

SB 1528 -3 STAFF MEASURE SUMMARY

Senate Committee On Finance and Revenue

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Meeting Dates: 2/4, 2/6

WHAT THE MEASURE DOES:

Updates connection date to federal Internal Revenue Code and other provisions of federal tax law from December 31, 2018 to December 31, 2019. Takes effect on 91st day following adjournment sine die.

ISSUES DISCUSSED:

- General overview of how Oregon connects to federal law
- Oregon automatically connects to the federal definition of taxable income
- Changes relating to inherited Individual Retirement Accounts ("stretch IRAs"), requirements begin with IRAs inherited after December 31st 2019
- As Oregon automatically incorporates federal changes to taxable income, decision is often whether to disconnect from federal changes.

EFFECT OF AMENDMENT:

-3 Modifies definition of qualified higher education expenses to include expenses associated with registered apprenticeship programs and amounts paid as principal or interest on a qualified education loan.

Increases Oregon statutory age requirements related to the Public Employees Retirement System from 70-1/2 to 72, in alignment with federal law. Updates, in line with federal law applicability, Public Employees Retirement System connection date from December 31, 2018 to January 1, 2020.

BACKGROUND:

Oregon has had a continuing connection ("rolling reconnect") to the federal 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 federal tax base changes and connection to the federal code at a particular point in time.

In December of 2019, the president signed into law H.R. 1865 which included provisions modifying and/or extending numerous tax provisions. Many of the enacted tax provisions automatically became incorporated into Oregon tax law through Oregon's connection to the definition of federal taxable income. Themes of the federal tax law changes include: retirement savings, disaster relief, and the extension of previously expired or expiring provisions. In some instances, for Oregon tax law to incorporate the recent federal tax law changes, specific modification to Oregon statute is required.