

FISCAL IMPACT OF PROPOSED LEGISLATION

Measure: SB 164 - A

81st Oregon Legislative Assembly – 2021 Regular Session
Legislative Fiscal Office***Only Impacts on Original or Engrossed
Versions are Considered Official***Prepared by: Michael Graham
Reviewed by: Zane Potter, John Borden
Date: June 6, 2021**Measure Description:**

Modifies provisions of the corporate activity tax.

Government Unit(s) Affected:

Department of Revenue (DOR), Oregon Judicial Department (OJD)

Summary of Fiscal Impact:

Costs related to the measure may require budgetary action - See analysis.

Summary of Expenditure Impact:**Department of Revenue**

Other Funds	2021-23 Biennium	2023-25 Biennium
Personal Services	\$261,040	
Services and Supplies	185,291	124,033
Total Funds	\$446,331	\$124,033
Positions	5	0
FTE	1.64	0.00

Analysis:

Senate Bill 164, A-engrossed, replaces the introduced version. The measure makes various technical changes to the Commercial Activity Tax (CAT), including:

- Defines “tax year” for purposes of the CAT to align with a taxpayer’s annual accounting period, per Internal Revenue Code (IRC) § 441, and aligns CAT payment and filing deadlines by the taxpayer’s tax year.
- Requires CAT taxpayers using a tax year other than the calendar year to file a short year return covering January 1, 2021 through the end of their tax year.
- Requires unitary group taxpayers for purposes of the CAT to designate a single reporting entity for CAT.
- Requires CAT unitary groups with members that use different annual accounting periods for federal tax purposes to use the same annual period used by the federal group under IRC § 441.
- Expands the current exclusion for vehicle dealer trades, excluding any new vehicle exchanged between franchised dealerships.
- Expands the current exclusion for retail and wholesale grocery sales to exclude the compensation a consignee receives for grocery sales.
- Excludes foreign and alien insurers that would be subject to the insurance retaliatory tax under ORS Chapter 731 from the CAT.

The changes in the measure apply to various tax years, with most of them applying to tax years beginning on or after January 1, 2021. The measure takes effect 91 days after adjournment *sine die*.

Department of Revenue

The measure would have a fiscal impact on the Department of Revenue (DOR). To implement the measure, DOR would need to reconfigure and reprogram the department's tax administration systems, conduct new rulemaking, modify the 2021 tax return forms, and engage in a new taxpayer outreach program. DOR anticipates needing five additional staff (1.64 FTE) in the 2021-23 biennium, including a limited duration Operations and Policy Analyst 2 to assist program staff with rulemaking and policy work; three limited duration Administrative Specialist 2 positions to process the increasing number of suspended returns and respond to requests for assistance from taxpayers; and a limited duration Information Systems Specialist 7 position to reconfigure GenTax and Quick Modules development and programming. These positions would be phased out in the 2023-25 biennium. In addition to the personal services costs, DOR anticipates increased Attorney General costs due to the need for complex rulemaking and representing the agency in potential litigation and appeals. In total, the estimated cost to DOR, including related services and supplies, is \$446,331 Other Funds in 2021-23 and \$124,033 Other Funds in 2023-25.

Oregon Judicial Department

The measure would have a minimal fiscal impact on the Oregon Judicial Department.