REVENUE IMPACT OF PROPOSED LEGISLATION

80th Oregon Legislative Assembly
2020 Regular Session
Legislative Revenue Office

Bill Number:	**SB 1529 - A**
Revenue Area:	**Corporate Taxation**
Economist:	**Kaitlyn Harger**
Date:	**02/20/20**

Only Impacts on Original or Engrossed Versions are Considered Official

Measure Description:

This bill largely maintains the audience apportionment method with some changes. The bill directs taxpayers to use third party ratings or information from their books and records to determine the numerator of the sales factor. In cases where aforementioned information is not available the Department of Revenue may use the ratio of Oregon population to United States population as the sales factor. In the case of licensing to subscription services or advertising on subscription services the numerator of the sales factor is equal to 0.6% multiplied by the taxpayer's receipts from licensing to subscription services and advertising on subscription services. The bill also adds a modified definition of broadcasting. Additionally, the bill provides all broadcasters with an option to elect to apply their apportionment ratio to their total gross receipts, not just broadcasting sales. Finally, the bill repeals statutes specifically related to interstate broadcasters and removes from statute references that become obsolete upon repeal. The bill applies to tax years beginning on or after January 1, 2020 and takes effect on the 91st day following adjournment sine die.

Revenue Impact (in $Millions):

	Fiscal Year			Biennium		
	2019-20	2020-21		2019-21	2021-23	2023-25
General Fund	**-0.3**	**-0.6**		**-0.9**	**-1.2**	**-1.2**

Impact Explanation:

The bill changes current law so that different revenue streams are apportioned separately. Under current law, all receipts of a broadcaster, except tangible personal property and real property, are apportioned using a single apportionment factor. Broadcasting sales, specifically, will be apportioned using audience or subscriber information. Sales from licensing and advertising on subscription services are apportioned differently, as described below. The revenue impact can be described in three brackets and is based on tax return information from the department of revenue.

First, the bill directs taxpayers with broadcasting receipts that derive from licensing to or advertising on subscription services to calculate the numerator of the sales factor by multiplying 0.6% by the sum of the taxpayer's receipts from licensing to or advertising on subscription services. Information from the Motion Picture Association (MPA) indicates that on average, licensing to and advertising on subscription services makes

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up roughly 10% of member companies revenue streams. Comparing this method of calculation to the baseline calculation of apportioning these receipts using the audience method indicates that this will result in an average annual revenue decline of roughly $430,000.

Second, the bill also provides taxpayers engaged in broadcasting the option to elect to apply the apportionment method for broadcasting sales to the taxpayer's total gross receipts. Taxpayers will likely take this election when doing so results in a lower tax liability compared to apportioning only broadcaster sales. Since the election is equivalent to current law, there is no revenue impact associated with taxpayers making this election.

Finally, the bill requires taxpayers with broadcasting sales to use audience or subscriber information to determine the numerator of the sales factor used to apportion multistate broadcasting sales revenue. This is a policy change from current law which requires such apportionment for all receipts, except tangible personal property and real property. The bill separates out broadcasting sales from other sources of revenue. While broadcasting sales are still apportioned using audience or subscriber information, sales of other types are apportioned using market-based sourcing rules related to those revenue streams. Given the election option, it is expected that this choice will be made when it results in a lower tax liability.

Creates, Extends, or Expands Tax Expenditure: Yes ☐ No ☒

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