

HB 2273 -1, -3 STAFF MEASURE SUMMARY

Senate Committee On Finance and Revenue

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Meeting Dates: 6/29

WHAT THE MEASURE DOES:

Modifies the method by which corporations may petition the DOR for the ability to use an apportionment method different from current law. Adds language that aligns with that proposed by the Multistate Tax Commission. Applies to tax years beginning on or after January 1, 2018.

ISSUES DISCUSSED:

EFFECT OF AMENDMENT:

-1 Replaces bill

Removes the functional test for determining apportioned income. Clarifies that certain types of money received by corporations is not considered sales for purposes of apportionment.

-3 Replaced bill

Identical to the -1 plus a conflict amendment related to HB 2275

BACKGROUND:

SB 28A changed how corporation income from intangibles and services is apportioned to Oregon. The cost-of-performance approach is replaced by the market-based sourcing of sales. The Multistate Tax Commission has recommended that states adopt the market-based approach and, in conjunction, remove the functional test when determining sales for apportionment purposes. The other change in this bill effectively puts some Department of Revenue administrative rules into statute. The issue of concern is that certain money received by corporations acting as an intermediary should not be considered sales for purposes of apportionment. Under current law, this is achieved through a combination of statute and rule.