

**Enrolled**  
**House Bill 2653**

Sponsored by COMMITTEE ON REVENUE

CHAPTER .....

AN ACT

Relating to corporate income taxation; creating new provisions; amending ORS 314.650, 314.655 and 314.660; and prescribing an effective date.

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

**SECTION 1.** ORS 314.650 is amended to read:

314.650. [(1)] All business income shall be apportioned to this state by multiplying the income by the sales factor.

*[(2)(a) Notwithstanding subsection (1) of this section, the business income of a taxpayer that is in the forest products industry, that owns and manages 300,000 or more acres in this state, but less than 400,000 acres, and that processes at least 20 percent of the taxpayer's total wood chip supply for papermaking from sawmill residue generated within this state, shall be apportioned to this state by multiplying the income by a fraction, the numerator of which is the property factor plus the payroll factor plus two times the sales factor, and the denominator of which is four.]*

*[(b) If the denominator of the property factor, payroll factor or sales factor, as determined under ORS 314.650 to 314.665, is zero, then the denominator specified in paragraph (a) of this subsection shall be reduced by the number of factors with a denominator of zero.]*

**SECTION 2.** ORS 314.655 is amended to read:

314.655. (1) [As used in ORS 314.650] **For purposes of ORS 317.391**, the property factor is a fraction, the numerator of which is the average value of the taxpayer's real and tangible personal property owned or rented and used in this state during the tax period and the denominator of which is the average value of all the taxpayer's real and tangible personal property owned or rented and used during the tax period.

(2) Property owned by the taxpayer is valued at its original cost. Property rented by the taxpayer is valued at eight times the net annual rental rate. Net annual rental rate is the annual rental rate paid by the taxpayer less any annual rental rate received by the taxpayer from subrentals.

(3) The average value of property shall be determined by averaging the values at the beginning and ending of the tax period but the Department of Revenue may require the averaging of monthly values during the tax period if reasonably required to reflect properly the average value of the taxpayer's property.

**SECTION 3.** ORS 314.660 is amended to read:

314.660. (1) [As used in ORS 314.650] **For purposes of ORS 317.391**, the payroll factor is a fraction, the numerator of which is the total amount paid in this state during the tax period by the taxpayer for compensation, and the denominator of which is the total compensation paid everywhere during the tax period.

(2) Compensation is paid in this state if:

- (a) The individual's service is performed entirely within the state; [or]
- (b) The individual's service is performed both within and without the state, but the service performed without the state is incidental to the individual's service within the state; or
- (c) Some of the service is performed in the state and (A) the base of operations or, if there is no base of operations, the place from which the service is directed or controlled is in the state, or (B) the base of operations or the place from which the service is directed or controlled is not in any state in which some part of the service is performed, but the individual's residence is in this state.

**SECTION 4. The amendments to ORS 314.650 by section 1 of this 2009 Act apply to tax years beginning on or after January 1, 2010.**

**SECTION 5. The Department of Revenue shall waive any penalty or interest that would otherwise apply to taxes due if the penalty or interest is based on underpayment or underreporting that results solely from section 3, chapter \_\_, Oregon Laws 2009 (Enrolled House Bill 3405), and the amendments to ORS 317.061 and 317.090 by sections 1 and 5, chapter \_\_, Oregon Laws 2009 (Enrolled House Bill 3405).**

**SECTION 6. Section 5 of this 2009 Act applies to tax years beginning on or after January 1, 2009, and before January 1, 2010.**

**SECTION 7. This 2009 Act takes effect on the 91st day after the date on which the regular session of the Seventy-fifth Legislative Assembly adjourns sine die.**

Passed by House March 19, 2009

Received by Governor:

Repassed by House June 23, 2009

.....M.,....., 2009

Approved:

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Chief Clerk of House

.....M.,....., 2009

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Speaker of House

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Governor

Passed by Senate June 22, 2009

Filed in Office of Secretary of State:

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President of Senate

.....M.,....., 2009

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Secretary of State