

HB 4034 A STAFF MEASURE SUMMARY

Carrier: Rep. Smith G

House Committee On Revenue

Action Date: 03/05/24

Action: Do pass with amendments. (Printed A-Eng.)

Vote: 7-0-0-0

Yeas: 7 - Levy B, Marsh, Nathanson, Nguyen D, Reschke, Smith G, Walters

Fiscal: No fiscal impact

Revenue: No revenue impact

Prepared By: Jonathan Hart, Economist

Meeting Dates: 2/28, 3/5

WHAT THE MEASURE DOES:

Updates connection date to federal Internal Revenue Code and other provisions of federal law. Updates provisions by one year to December 31, 2023 or January 1, 2024. Removes purported connection to future amendments of federal Internal Revenue Code referenced in 305.842. Takes effect on 91st day following adjournment sine die.

ISSUES DISCUSSED:

- Fixed-date connection versus "rolling reconnect"
- Benefits of connection to federal definition of income
- Potential lost revenue from federal legislation
- Measure does not affect "rolling reconnect"

EFFECT OF AMENDMENT:

Removes purported connection to future amendments of federal Internal Revenue Code in 305.842 applying to certain property tax laws.

BACKGROUND:

Oregon has a continuing connection to the federal definition of taxable income ("rolling reconnect") for personal and corporate income taxes. The rolling reconnect automatically adopts federal changes to the definition and incorporates them into the respective tax calculations. In general, a continuing connection to federal law is not permitted by Oregon's Constitution, but there is an exception for the definition of taxable income used for federal taxes.

Ties to federal law other than the definition of taxable income must be updated regularly to incorporate changes. This bill makes routine updates to those provisions, as detailed in the section-by-section description in the Committee's meeting materials.

On February 19th, the Committee heard from representatives of the Oregon Society of Certified Public Accountants about changes in federal law through December, and about potential future legislation.

The amendment removes a purported continuing connection to federal law in certain Oregon property tax laws, which is ineffective because changes in property tax definitions cannot be delegated to Congress. The specific statutes do have updated connection based on a fixed date (December 31, 2023 in HB 4031), which does tie to law changes through that date.

HB 4031 updates fixed-date connections to federal tax law, and does not change the automatic connection of Oregon Taxable Income to taxable income as defined by the Internal Revenue Code.

