REVENUE IMPACT OF PROPOSED LEGISLATION

Seventy-Sixth Oregon Legislative Assembly
2011 Regular Session
Legislative Revenue Office

Bill Number: SB 301 B
Revenue Area: Income/Estate Taxes
Economist: Chris Allanach
Date: 3/3/2011

Measure Description: Updates Oregon's date of connection to certain federal laws from December 31, 2009 to December 31, 2010. Updates statutes pertaining to the tax qualification status of the Public Employees Retirement System plans and to unemployment insurance. Includes income tax provisions pertaining to the definition of charitable organizations, federal Adjusted Gross Income (for the purposes of Oregon's Elderly Rental Assistance and Senior Deferral programs), rules for S-corporation representation before magistrate, the Department of Revenue, and the Oregon Tax Court. Specifies that interest and penalties will not be assessed for tax deficiencies 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, 2011 due to any retroactive treatment from these federal tax law connection changes then the refund will not be paid with interest. Requires taxpayers to file an amended return for changes in Oregon's law due to these federal tax law changes for tax years beginning before January 1, 2011; requires the Department of Revenue to make changes to tax returns for taxpayers who do not file amended returns. Extends the estate tax filing deadline to September 17, 2011 for decedents who died between January 1, 2010 and December 17, 2010, if a federal estate tax return is required. Makes no changes regarding due dates for payment of tax, penalties, or interest. Clarifies disconnect language for certain provisions for tax years 2009 and 2010. Reconnects to the federal provisions for bonus depreciation and expanded Section 179 expensing for tax years beginning on or after January 1, 2011.

Revenue Impact (in $Millions):

	Fiscal Year			Biennium		
	2009-10	2010-11		2009-11	2011-2013	2013-2015
General Fund (excluding depreciation)	$0	-$15.4		-$15.4	-$1.5	$0
General Fund (depreciation only)*	$0	$0		$0	-$93.2	$43.7
General Fund (Total)	**$0**	**-$15.4**		**-$15.4**	**-$94.7**	**$43.7**

*The March 2011 revenue forecast includes the -$93.2 million and $43.7 million impacts for 2011-13 and 2013-15 due to an incorrect interpretation of current law. The revenue loss and gain shown are relative to a corrected current law forecast. Compared to the March 2011 revenue forecast, there is no impact for the depreciation provisions. The total impact compared to the March 2011 revenue forecast is shown in the top row: -$15.4 million in 2009-11, -$1.5 million in 2011-13, and $0 in 2013-15.

Impact Explanation: The revenue loss is the result of tying to various provisions of federal law enacted during 2010 that extend a variety of tax expenditures. The provision with the largest revenue loss in the 2009-11 biennium – roughly $10 million – is the deduction for qualified higher education expenses paid by the taxpayer in 2010. Examples of other provisions to which this bill ties are the deduction for teacher classroom expenses, the exclusion from income for the value of including young adults up to age 26 on a parent's health insurance, and certain enhancements to the earned income tax credit.

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For the estate tax, the extension of the filing deadline could result in a slight shift in some revenue (less than $50,000) from the 2009-11 biennium to the 2011-13 biennium. Consequently, there could be a minimal negative impact in 2009-11 offset by a minimal positive impact in 2011-13.

The revenue impacts on the “depreciation only” line pertain to reconnecting to the federal bonus depreciation and expanded Section 179 expensing provisions in federal law for tax years 2011 and 2012. These provisions of law allow taxpayers to claim larger deductions in tax years 2011 and 2012 than they would otherwise be allowed to claim. At the same time, the deductions in later years are less than they would be otherwise. So the revenue loss in 2011-13 is gradually offset by revenue gains in subsequent biennia.

Creates, Extends, or Expands Tax Expenditure: Yes ☒ No ☐

The policy purpose of this measure is to generally maintain Oregon’s tie to federal law for income tax purposes.