**76TH OREGON LEGISLATIVE ASSEMBLY 2011 Regular Session**
**STAFF MEASURE SUMMARY**
**SENATE FINANCE AND REVENUE COMMITTEE**

**MEASURE: HB 3454 A**
**CARRIER: Sen. Telfer**

**REVENUE: Revenue Impact Issued**
**FISCAL: No Fiscal Impact**

| | | |
|---|---|---|
| **Action:** | Do Pass | |
| **Vote:** | 3-0-1 | |
| | **Yeas:** | Hass, Morse, Burdick |
| | **Nays:** | 0 |
| | **Exc.:** | Telfer |
| **Prepared By:** | | Chris Allanach, Economist |
| **Meeting Dates:** | | 6/10 |

**WHAT THE BILL DOES:** Disallows a subtraction from federal taxable income for amounts included in determining an Oregon net operating loss. Applies to tax years beginning on or after January 1, 2009. Provides that taxpayers may comply with the policy by either filing an appropriate amended return or adding the proper amount to income on the taxpayer's 2011 tax return.

**ISSUES DISCUSSED:**
- Interaction of two areas of personal income tax law
- Ability of the Department of Revenue to waive penalty and interest if warranted

**EFFECT OF COMMITTEE AMENDMENTS:** None.

**BACKGROUND:** The interaction of Oregon laws regarding net operating losses and the disconnect from federal law regarding certain deductions (e.g. bonus depreciation) may result in some taxpayers claiming a deduction twice. Oregon net operating loss, for personal income tax filers, is defined by statute to be federal net operating loss. When determining federal net operating loss, taxpayers may have claimed the bonus depreciation deduction. Because Oregon net operating loss is equal to federal net operating loss, the taxpayer implicitly claims the same deduction for Oregon taxes. However, the federal disconnect required an addition to income for the amount of bonus deprecation in the year the property was placed in service and subtractions in subsequent years. Because taxpayers who had a net operating loss in the initial year of the bonus depreciation essentially benefitted from the full deduction, the subtraction in subsequent tax years constitutes a second deduction for that expense.

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