

HB 4009 -3, -6, -12, -16, -20, -23, -25, -26 STAFF MEASURE

SUMMARY

House Committee On Revenue

Prepared By: Chris Allanach, Legislative Revenue Officer

Meeting Dates: 2/5, 2/10, 2/11, 2/19, 2/20

WHAT THE MEASURE DOES:

Makes a series of technical clarifications to the Corporate Activity Tax. Includes non-Oregon auto dealers in the exclusion for registration fees or taxes collected by auto dealers. Clarifies the timing of when returns and allowances are claimed. Clarifies the apportionment calculation for the subtraction. Clarifies registration for the tax is required only once per business. Modifies the language regarding penalty provisions for quarterly estimated payments.

ISSUES DISCUSSED:

EFFECT OF AMENDMENT:

-3 Provides agricultural firms an option to the COGS calculation and provides options for bulk commodities where in-state and export sales are co-mingled

-6 Provides that certain sales by dairy farmers are not commercial activity

-12 Excludes the sale of precious metals and coins

-16 Makes changes to policies included in the introduced version of the bill:

- Change 'business revenue' to 'commercial activity'
- Clarify all tax refunds are not commercial activity
- Manufactured dwelling park nonprofit cooperatives
- Ties unrelated business income to the IRC
- Exclude entities from a unitary group that have no connection to Oregon
- Returns and allowances are accounted for in the year they occur
- Clarify the 35% subtraction calculation and apportionment factor
- Penalties are reduced to 5%; add a safe harbor; and extend 80% threshold one-year

-20 Excludes entities whose sole function is to trade stock

-23 Exempts the Agriculture sector from the CAT

-25 Exempts crop insurance payments and certain dairy sales of milk. Provides for an alternative cogs calculation for the 35% subtraction for certain farm businesses. Provides options for farmers when determining the amount of their commodities that are exported.

-26 Removes language pertaining to auto dealer sales or transfers for the purpose of meeting a specific customer's needs.

BACKGROUND:

The Corporate Activity Tax was enacted by the 2019 Legislature. It's a 0.57% tax on commercial activity in Oregon. The intent of this bill is to make clarifications and technical modifications where necessary prior to initial estimated payment being made in April of 2020.