

**HB 2839 STAFF MEASURE SUMMARY**

**House Committee On Revenue**

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**Prepared By:** Kyle Easton, Economist

**Meeting Dates:** 2/11

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**WHAT THE MEASURE DOES:**

Applicable to personal income tax years 2018, 2019, and 2020, requires to be added to federal taxable income an amount equal to any excess business loss deducted under section 461(l)(1) of the Internal Revenue Code. Applicable to a net operating loss arising in personal income tax years 2018, 2019, and 2020, requires addition to federal taxable income, an amount equal to the sum of any net operating loss carryback deducted under section 172(b)(1)(D) of the Internal Revenue Code and amount by which any net operating loss deduction exceeds 80 percent of adjusted taxable income. Applicable to personal and corporate income tax years 2019 and 2020, requires addition to federal taxable income the amount by which business interest deducted under section 163(j)(1)(B) of the Internal Revenue Code exceeds 30 percent of current tax year adjusted taxable income. Specifies Department of Revenue may not impose any interest or penalty that would otherwise apply to taxes due resulting from changes made in amendment.

**ISSUES DISCUSSED:**

**EFFECT OF AMENDMENT:**

No amendment.

**BACKGROUND:**

In March of 2020, the president signed into law S. 3548, known as the CARES Act. The primary intent of the Act is to inject liquidity into the economy and to provide economic relief during the implementation of public health policies such as the “stay-at-home” orders in effect in many states. In broad terms, the bill provides various funds to states and other local governments, expands unemployment insurance, and appropriates funds to be used for small business loans. The Act contains provisions that will affect Oregon’s General Fund revenue through changes to personal and corporate income tax laws. Due to Oregon’s “rolling reconnect” to federal tax law, many of these provisions automatically affect Oregon revenue streams.

Measure disconnects Oregon from three provisions of the CARES Act relating to net operating loss carryback and limitation, temporary suspension of limitation on non-corporate business loss deductibility and temporary increase in limitation on business interest deduction.