

# HB 2164 -23 & -24 (Sections 50-60): Corporate Activity Tax Changes

The modifications to the CAT in the two amendments are identical. The page and line number references in this document refer to -23.

Yellow highlight reflects a difference from -14

## **Section 50:**

- Re-aligns definitions for financial institutions and insurers (language deleted on page 43)
  - Pages 36-37: deleted “in addition to the definition in subparagraph (A) of this paragraph”
- Interest income and service charges received by financial institutions are commercial activity
- Clarifies the tax base for insurers
- Clarifies that the following items are not commercial activity:
  - Federally reinsured premiums
  - Transactions between a reciprocal insurer and its attorney in fact
  - Hedging transactions
  - Compensation received by an employee
  - Amounts received from insurance policies *owned by the taxpayer* (unless for the loss of business revenue)
  - Federal and state excise taxes on wine and distilled liquor
  - Local marijuana taxes
  - Local excise taxes on meals
  - Restaurant tips or gratuities passed on to employees
  - Sales/transfers between vehicle dealers, including out-of-state dealers (page 40, line 16)
  - Rebates paid to purchasers by retailers or wholesalers is deleted (page 41, line 15)
  - Right-of-way fees and universal service surcharges
    - re-worded new KK (page 42, lines 1-5)
  - Farmer sales to an agricultural cooperative
- Clarifies definition of ‘cost inputs’
- Aligns definition of ‘excluded person’ with the registration requirements regarding commercial activity threshold of \$750,000 **(This does NOT change the tax calculation.)**
- Change part of definition for ‘governmental entity’: from “any public corporation” to entities described in ORS 174.117 (Page 45, line 17-18)
- Modifies definition of ‘groceries’ to exclude marijuana products
- Defines ‘hedging transaction’
- Clarifies that unrelated business activity of an excluded person is part of the tax base

## **Section 51:**

- For property brought into the state, enables the taxpayer to show that certain activities are not part of the tax base, so both the taxpayer and DOR have equal ability (page 48, lines 19-20)

## **Section 52:**

- Changes ‘receiving the commercial activity’ to ‘with the commercial activity’
- Vehicle dealer may collect from purchasers estimated portion of the tax

## **Section 53:**

- Clarifies that the 35% subtraction does not include intracompany transfers and must be attributable to items of commercial activity
- Changes ‘receipts’ to ‘expenses’ (page 50, line 29)

**Section 54:**

- Clarifies sourcing language for financials and insurers (page 51, lines 11 and 27-29)

**Section 55:**

- Clarifies the pre-emption exemption extends to right-of-way fees and privilege taxes not measured by commercial activity (re-ordered their listing on page 52, lines 25-26)

**Section 56:**

- Clarified the quarterly payments are estimated payments (page 53, line 7)

**Sections 57-59:**

- Excludes certain payments related to residential construction: single family residential, 15% of labor payments from general contractor to subcontractor; 6-year sunset

**Section 60:**

- Amendments apply to tax years beginning on or after January 1, 2020

**Section 61:**

- Captions

**Section 62:**

- Takes effect on the 91<sup>st</sup> day after sine die.