

Enrolled
Senate Bill 29

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CHAPTER

AN ACT

Relating to the tax treatment of debt of a corporation in bankruptcy; amending ORS 314.306; and prescribing an effective date.

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

SECTION 1. ORS 314.306 is amended to read:

314.306. (1) If a taxpayer excludes an amount from federal gross income by reason of the discharge of indebtedness of the taxpayer under section 108(a)(1)(A) of the Internal Revenue Code (relating to discharge of indebtedness in a bankruptcy declared under U.S.C. Title 11), then, with respect to that portion of the excluded amount that is apportioned to Oregon, the taxpayer shall apply the rules in 11 U.S.C. 346(j), as amended and in effect on [April 15, 1995] **December 31, 2016.**

(2) If a taxpayer excludes an amount from federal gross income by reason of the discharge of indebtedness of the taxpayer under section 108(a)(1)(B) or (C) of the Internal Revenue Code (relating to discharge of indebtedness in insolvency or discharge of qualified farm indebtedness), then, with respect to that portion of the excluded amount that is apportioned to Oregon, the following paragraphs shall apply, in the following order:

(a) If the taxpayer has made the election under section 108(b)(5) of the Internal Revenue Code to first reduce the basis of the depreciable property of the taxpayer, the election shall also be effective for Oregon tax purposes. A corresponding reduction in the basis of the depreciable property of the taxpayer shall be made for Oregon tax purposes.

(b) The amount, if any, by which the following attributes are reduced under section 108(b)(1) of the Internal Revenue Code for federal tax purposes shall be added back for Oregon tax purposes:

(A) Federal net operating loss.

(B) Capital loss carryover.

(C) Basis of the property of the taxpayer, excluding amounts subject to the election under section 108(b)(5) of the Internal Revenue Code.

(D) Passive activity loss carryover.

(c) Excluding amounts subject to the election in section 108(b)(5) of the Internal Revenue Code:

(A) Any Oregon net operating loss of an individual or corporate taxpayer, including a net operating loss carryover to the taxpayer, shall be reduced by the amount of discharged indebtedness.

(B) Any net capital loss for the taxable year of the discharge, and any capital loss carryover to the taxable year, shall be reduced by the amount of discharged indebtedness minus the total amount taken into account under subparagraph (A) of this paragraph.

(C) The basis of the property of the taxpayer shall be reduced by the amount of discharged indebtedness minus the total amount taken into account under subparagraphs (A) and (B) of this paragraph.

(D) The passive activity loss carryover under section 469(b) of the Internal Revenue Code from the taxable year of the discharge shall be reduced by the amount of discharged indebtedness minus the total amount taken into account under subparagraphs (A), (B) and (C) of this paragraph.

SECTION 2. This 2017 Act takes effect on the 91st day after the date on which the 2017 regular session of the Seventy-ninth Legislative Assembly adjourns sine die.

Passed by Senate March 20, 2017

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Lori L. Brocker, Secretary of Senate

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Peter Courtney, President of Senate

Passed by House June 1, 2017

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Tina Kotek, Speaker of House

Received by Governor:

.....M.,....., 2017

Approved:

.....M.,....., 2017

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Kate Brown, Governor

Filed in Office of Secretary of State:

.....M.,....., 2017

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Dennis Richardson, Secretary of State