

House Bill 2636

Sponsored by Representative SANCHEZ; Representatives HERNANDEZ, NOSSE, Senator FREDERICK (Presession filed.)

SUMMARY

The following summary is not prepared by the sponsors of the measure and is not a part of the body thereof subject to consideration by the Legislative Assembly. It is an editor's brief statement of the essential features of the measure **as introduced**.

Increases corporate minimum tax. Increases rates of corporate excise tax to match personal income tax rates. Repeals provisions allowing personal income taxpayers to elect reduced rate on pass-through nonpassive income or income as sole proprietor.

Applies to tax years beginning on or after January 1, 2020.

Takes effect on 91st day following adjournment sine die.

A BILL FOR AN ACT

1
2 Relating to taxation; creating new provisions; amending ORS 314.725, 317.061 and 317.090; repealing
3 ORS 316.043 and 316.044; prescribing an effective date; and providing for revenue raising that
4 requires approval by a three-fifths majority.

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

6 **SECTION 1.** ORS 317.090 is amended to read:

7 317.090. (1) As used in this section:

8 (a) "Oregon sales" means:

9 (A) If the corporation apportions income under ORS 314.650 to 314.665 for Oregon tax purposes,
10 the total sales of the taxpayer in this state during the tax year, as determined for purposes of ORS
11 314.665;

12 (B) If the corporation does not apportion income for Oregon tax purposes, the total sales in this
13 state that the taxpayer would have had, as determined for purposes of ORS 314.665, if the taxpayer
14 were required to apportion income for Oregon tax purposes; or

15 (C) If the corporation apportions income using a method different from the method prescribed
16 by ORS 314.650 to 314.665, Oregon sales as defined by the Department of Revenue by rule.

17 (b) If the corporation is an agricultural cooperative that is a cooperative organization described
18 in section 1381 of the Internal Revenue Code, "Oregon sales" does not include sales representing
19 business done with or for members of the agricultural cooperative.

20 (2) Each corporation or affiliated group of corporations filing a return under ORS 317.710 shall
21 pay annually to the state, for the privilege of carrying on or doing business by it within this state,
22 a minimum tax as follows:

23 (a) If Oregon sales properly reported on a return are:

24 (A) Less than \$500,000, the minimum tax is [*\$150*] **\$400**.

25 (B) \$500,000 or more, [*but less than \$1 million, the minimum tax is \$500*] **the minimum tax is**
26 **0.3 percent of Oregon sales.**

27 [*(C) \$1 million or more, but less than \$2 million, the minimum tax is \$1,000.*]

28 [*(D) \$2 million or more, but less than \$3 million, the minimum tax is \$1,500.*]

29 [*(E) \$3 million or more, but less than \$5 million, the minimum tax is \$2,000.*]

NOTE: Matter in **boldfaced** type in an amended section is new; matter [*italic and bracketed*] is existing law to be omitted.
New sections are in **boldfaced** type.

1 [(F) \$5 million or more, but less than \$7 million, the minimum tax is \$4,000.]

2 [(G) \$7 million or more, but less than \$10 million, the minimum tax is \$7,500.]

3 [(H) \$10 million or more, but less than \$25 million, the minimum tax is \$15,000.]

4 [(I) \$25 million or more, but less than \$50 million, the minimum tax is \$30,000.]

5 [(J) \$50 million or more, but less than \$75 million, the minimum tax is \$50,000.]

6 [(K) \$75 million or more, but less than \$100 million, the minimum tax is \$75,000.]

7 [(L) \$100 million or more, the minimum tax is \$100,000.]

8 (b) If a corporation is an S corporation, the minimum tax is [~~\$150~~] **\$400**.

9 **(3) The Department of Revenue shall recompute the minimum tax amounts in subsection**
 10 **(2)(a)(A) and (b) of this section in each calendar year. The computation shall be as follows:**

11 **(a) Divide the monthly averaged U.S. City Average Consumer Price Index for the 12**
 12 **consecutive months ending August 31 of the prior calendar year by the monthly averaged**
 13 **index for the first six months of 2018.**

14 **(b) Recompute the minimum tax amounts by multiplying \$400 by the appropriate indexing**
 15 **factor determined as provided in paragraph (a) of this subsection. Round off the amount ob-**
 16 **tained under this paragraph to the nearest \$1.**

17 **(4) As used in this section, "U.S. City Average Consumer Price Index" means the U.S.**
 18 **City Average Consumer Price Index for All Urban Consumers (All Items) as published by the**
 19 **Bureau of Labor Statistics of the United States Department of Labor.**

20 [(3)] (5) The minimum tax is not apportionable (except in the case of a change of accounting
 21 periods), is payable in full for any part of the year during which a corporation is subject to tax and
 22 may not be reduced, paid or otherwise satisfied through the use of any tax credit.

23 **SECTION 2.** ORS 314.725 is amended to read:

24 314.725. (1) Each partnership transacting business in this state shall, for the privilege of carry-
 25 ing on or doing business by it within this state, include with the filing of the return required under
 26 ORS 314.724 payment of a minimum tax of [~~\$150~~] **\$400**.

27 **(2) The Department of Revenue shall recompute the minimum tax amount in this section**
 28 **in each calendar year. The computation shall be as follows:**

29 **(a) Divide the monthly averaged U.S. City Average Consumer Price Index for the 12**
 30 **consecutive months ending August 31 of the prior calendar year by the monthly averaged**
 31 **index for the first six months of 2018.**

32 **(b) Recompute the dollar amount of the minimum tax amount by multiplying \$400 by the**
 33 **appropriate indexing factor determined as provided in paragraph (a) of this subsection.**
 34 **Round off the amount obtained under this paragraph to the nearest \$1.**

35 **(3) As used in this section, "U.S. City Average Consumer Price Index" means the U.S.**
 36 **City Average Consumer Price Index for All Urban Consumers (All Items) as published by the**
 37 **Bureau of Labor Statistics of the United States Department of Labor.**

38 **SECTION 3.** ORS 317.061 is amended to read:

39 317.061. [*The rate of the tax imposed by and computed under this chapter is:*]

40 [(1) Six and six-tenths percent of the first \$1 million of taxable income, or fraction thereof; and]

41 [(2) Seven and six-tenths percent of any amount of taxable income in excess of \$1 million.]

42 **(1) The amount of the tax imposed by this chapter shall be determined in accordance with**
 43 **the following table:**

1	If taxable income is:	The tax is:
2		
3	Not over \$2,000	5% of
4		taxable
5		income
6		
7	Over \$2,000 but not	
8	over \$5,000	\$100 plus 7%
9		of the excess
10		over \$2,000
11		
12	Over \$5,000 but not	
13	over \$125,000	\$310 plus 9%
14		of the excess
15		over \$5,000
16		
17	Over \$125,000	\$11,110 plus 9.9%
18		of the excess
19		over \$125,000

(2) For tax years beginning in each calendar year, the Department of Revenue shall adopt a table that shall apply in lieu of the table contained in section (1) of this subsection, as follows:

(a) The minimum and maximum dollar amounts for each bracket for which a tax is imposed shall be increased by the cost-of-living adjustment for the calendar year.

(b) The rate applicable to any rate bracket as adjusted under paragraph (a) of this subsection may not be changed.

(c) The amounts setting forth the tax, to the extent necessary to reflect the adjustments in the rate brackets, shall be adjusted.

(3)(a) For purposes of subsection (2) of this section, the cost-of-living adjustment for any calendar year is the percentage, if any, by which the monthly averaged U.S. City Average Consumer Price Index for the 12 consecutive months ending August 31 of the prior calendar year exceeds the monthly averaged index for the second quarter of the calendar year 1992.

(b) As used in this subsection, "U.S. City Average Consumer Price Index" means the U.S. City Average Consumer Price Index for All Urban Consumers (All Items) as published by the Bureau of Labor Statistics of the United States Department of Labor.

(c) If any increase determined under subsection (2) of this section is not a multiple of \$50, the increase shall be rounded to the next lower multiple of \$50.

SECTION 4. The amendments to ORS 314.725, 317.061 and 317.090 by sections 1 to 3 of this 2019 Act and the repeal of ORS 316.043 and 316.044 by section 5 of this 2019 Act apply to tax years beginning on or after January 1, 2020.

SECTION 5. ORS 316.043 and 316.044 are repealed.

SECTION 6. This 2019 Act takes effect on the 91st day after the date on which the 2019 regular session of the Eightieth Legislative Assembly adjourns sine die.

