75th OREGON LEGISLATIVE ASSEMBLY – 2009 Regular Session **MEASURE: HB 2078-A**
STAFF MEASURE SUMMARY

Joint Committee on Ways and Means **Carrier – House: Rep. Nathanson**
Carrier – Senate: Sen. Carter

Revenue: Revenue statement issued
Fiscal: Minimal fiscal impact, no statement issued

Action: Do Pass
Vote: 16 – 5 – 1
House
Yeas: Buckley, C. Edwards, D. Edwards, Galizio, Jenson, Kotek, Nathanson, Richardson, Shields, G. Smith
Nays: Garrard, Gilman, Richardson,
Exc:
Senate
Yeas: Bates, Carter, Johnson, Monroe, Nelson, Verger, Walker
Nays: Girod, Whitsett
Exc: Winters
Prepared By: Laurie Byerly, Legislative Fiscal Office
Meeting Date: 6/22, 6/23

WHAT THE MEASURE DOES: Establishes a connection date of May 1, 2009 to the federal definition of taxable income and most other provisions. Maintains a December 31, 2008 connection date for bonus depreciation, the discharge of indebtedness, and Section 179 expensing. Maintains a December 31, 2008 connection date for deduction of unemployment compensation if HB 2649 fails to become law. Clarifies the definition of "severe disability" to include deafness; clarifies the definition of "qualifying child" for purposes of the Working Family Child Care credit. Establishes a continuous tie – a "rolling reconnect" – to the federal definition of taxable income as of January 1, 2011. Eliminates the Residential Energy Tax Credit and the Business Energy Tax Credit for gasoline-hybrid vehicles as of January 1, 2010. Refines definitions related to the biomass tax credit.

ISSUES DISCUSSED:
- Need to tie to federal law, including the American Recovery and Reinvestment Act of 2009
- Prior action during the 2009 session

EFFECT OF COMMITTEE AMENDMENT: No amendment.

BACKGROUND: Oregon had a rolling reconnect to the definition of taxable income for tax years 1997 to 2002. It was temporarily suspended by the 2003 Legislature for tax years 2003 to 2005. The rolling reconnect was re-established for tax years 2006 to 2008. With the passage of HB 2157 during the 2009 session, Oregon does not currently have a rolling reconnect but is, instead, tied to federal law as it existed on December 31, 2008. By moving the connection date to May 1, 2009 Oregon is generally connected to the provisions of The American Recovery and Reinvestment Act of 2009, with the exception of the provisions described above.

The Legislative Assembly granted a credit for alternative fuel vehicles in 1999, when eight credits were granted for a total of just over $6,000. By 2008, the number of credits had increased to 3,083 and totaled just under $4.6 million. A similar federal credit has sunset for certain eligible cars, such as the Toyota Prius, as they reach a certain level of sales. The biomass credit was created in 2007 and depends on the type of biomass. In 2007, roughly 100 personal income tax filers reduced their tax liability by just under $1.1 million. In 2008, preliminary data indicate that total roughly doubled to $2.2 million.