

D R A F T

SUMMARY

Disconnects, in calculation of Oregon taxable income, from federal depreciation computation and federal rules for expensing of depreciable business assets for purposes of personal income tax or corporate excise tax.

Applies to property placed in service in tax years beginning on or after January 1, 2018, and to tax years beginning on or after January 1, 2018.

Takes effect on 91st day following adjournment sine die.

A BILL FOR AN ACT

Relating to depreciation of assets; repealing ORS 316.707; and prescribing an effective date.

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

SECTION 1. Section 2 of this 2017 Act is added to and made a part of ORS chapter 316.

SECTION 2. (1) To the extent that the amount allowed as a deduction under section 168 of the Internal Revenue Code (Accelerated Cost Recovery System) differs from the amount that is allowed as a deduction for depreciation for the property under the federal Internal Revenue Code as amended and in effect on December 31, 2016, the difference shall be added to or subtracted from federal taxable income, whichever is applicable.

(2) The modifications required by subsection (1) of this section apply only to the differences in the computation of depreciation (reasonable allowance for exhaustion, wear, tear and obsolescence) under the Accelerated Cost Recovery System and the other methods of depreciation. Nothing in this section shall be construed to govern the

1 eligibility of property for depreciation, or other provisions of the
2 Internal Revenue Code which do not directly govern the computation
3 of the deduction amount for recovery property.

4 (3) There shall be added to federal taxable income any amount de-
5 ducted under section 179 of the Internal Revenue Code (election to
6 expense certain depreciable business assets). However, any asset with
7 respect to which this section applies may be depreciated as otherwise
8 provided under this chapter.

9 (4) Income included in federal taxable income by a shareholder of
10 an S corporation pursuant to sections 1366 to 1368 of the Internal
11 Revenue Code shall be adjusted for purposes of determining Oregon
12 taxable income as required by the provisions of this section.

13 SECTION 3. Section 4 of this 2017 Act is added to and made a part
14 of ORS chapter 317.

15 SECTION 4. (1) To the extent that the amount allowed as a de-
16 duction under section 168 of the Internal Revenue Code (Accelerated
17 Cost Recovery System) differs from the amount that is allowed as a
18 deduction for depreciation for the property under the federal Internal
19 Revenue Code as amended and in effect on December 31, 2016, the dif-
20 ference shall be added to or subtracted from federal taxable income,
21 whichever is applicable.

22 (2) The modifications required by subsection (1) of this section apply
23 only to the differences in the computation of depreciation (reasonable
24 allowance for exhaustion, wear, tear and obsolescence) under the Ac-
25 celerated Cost Recovery System and the other methods of depreci-
26 ation. Nothing in this section shall be construed to govern the
27 eligibility of property for depreciation, or other provisions of the
28 Internal Revenue Code which do not directly govern the computation
29 of the deduction amount for recovery property.

30 (3) There shall be added to federal taxable income any amount de-
31 ducted under section 179 of the Internal Revenue Code (election to

1 expense certain depreciable business assets). However, any asset with
2 respect to which this section applies may be depreciated as otherwise
3 provided under this chapter.

4 SECTION 5. Sections 2 and 4 of this 2017 Act apply to property
5 placed in service in tax years beginning on or after January 1, 2018,
6 and to tax years beginning on or after January 1, 2018.

7 SECTION 6. ORS 316.707 is repealed.

8 SECTION 7. This 2017 Act takes effect on the 91st day after the date
9 on which the 2017 regular session of the Seventy-ninth Legislative
10 Assembly adjourns sine die.