenue Code, without regard to any of the taxpayer member's gains or losses from the sale or exchange of capital assets, Internal Revenue Code section 1231 property, and involuntary conversions that are nonapportionable items allocated to another state.
(C) Any resulting state source income, or loss if the loss is not subject to the limitations of section 1211 of the Internal Revenue Code, of a taxpayer member produced by the application of subparagraphs (A) and (B) of this paragraph shall then be applied to all other state source income or loss of that member.

(D) Any resulting state source loss of a member that is subject to the limitations of section 1211 of the Internal Revenue Code shall be carried forward by that member and shall be treated as state source short-term capital loss incurred by that member for the year for which the carryover applies.

(h) Any expense of one member of the unitary group that is directly or indirectly attributable to the nonapportionable income or exempt income of another member of the unitary group shall be allocated to that other member as corresponding nonapportionable expense or exempt expense, as appropriate.

SECTION 7. As a filing convenience, and without changing the respective liability of the group members, members of a combined group may annually elect to designate one taxpayer member of the combined group to file a single return in the form and manner prescribed by the Department of Revenue, in lieu of filing their own respective returns, provided that the taxpayer designated to file the single return consents to act as surety with respect to the tax liability of all other taxpayers properly included in the combined report and agrees to act as agent on behalf of those taxpayers for the year of the election for tax matters relating to the combined report for that year. If for any reason the surety is unwilling or unable to perform its responsibilities, tax liability may be assessed against the taxpayer members.

SECTION 8. ORS 314.505 is amended to read:

314.505. (1) Every corporation expecting to have a tax liability under either ORS chapter 317 or 318 of $500 or more shall make an estimate of tax liability for the corporation’s tax year and pay the amount of tax determined as provided in ORS 314.515.

(2) The Department of Revenue shall by rule provide for the payment of estimated tax liability by a combined group of [affiliated] corporations filing a [consolidated return] combined report under sections 2 to 7 of this 2023 Act.

(3) As used in ORS 314.505 to 314.525, the term “estimated tax liability” means the tax computed under ORS chapter 317 or 318 less the credits allowed for purposes of ORS chapter 317 or 318.

SECTION 9. ORS 317.010 is amended to read:

317.010. As used in this chapter, unless the context requires otherwise:

(1) “Centrally assessed corporation” means every corporation the property of which is assessed by the Department of Revenue under ORS 308.505 to 308.674.

(2) “Department” means the Department of Revenue.

(3)(a) “Consolidated federal return” means the return permitted or required to be filed by a group of affiliated corporations under section 1501 of the Internal Revenue Code.

[(b) “Consolidated state return” means the return required to be filed under ORS 317.710 (5).]

(4) “Doing business” means any transaction or transactions in the course of its activities conducted within the state by a national banking association, or any other corporation; provided, however, that a foreign corporation whose activities in this state are confined to purchases of personal property, and the storage thereof incident to shipment outside the state, shall not be deemed to be doing business unless such foreign corporation is an affiliate of another foreign or domestic corporation which is doing business in Oregon. Whether or not corporations are affiliated shall be determined as provided in section 1504 of the Internal Revenue Code.
(5) “Excise tax” means a tax measured by or according to net income imposed upon national banking associations, all other banks, and financial, centrally assessed, mercantile, manufacturing and business corporations for the privilege of carrying on or doing business in this state.

(6) “Financial institution” has the meaning given that term in ORS 314.610 except that it does not include a credit union as defined in ORS 723.006, an interstate credit union as defined in ORS 723.001 or a federal credit union.

(7) “Internal Revenue Code,” except where the Legislative Assembly has provided otherwise, refers to the laws of the United States or to the Internal Revenue Code as they are amended and in effect:
(a) On December 31, 2021; or
(b) If related to the definition of taxable income, as applicable to the tax year of the taxpayer.

(8) “Oregon taxable income” means taxable income, less the deduction allowed under ORS 317.476, except as otherwise provided with respect to insurers in subsection (11) of this section and ORS 317.650 to 317.665.

(9) “Oregon net loss” means taxable loss, except as otherwise provided with respect to insurers in subsection (11) of this section and ORS 317.650 to 317.665.

(10) “Taxable income or loss” means the taxable income or loss determined, or in the case of a corporation for which no federal taxable income or loss is determined, as would be determined, under chapter 1, Subtitle A of the Internal Revenue Code and any other laws of the United States relating to the determination of taxable income or loss of corporate taxpayers, with the additions, subtractions, adjustments and other modifications as are specifically prescribed by this chapter except that in determining taxable income or loss for any year, no deduction under ORS 317.476 or 317.478 and section 45b, chapter 293, Oregon Laws 1987, shall be allowed. If the corporation is a corporation to which ORS 314.280 or 314.605 to 314.675 (requiring or permitting apportionment of income from transactions or activities carried on both within and without the state) applies, to derive taxable income or loss, the following shall occur:
(a) From the amount otherwise determined under this subsection, subtract nonapportionable income, or add nonapportionable loss, whichever is applicable.
(b) Multiply the amount determined under paragraph (a) of this subsection by the Oregon apportionment percentage defined under ORS 314.280, 314.650 or 314.667, whichever is applicable. The resulting product shall be Oregon apportioned income or loss.
(c) To the amount determined as Oregon apportioned income or loss under paragraph (b) of this subsection, add nonapportionable income allocable entirely to Oregon under ORS 314.280 or 314.625 to 314.645, or subtract nonapportionable loss allocable entirely to Oregon under ORS 314.280 or 314.625 to 314.645. The resulting figure is “taxable income or loss” for those corporations carrying on taxable transactions or activities both within and without Oregon.

(11) As used in ORS 317.122 and 317.650 to 317.665, “insurer” means any domestic, foreign or alien insurer as defined in ORS 731.082 and any interinsurance and reciprocal exchange and its attorney in fact with respect to its attorney in fact net income as a corporate attorney in fact acting as attorney in compliance with ORS 731.458, 731.462, 731.466 and 731.470 for the reciprocal or interinsurance exchange. However, “insurer” does not include title insurers or health care service contractors operating pursuant to ORS 750.005 to 750.095.
(A) If the corporation apportions income under ORS 314.650 to 314.665 for Oregon tax purposes, the total sales of the taxpayer in this state during the tax year, as determined for purposes of ORS 314.665;

(B) If the corporation does not apportion income for Oregon tax purposes, the total sales in this state that the taxpayer would have had, as determined for purposes of ORS 314.665, if the taxpayer were required to apportion income for Oregon tax purposes; or

(C) If the corporation apportions income using a method different from the method prescribed by ORS 314.650 to 314.665, Oregon sales as defined by the Department of Revenue by rule.

(b) If the corporation is an agricultural cooperative that is a cooperative organization described in section 1381 of the Internal Revenue Code, “Oregon sales” does not include sales representing business done with or for members of the agricultural cooperative.

(2) Each corporation or [affiliated] combined group of corporations filing a [return under ORS 317.710] combined report under sections 2 to 7 of this 2023 Act shall pay annually to the state, for the privilege of carrying on or doing business by it within this state, a minimum tax as follows:

(a) If Oregon sales properly reported on a return are:

(A) Less than $500,000, the minimum tax is $150.

(B) $500,000 or more, but less than $1 million, the minimum tax is $500.

(C) $1 million or more, but less than $2 million, the minimum tax is $1,000.

(D) $2 million or more, but less than $3 million, the minimum tax is $1,500.

(E) $3 million or more, but less than $5 million, the minimum tax is $2,000.

(F) $5 million or more, but less than $7 million, the minimum tax is $4,000.

(G) $7 million or more, but less than $10 million, the minimum tax is $7,500.

(H) $10 million or more, but less than $25 million, the minimum tax is $15,000.

(I) $25 million or more, but less than $50 million, the minimum tax is $30,000.

(J) $50 million or more, but less than $75 million, the minimum tax is $50,000.

(K) $75 million or more, but less than $100 million, the minimum tax is $75,000.

(L) $100 million or more, the minimum tax is $100,000.

(b) If a corporation is an S corporation, the minimum tax is $150.

(3) The minimum tax is not apportionable (except in the case of a change of accounting periods), is payable in full for any part of the year during which a corporation is subject to tax and may not be reduced, paid or otherwise satisfied through the use of any tax credit.

SECTION 11. ORS 317.267 is amended to read:

317.267. (1) To derive Oregon taxable income, there shall be added to federal taxable income:

(a) Amounts received as dividends from corporations deducted for federal purposes pursuant to section 243 or 245 of the Internal Revenue Code, except section 245(c) of the Internal Revenue Code; or

(b) Amounts deducted for income repatriated, deemed or otherwise, under section 965 of the Internal Revenue Code;

(c) Amounts deducted as global intangible low-taxed income pursuant to section 250 of the Internal Revenue Code; or

(d) Amounts paid as dividends by a public utility or telecommunications utility and deducted for federal purposes pursuant to section 247 of the Internal Revenue Code; or

(e) Dividends eliminated under Treasury Regulations adopted under section 1502 of the Internal Revenue Code that are paid by members of an affiliated group that are eliminated from a consolidated federal return pursuant to ORS 317.715 (2).]

(2) To derive Oregon taxable income, after the modification prescribed under subsection (1) of

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this section, there shall be subtracted from federal taxable income an amount equal to 70 percent of dividends (determined without regard to section 78 of the Internal Revenue Code) received or deemed received from corporations if such dividends are included in federal taxable income. However:

(a) In the case of any dividend on debt-financed portfolio stock as described in section 246A of the Internal Revenue Code, the subtraction allowed under this subsection shall be reduced under the same conditions and in same amount as the dividends received deduction otherwise allowable for federal income tax purposes is reduced under section 246A of the Internal Revenue Code.

(b) In the case of any dividend received from a 20 percent owned corporation, as defined in section 243(c) of the Internal Revenue Code, or global intangible low-taxed income included in gross income pursuant to section 951A of the Internal Revenue Code, this subsection shall be applied by substituting “80 percent” for “70 percent.”

(c) A dividend that is not treated as a dividend under section 243(d) of the Internal Revenue Code may not be treated as a dividend for purposes of this subsection.

(d) If a dividends received deduction is not allowed for federal tax purposes because of section 246(a) or (c) of the Internal Revenue Code, a subtraction may not be made under this subsection for received dividends that are described in section 246(a) or (c) of the Internal Revenue Code.

(e) In the case of any dividend received from an alien, domestic or foreign insurer, as defined in ORS 731.082, [that would be included in the taxpayer's consolidated Oregon return but for the application of ORS 317.710 (5) or (7),] this subsection shall be applied by substituting “100 percent” for “70 percent.”

(f) A subtraction under this subsection is not allowed for any amount of foreign-source dividend income, as described in section 245A of the Internal Revenue Code, that is included in gross income.

(3) There shall be excluded from the sales factor of any apportionment formula employed to attribute income to this state any amount subtracted from federal taxable income under subsection (2) of this section or deducted under section 245A of the Internal Revenue Code. The amount of any dividend or of any global intangible low-taxed income that is apportionable shall be determined as provided by the apportionment formula applicable to the taxpayer, as provided in ORS 314.280 and 314.605 to 314.675, but may not include any amount subtracted under subsection (2) of this section.

SECTION 12. ORS 317.479 is amended to read:

317.479. (1) Preacquisition losses, as described under section 384 of the Internal Revenue Code, to the extent allocated or apportioned to Oregon, with the additions, subtractions, modifications and other adjustments required for purposes of this chapter, shall not be considered in determining the taxable income or loss under ORS 317.010.

(2) If any preacquisition loss, as described in subsection (1) of this section, may not offset a recognized built-in gain by reason of section 384 of the Internal Revenue Code, such gain shall not be taken into account in determining under ORS 317.476 the amount of such loss which may be carried to other taxable years.

(3) In any case in which a preacquisition loss, as described in subsection (1) of this section, for any taxable year is subject to limitation under subsection (1) of this section and a taxable loss from such taxable year is not subject to such limitation, taxable income shall be treated as having been offset first by the loss subject to such limitation.

(4) The definitions contained in section 384(c) of the Internal Revenue Code shall apply for purposes of this section, except that where appropriate, gain, loss and items of income shall be determined as allocated or apportioned to Oregon and with the additions, subtractions, modifications
and other adjustments contained in this chapter.

(5) Section 384(b) and (c)(5) and (6) of the Internal Revenue Code shall be applied for purposes of this section in a manner consistent with ORS [317.705 to 317.715,] 317.720 and 317.725 and sections 2 to 7 of this 2023 Act.

SECTION 13. ORS 317.720 is amended to read:

317.720. (1) To derive Oregon taxable income, there shall be subtracted from federal taxable income the amount of the excess loss account included under Treasury Regulations adopted under section 1502 of the Internal Revenue Code to the extent that the excess losses have not offset unitary income. However, in no event shall excess losses be recaptured on account of Treasury Regulations adopted under section 1502 of the Internal Revenue Code for purposes of this chapter if the losses were deducted for a taxable year beginning before January 1, 1986.

(2) As used in this section, “unitary income” means income of a unitary group, as that term is defined in ORS 317.705, that includes the subsidiary to which excess losses are attributable, and a member of which is subject to taxation under this chapter.

SECTION 14. ORS 317.725 is amended to read:

317.725. (1)(a) If any provision of the Internal Revenue Code [or of ORS 317.705 to 317.715,] relating to the use of consolidated federal returns or sections 2 to 7 of this 2023 Act relating to the use of combined reports, requires that any amount be added to or deducted from federal consolidated taxable income or the Oregon taxable income subject to taxation under this chapter or ORS chapter 318 that previously had been added to or deducted from income upon or with respect to which tax liability was measured under the Oregon law in effect prior to the taxpayer’s taxable year as to which [ORS 317.705 to 317.715] sections 2 to 7 of this 2023 Act, are first effective, an appropriate adjustment shall be made to the income for the year or years subject to [ORS 317.705 to 317.715] sections 2 to 7 of this 2023 Act, so as to prevent the double taxation or double deduction of any such amount that previously had entered into the computation of income upon or with respect to which tax liability was measured.

(b) If it appears to the Department of Revenue that a corporation making a return under this chapter or ORS chapter 318 is required to make any adjustment to [federal consolidated] the corporation’s taxable income pursuant to [ORS 317.715] sections 2 to 7 of this 2023 Act, that is unduly burdensome or that produces an inequitable or unreasonable result, the department, upon application by the corporation, may relieve the corporation of the requirement and may permit or require any other adjustment to be made to fairly reflect income and produce an equitable result. The department shall adopt rules prescribing the method by which a corporation may apply for relief under this paragraph.

(2) Notwithstanding the provisions of ORS 317.013, any regulation promulgated pursuant to sections 1501 to 1505 of the Internal Revenue Code [which] that makes reference to provisions of the Internal Revenue Code with respect to which modifications to federal taxable income are prescribed under this chapter shall not be applied to the extent the regulation conflicts with the provisions of this chapter.

(3) The Department of Revenue shall not make any adjustment under this section if the resulting increase or decrease in tax liability would be less than $250.

SECTION 15. ORS 401.690 is amended to read:

401.690. (1) Disaster or emergency related work conducted by an out-of-state business may not be used as the sole basis for:

(a) Notwithstanding ORS 317.018 and 317.080, a finding that the out-of-state business is doing
business in this state;

(b) Imposition of the taxes imposed under ORS 314.725 or ORS chapter 316 or 317;

(c) Notwithstanding ORS 60.704, 63.704, 65.704, 67.705 and 70.355, a requirement that the out-of-state business register with or obtain authority to transact business from the Secretary of State during the disaster response period; or

(d) A requirement that the out-of-state business or an out-of-state employee comply with state or local business or professional licensing or registration requirements or state and local taxes or fees including unemployment insurance, state or local occupational licensing fees and ad valorem tax on equipment brought into this state for use during the disaster response period and subsequently removed from this state.

(2) For purposes of any state or local tax on or measured by, in whole or in part, net or gross income or receipts, all activity of the out-of-state business that is conducted in this state, or equipment brought into this state, pursuant to ORS 401.685 to 401.695 shall be disregarded with respect to the filing requirements of [ORS 317.710 and 317.715] sections 2 to 7 of this 2023 Act and the apportionment provisions of ORS 314.605 to 314.675. Receipts from disaster or emergency related work may not be sourced to and may not otherwise impact or increase the amount of income, revenue or receipts apportioned to this state.

(3) For purposes of ORS chapter 316, an out-of-state employee is not taxed as a resident, non-resident or part-year resident and is not considered to have established domicile or residence in this state. Wages paid for disaster or emergency related work are not subject to the withholding provisions of ORS 316.162 to 316.221.

(4) Out-of-state businesses and out-of-state employees shall be required to pay transaction taxes and fees including fuel taxes, transient lodging taxes, car rental taxes or applicable fees during the disaster response period, unless an exemption applies to the taxes or fees during the disaster response period.

(5) Any out-of-state business that transacts business in this state or out-of-state employee who remains in this state after the end of the disaster response period will become subject to this state’s normal standards for establishing domicile or residency or doing business in this state and will become responsible for any business or employee tax requirements that ensue.

(6) ORS 401.990 does not apply to ORS 401.685 to 401.695.

SECTION 16. ORS 731.854 is amended to read:

731.854. (1) When by or pursuant to the laws of any other state or foreign country any taxes, licenses and other fees, in the aggregate, and any fines, penalties, deposit requirements or other material obligations, prohibitions or restrictions are or would be imposed upon insurers domiciled in this state, or upon the insurance producers or representatives of such insurers, which are in excess of such taxes, licenses and other fees, in the aggregate, or which are in excess of the fines, penalties, deposit requirements or other obligations, prohibitions, or restrictions directly imposed upon similar insurers, or upon the insurance producers or representatives of such insurers, of such other state or country under the statutes of this state, so long as such laws of such other state or country continue in force or are so applied, the same taxes, licenses and other fees, in the aggregate, or fines, penalties or deposit requirements or other material obligations, prohibitions, or restrictions of whatever kind shall be imposed by the Director of the Department of Consumer and Business Services upon the insurers, or upon the insurance producers or representatives of such insurers, of such other state or country doing business or seeking to do business in this state. Any tax, license or other fee or other obligation imposed by any city, county, or other political subdivision or agency
of such other state or country on insurers domiciled in this state or their insurance producers or
representatives shall be deemed to be imposed by such state or country within the meaning of this
subsection.

(2) Foreign reciprocal or interinsurance exchanges filing a [consolidated return] combined re-
port for purposes of ORS chapter 317 shall prepare and file a separate individual retaliatory tax
calculation. The excise tax for the consolidated group shall be allocated for retaliatory tax purposes
among the individual foreign insurers writing Oregon premiums. The allocation, after excluding the
domestic share as determined by the Director of the Department of Consumer and Business Services
by rule, shall be in the proportion that the premiums written in Oregon by a foreign insurer of the
group bears to the total premiums written in Oregon by all foreign insurers in the group writing
premiums in Oregon.

(3) This section does not apply as to personal income taxes, nor as to local ad valorem taxes
on real or personal property nor as to special purpose obligations or assessments heretofore imposed
by another state in connection with particular classes of insurance, other than property insurance;
except that deductions, from premium taxes or other taxes otherwise payable, allowed on account
of real estate or personal property taxes paid shall be taken into consideration by the director in
determining the propriety and extent of retaliatory action under this section.

(4) For the purpose of applying this section to an alien insurer, its domicile shall be determined
in accordance with ORS 731.092 and 731.096.

(5) For the purpose of applying this section to foreign and alien insurers, the following specif-
cically shall be treated as taxes imposed by this state:

(a) The corporate excise tax imposed under ORS chapter 317, without taking into consideration
the amount of any reduction due to the credit allowed under ORS 315.533.

(b) The assessments imposed under ORS 731.804 made to support the legislatively authorized
budget of the Department of Consumer and Business Services with respect to the functions of the
department under the Insurance Code.

(c) The assessments paid by insurers on behalf of their insureds under ORS 656.612.

SECTION 17. ORS 743B.012 is amended to read:

743B.012. (1) As a condition of transacting business in the small employer health insurance
market in this state, a carrier shall offer small employers all of the carrier’s health benefit plans,
approved by the Department of Consumer and Business Services for use in the small employer
market, for which the small employer is eligible.

(2) A carrier shall issue to a small employer any health benefit plan that is offered by the car-
rier if the small employer applies for the plan and agrees to make the required premium payments
and to satisfy the other provisions of the health benefit plan.

(3) A multiple employer welfare arrangement, professional or trade association or other similar
arrangement established or maintained to provide benefits to a particular trade, business, profession
or industry or their subsidiaries may not issue coverage to a group or individual that is not in the
same trade, business, profession or industry as that covered by the arrangement. The arrangement
shall accept all groups and individuals in the same trade, business, profession or industry or their
subsidiaries that apply for coverage under the arrangement and that meet the requirements for
membership in the arrangement. For purposes of this subsection, the requirements for membership
in an arrangement may not include any requirements that relate to the actual or expected health
status of the prospective enrollee.

(4) A carrier shall, pursuant to subsection (2) of this section, accept applications from and offer
coverage to a small employer group covered under an existing health benefit plan regardless of
whether a prospective enrollee is excluded from coverage under the existing plan because of late
enrollment. When a carrier accepts an application for a small employer group, the carrier may
continue to exclude the prospective enrollee excluded from coverage by the replaced plan until the
prospective enrollee would have become eligible for coverage under that replaced plan.

(5) A carrier is not required to accept applications from and offer coverage pursuant to sub-
section (2) of this section if the department finds that acceptance of an application or applications
would endanger the carrier’s ability to fulfill its contractual obligations or result in financial
impairment of the carrier.

(6) A carrier shall actively market all health benefit plans that are offered by the carrier to
small employers in the geographical areas in which the carrier makes coverage available or provides
benefits.

(7)(a) Subsection (2) of this section does not require a carrier to offer coverage to or accept
applications from:

(A) A small employer if the small employer is not physically located in the carrier’s approved
service area;

(B) An employee of a small employer if the employee does not work or reside within the carrier’s
approved service areas; or

(C) Small employers located within an area where the carrier reasonably anticipates, and demon-
strates to the department, that it will not have the capacity in its network of providers to deliver
services adequately to the enrollees of those small employer groups because of its obligations to
existing small employer group contract holders and enrollees.

(b) A carrier that does not offer coverage pursuant to paragraph (a)(C) of this subsection may
not offer coverage in the applicable service area to new employer groups other than small employers
until the carrier resumes enrolling groups of new small employers in the applicable area.

(8) For purposes of ORS 743B.010 to 743B.013, except as provided in this subsection, carriers
that are affiliated carriers or that are [eligible to file a consolidated tax return pursuant to ORS
317.715] required to file a combined report under sections 2 to 7 of this 2023 Act shall be
treated as one carrier and any restrictions or limitations imposed by ORS 743B.010 to 743B.013 apply
as if all health benefit plans delivered or issued for delivery to small employers in this state by
the affiliated carriers were issued by one carrier. However, any insurance company or health
maintenance organization that is an affiliate of a health care service contractor located in this state,
or any health maintenance organization located in this state that is an affiliate of an insurance
company or health care service contractor, may treat the health maintenance organization as a
separate carrier and each health maintenance organization that operates only one health mainte-
nance organization in a service area in this state may be considered a separate carrier.

(9) A carrier that elects to discontinue offering all of its health benefit plans to small employers
under ORS 743B.013 (3)(e) or elects to discontinue renewing all such plans is prohibited from offer-
ing health benefit plans to small employers in this state for a period of five years from:

(a) The date of notice to the department pursuant to ORS 743B.013 (3)(e); or

(b) If notice is not provided under paragraph (a) of this subsection, the date on which the de-
partment provides notice to the carrier that the department has determined that the carrier has
effectively discontinued offering health benefit plans to small employers in this state.

(10) The department may, in accordance with ORS 743B.129, shorten the period of prohibition
described in subsection (9) of this section if necessary to ensure, in all geographic areas of this
state, that:

(a) A competitive health insurance market exists;
(b) Small employers have a reasonable number of health insurance options available to them;
and
(c) Consumers who purchase insurance are protected.

SECTION 18. ORS 317.705, 317.710 and 317.715 are repealed.

SECTION 19. Sections 2 to 7 of this 2023 Act, the amendments to ORS 314.505, 317.010, 317.090, 317.267, 317.479, 317.725, 401.690, 731.854 and 743B.012 by sections 8 to 17 of this 2023 Act and the repeal of ORS 317.705, 317.710 and 317.715 by section 18 of this 2023 Act apply to tax years beginning on or after January 1, 2023.

SECTION 20. This 2023 Act takes effect on the 91st day after the date on which the 2023 regular session of the Eighty-second Legislative Assembly adjourns sine die.