74TH OREGON LEGISLATIVE ASSEMBLY 2007 Regular Session
STAFF MEASURE SUMMARY
SENTATE FINANCE & REVENUE COMMITTEE

MEASURE: HB 2235-A
CARRIER: Sen. George

REVENUE: Revenue Statement Issued
FISCAL: No Fiscal Impact

Action:		Do pass as amended and be printed engrossed
Vote:		5-0-0
	Yeas:	Burdick, G. George, Monroe, Starr, Deckert
	Nays:	
	Exc.:	
Prepared By:		Chris Allanach, Economist
Meeting Dates:		5/17, 5/23

WHAT THE BILL DOES: Changes Oregon's date reference for statute pertaining to the definitions of S corporations. Changes date reference of the definition of "Internal Revenue Code" to the federal Internal Revenue Code as amended and in effect on December 31, 2006. Lists the federal legislation that is affected by this Act. Provides a mechanism for a taxpayer to have interest or penalties canceled for tax deficiencies that are attributable to the federal law connection changes in this Act. Specifies that if a refund is due a taxpayer for a tax year beginning before January 1, 2007 due to any retroactive treatment from these federal tax law connection changes then the refund will not be paid with interest. Clarifies that taxpayers must file an amended return for changes in Oregon's law due to these federal tax law changes for tax years before January 1, 2007. Allows the Department of Revenue to make changes to tax returns that do not file amended returns. Changes the inflation index from the second quarter of the current calendar year to the 12 months ending August 31 of the prior calendar year. Includes a conflict amendment relating to SB 83. Takes effect 90 days after the end of the legislative session.

ISSUES DISCUSSED:
- Federal law changes in 2005 and 2006
- Oregon's permanent connection ("rolling reconnect") to federal taxable income
- The 2001 legislation that streamlined the inflation indices used for the personal income tax inflation adjustments
- Conflict amendment related to SB 83

EFFECT OF COMMITTEE AMENDMENTS: Contains a conflict amendment. Changes the date of the inflation index used for the standard deductions to that used elsewhere in the personal income tax.

BACKGROUND: Oregon currently has a permanent connection (a "rolling reconnect") to the federal definition of taxable income. Other connections are to the Internal Revenue Code as amended and in effect on December 31, 2004. There are two recent exceptions. First, Oregon is not tied to the deduction related to income from domestic production activities; if this deduction is taken at the federal level, taxpayers are required to add the deduction amount when determining taxable income for Oregon. Second, Oregon is scheduled to disconnect in 2008 from the exclusion of certain subsidy payments made by the federal government related to Part D of the Medicare Prescription Drug Insurance program.