

HB 2457 A STAFF MEASURE SUMMARY

Senate Committee On Finance and Revenue

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Meeting Dates: 6/2, 6/9

WHAT THE MEASURE DOES:

Updates connection date to federal Internal Revenue Code and other provisions of federal tax law from December 31, 2018 to April 1, 2021. Increases Oregon statutory age requirements related to the Public Employees Retirement System from 70-1/2 to 72, in alignment with federal law. 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. Takes effect on 91st day following adjournment sine die.

ISSUES DISCUSSED:

- Background and overview on Oregon connection to federal internal revenue code
- Recent federal tax changes and implications for Oregon tax law
- Recent federal changes made to the earned income tax credit and implications for Oregon's earned income tax credit.

EFFECT OF AMENDMENT:

No amendment.

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.

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.

In December of 2020, the president signed into law H.R. 133, known as the Consolidated Appropriations Act (CAA), 2021. The act 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: revisions to the Paycheck Protection Program (PPP), temporary changes to earned income tax credit, modification of medical expense deduction, and the extension and/or modification of other tax provisions.

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In March of 2021, H.R. 1319 (American Rescue Plan Act - ARPA) was enacted and included numerous tax law provisions relating to promoting economic security and providing income support through the tax system.

Most of the changes contained in the respective federal measures were automatically incorporated into Oregon tax law through Oregon's rolling reconnect to the definition of federal taxable income. In some instances, federal tax law changes are incorporated into Oregon tax law when Oregon's point-in-time connection to federal tax statute is updated. Temporary and permanent modifications to the federal earned income tax credit (EITC) were included in the CAA & ARPA measures.