



Oregon Society of Certified Public Accountants

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2021 Oregon Legislative Assembly House Committee on Revenue Testimony related to SB 137 – **Opposition/Comments**

Date: May 25, 2021

Good afternoon, Chair Senator Burdick, Vice Chair Senator Boquist, and Members of the Senate Committee on Finance and Revenue.

On behalf of over 4,100 members of the OSCPA, we respectfully submit testimony related to **SB 137**.

Background:

SB 137 disconnects from automatic/rolling reconnect for definition of taxable income and also updates fixed date conformity to 12/31/2020. The disconnect from automatic/rolling reconnect relates to PPP in SB 137 and is referenced in Sections 32-35. We have no concerns with the remainder of the provisions in this bill and strongly support passage bill as originally advanced.

Concerns:

The currently discussed -2 amendment imposes additional departure from federal tax code. This would cause both uncertainty and complexity for those businesses who were participating in the federal loan program. Supporting conformity to federal tax law is in the best interest of all Oregon taxpayers and the Oregon Department of Revenue. This helps taxpayers to understand that the decisions they make for federal purposes also impact their Oregon tax obligation and compliance.

Unfortunately, the amendment to SB 137 advances the idea that Oregon disconnecting from specific federal tax statute and updating “periodically” is a simple course of action with few consequences. The opposite is the case. Remaining connected supports taxpayer planning and conformity, and reduces complexity and exceptions for taxpayers, tax advisors and others.

This Senate bill does not become law until 91 days after the end of the 2021 legislative session, thus these revisions would not be incorporated into Oregon tax law for months. What will taxpayers do in the interim? Also, without reconnect it may make taxpayers more anxious and less certain about their own tax situation as the taxpayer waits for Oregon to write its own tax code. Given tax filing deadlines, this places taxpayers in an uncertain position of not being able to file returns in accordance with Oregon law. The impact should also be considered for taxpayers that have already filed in 2021. Oregon taxpayers would be faced with significant costs of amending or correcting previously filed returns. This would affect both taxpayers and the Oregon Department of Revenue.

We are concerned by this example of a lack of conformity to federal law. These exceptions would place additional burden on future legislatures to quickly adopt changes to the Oregon tax laws as federal changes occur throughout the year which affect Oregon taxpayers.

Conformity is important!

Without conformity, Oregon must write and maintain its own tax code – a significant, resource heavy and complex undertaking. Additionally, without conformity, this means that taxpayers, both individuals and businesses alike, are having to attempt to follow two different sets of tax code – one at the national level and one at the state level.

Complex tax law raises costs for taxpayers as tax advisors must spend more time on returns. Instead, many tax advisors would prefer to advise their business clients on the important aspects of running and strengthening their businesses. This is particularly the case for small businesses that may have much need for support, versus the tax advisor and taxpayer needing to focus on overly complicated tax code. Plus, not all businesses nor individual taxpayers utilize the expertise of tax advisors. This makes the need for conformity to ensure compliance even more important.

Complexity also has the potential to negatively impact the Department of Revenue. The more complex the process of understanding the differences between state and federal statutes and provisions, the higher the risk of unintended noncompliance by taxpayers.

Recommendation:

Supporting conformity to federal tax law is in the best interest of Oregon taxpayers and the Department of Revenue. This helps taxpayers to understand that the decisions made for federal purposes also impact their Oregon tax obligation and compliance.

We would support an amendment which retains automatic reconnect.

On behalf of Oregon Society of CPAs, we respectfully encourage you to oppose SB 137 as revised by amendments. We encourage support for connection to federal tax code and provisions. Thank you for the opportunity to share our concerns.

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