SB 28 A STAFF MEASURE SUMMARY

Carrier: Sen. Hass

Senate Committee On Finance and Revenue

Action Date:	05/22/17
Action:	Do pass with amendments to the bill. (Printed A-Eng.)
Vote:	3-2-0-0
Yeas:	3 - Hass, Riley, Taylor
Nays:	2 - Baertschiger Jr, Boquist
Fiscal:	No fiscal impact
Revenue:	Revenue impact issued
Prepared By:	Chris Allanach, Senior Economist

WHAT THE MEASURE DOES:

Changes the corporation apportionment method for income from intangibles and services. Moves Oregon from the cost-of-performance method to the market-based method. Applies to corporations subject to the Uniform Division of Income for Tax Purposes Act (UDITPA); excludes utilities and financial institutions. Applies to tax years beginning on or after January 1, 2018.

ISSUES DISCUSSED:

- How C-corporations apportion their U.S. income to Oregon
- Policy alignment with the current single sales factor
- Impact on making Oregon's economy more competitive
- Revenue impact for specific companies could be either positive or negative

EFFECT OF AMENDMENT:

Replaces bill

BACKGROUND:

Current law requires income from intangibles and services to be apportioned to Oregon using the cost-of-performance (COP) approach. For purposes of determining which sales are included in the sales factor (to apportion income), the COP method assigns sales according to where production costs are incurred. All sales are assigned to the state where the largest share of production costs were incurred. This bill would change that policy to one where sales are proportionately assigned to states where sales occur.