

SB 213 A STAFF MEASURE SUMMARY

Carrier: Sen. Bentz

Senate Committee On Finance and Revenue

Action Date: 04/16/19

Action: Do pass with amendments. (Printed A-Eng.)

Vote: 4-1-0-0

Yeas: 4 - Bentz, Boquist, Hass, Taylor

Nays: 1 - Riley

Fiscal: No fiscal impact

Revenue: Has minimal revenue impact

Prepared By: Kyle Easton, Economist

Meeting Dates: 2/6, 3/21, 4/16

WHAT THE MEASURE DOES:

Updates connection date to federal Internal Revenue Code and other provisions of federal tax law from December 31, 2017 to December 31, 2018. Takes effect on 91st day following adjournment sine die.

ISSUES DISCUSSED:

Public hearing opened concurrently with SB 214 - 2/6/2019

- Last time Oregon disconnected from federal taxation provisions
- Example of federal provisions that Oregon previously disconnected from: e.g. bonus depreciation, section 179 expensing
- Weighing the costs and benefits from a rolling reconnect versus a static connect
- Potential costs and benefits of connection to federal adjusted gross income compared to federal taxable income
- Connection points used by other states
- Fewer deviations from federal tax law can aid in tax simplification for tax preparers
- Legal feasibility of potential for Oregon to use connection point different from federal taxable income such as adjusted gross income
- Background on legal development regarding Oregon's connection to federal provisions.

Public hearing opened concurrently with SB 214 - 3/21/2019

- Background presentation on itemized deductions, policies in other states
- Input received from Oregon Society of Certified Public Accountants, how Oregon's connection to federal law impacts work of CPAs
- Experience of Legislature in making policy changes in response to federal tax law changes
- Revenue implications of Tax Cuts and Jobs Act (TCJA)
- Annual legislative sessions and impact on connection
- CPA interest in maintaining consistency in tax law framework
- Potential requirement of CPAs and businesses taxpayers to keep "different sets of books" in instances where federal and Oregon tax policy differ.

EFFECT OF AMENDMENT:

Removed language of introduced version that eliminated tax year of taxpayer as connection date for certain changes in Internal Revenue Code that are related to definition of taxable income.

BACKGROUND:

Oregon has had a continuing connection ("rolling reconnect") to the definition of taxable income since tax year 2011. Other ties to federal tax law must be updated on a regular basis, with December 31st being the usual connection date. Over the past forty years, the state has rotated between a policy of automatic connection to

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federal tax base changes and connection to the federal code at a particular point in time.