PRELIMINARY

77TH OREGON LEGISLATIVE ASSEMBLY **MEASURE: HB 3069 -4**
2013 REGULAR SESSION **CARRIER:**
STAFF MEASURE SUMMARY
HOUSE REVENUE COMMITTEE

REVENUE:
FISCAL:

Action:
Vote:

Yeas:
Nays:
Exc.:

Prepared By: Chris Allanach, Economist
Meeting Dates: 3/21; 5/29

WHAT THE BILL DOES: Excludes expenses paid to a foreign corporation without U.S. nexus from the Oregon addition for expenses paid to a related member for the use of intangible property. Declares that nothing in ORS 314.296 shall prohibit the Department of Revenue from administering ORS 314.295. Applies to tax years 2010 through 2012. Repeals ORS 314.296 effective January 1, 2013.

ISSUES DISCUSSED:

- The original intent of SB 181 from 2009
- The implementation of ORS 314.296
- The impact on technology companies

EFFECT OF COMMITTEE AMENDMENTS: Moves the exception referencing IRC 1563(b)(2)(C) from subsection 2 to subsection 4. Declares that nothing in ORS 314.296 shall prohibit the Department of Revenue from administering ORS 314.295. Makes changes applicable to tax years 2010 through 2012. Repeals ORS 314.296 effective January 1, 2013.

BACKGROUND: SB 181 from 2009 attempted to clarify the state tax treatment of inter-company sales and expenses associated with the sale of intangible property. The intent was to ensure that when sales to a related corporate member for the use of intangible property are excluded from taxation, then the associated expenses should not be deducted. If, in fact, taxes were paid on the associated income, then a tax credit would be allowed to offset the Oregon addition. The adoption of the policy was pursuant to DOR tax audits that revealed cases where corporate taxpayers had incorrectly deducted expenses when income from the associated sales was not taxed.