

SB 164 -2, -10, -11 STAFF MEASURE SUMMARY

Senate Committee On Finance and Revenue

Prepared By: Kaitlyn Harger, Economist

Meeting Dates: 1/27, 5/17

WHAT THE MEASURE DOES:

Adds language indicating that commercial activity does not include the exchange of new vehicles between franchised motor vehicle dealerships. Adds language indicating that commercial activity does not include groceries sold by consignment store operators. Applies to tax years beginning on or after January 1st, 2022. Takes effect on the 91st day following adjournment sine die.

ISSUES DISCUSSED:

- Transfer of new and used cars between dealerships

EFFECT OF AMENDMENT:

-2 Exempts from commercial activity receipts from the sale of prescription drugs by a pharmacy.

-10 Replaces the bill. Applies the retaliatory tax in lieu of provision to the Corporate Activity Tax (CAT). Modifies language to allow for transfer of new and used vehicles between franchised motor vehicle dealerships. Changes net revenue to receipts to conform language throughout statute. Exempts from commercial activity compensation of any consignee engaged in the sale of groceries on behalf of the owner of the groceries, to the extent that the compensation is related to groceries. Changes filing deadline for business closures or sales to April 15th of the year following the closure or sale. Removes language to clarify tax administration penalties are not limited to penalties explicitly listed in statute. Removes language to align penalties between regular filers and extension filers.

-11 Replaces the bill. Applies the retaliatory tax in lieu of provision to the Corporate Activity Tax (CAT). Modifies language to allow for transfer of new vehicles between franchised motor vehicle dealerships. Changes net revenue to receipts to conform language throughout statute. Exempts from commercial activity compensation of any consignee engaged in the sale of groceries on behalf of the owner of the groceries, to the extent that the compensation is related to groceries. Changes filing deadline for business closures or sales to April 15th of the year following the closure or sale. Removes language to clarify tax administration penalties are not limited to penalties explicitly listed in statute. Removes language to align penalties between regular filers and extension filers.

BACKGROUND:

The 2019 Legislature passed the Student Success Act thereby creating the Corporate Activity Tax as a dedicated source of education funding. It is based on commercial activity in Oregon conducted by businesses. The tax is \$250 plus 0.57% on taxable commercial activity above \$1 million. Taxpayers are allowed a subtraction equal to 35 percent of the greater of input costs or labor costs. Some products, such as the wholesale and retail sale of groceries and motor fuel are exempt from the tax. General contractors building single-family residential homes are allowed a 15 percent exclusion of qualified labor payments made to subcontractors. The tax changes first take effect with tax year 2020.