

## **SB 1524 -13 STAFF MEASURE SUMMARY**

### **Senate Committee On Finance and Revenue**

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**Prepared By:** Kyle Easton, Economist

**Meeting Dates:** 2/7, 2/14, 2/16, 2/21

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#### **WHAT THE MEASURE DOES:**

Increases expense reimbursement percentage allowed to single film or single local media production project from Oregon Production Investment Fund (OPIF). Applies to fiscal years beginning on or after July 1, 2022. Expands availability of rural medical provider income tax credit to include certified medical laboratory scientists & technicians that are employed by hospital that is at least 50 miles from a major population center. Applies to tax years beginning on or after January 1, 2022. Disallows other state's tax credit from offsetting liability of Oregon's Business Alternative Income Tax. Authorizes Department of Revenue to require estimated payments for business alternative income tax. Applies to tax years beginning on or after January 1, 2022, and before January 1, 2024, and estimated payments due on and after June 15, 2022. Makes administrative technical changes to accommodate businesses filing corporate activity tax returns using a fiscal year that differs from the calendar year. Increases limit on Multistate Tax Compact revolving account, from \$150,000 to \$250,000. Modifies income qualification limitation of permissive property tax exemption available to newly constructed housing in rural counties and specifies applicability of new income qualifications.

#### **ISSUES DISCUSSED:**

2/7/2022

- Previous discussion that occurred in informational meeting held in week prior to public hearing
- Sunset extension of Gain Share program
- Revenue benefit to local governments from Gain Share
- Gain Share's interaction with Strategic Investment Program property tax exemption which impacts local government revenue, contrasted with personal income tax which directs revenue to state General Fund
- Example uses of Gain Share funds by local governments
- Proposed increase in expense reimbursement from modifications to Film and Video Production Investment Fund
- Tax treatment of other states relating to pharmacy prescription drug sales
- Proposed modifications to Business Alternative Income Tax (BAIT), including potential impact on businesses of modifying timing of when a business must opt-in to tax
- Proposed BAIT language regarding taxes paid to another state.

2/14/2022

- Description of amendments being proposed relating to Corporate Activity Tax (CAT)
- Differentiation between -10 and -11 amendments, entities potentially affected by the respective amendments
- Potential qualification for proposed CAT exemption depending on ownership structure of a pharmacy (e.g. Hi-School Pharmacy)
- Description of proposed amendment relating to BAIT, language modification in response to previous testimony received in public hearing
- Proposed changes to rural medical providers tax credit regarding medical laboratory scientists and technicians employed in rural areas
- Committee member amendment preferences.

2/16/2022

- Overview of the combined -13 amendment

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- Description of expected effect of proposed (CAT) exclusion
- Intent of proposed CAT exemption, discussion of "common ownership".

### **EFFECT OF AMENDMENT:**

-13 Drafted as amendment replacing content of measure though amendment reflects a combination of the -1, -11, and -12 amendments, with additional modifications.

Additional modifications: Refines requirement of Department of Revenue to adopt rules relating to Business Alternative Income Tax (BAIT) when pass-through entity or its members have made sufficient estimated payments. Removes requirement that a certified medical laboratory scientist or technician be employed at a hospital, allows expanded credit availability for all respective individuals that are employed at least 50 miles from a major population center.

Originally from -1, -11, -12 amendments: Extends sunset of Gain Share distributions from July 15, 2024 to July 15, 2030. Exempts from Corporate Activity Tax (CAT), amounts received by an eligible pharmacy in receipt for sale of prescription drugs. Defines eligible pharmacy as a pharmacy that has fewer than six locations under common ownership in Oregon and is not a pharmacy that caters primarily to veterinary customers. Removes proposed changes regarding pass through entity's election to be subject to BAIT. Specifies federally deducted BAIT to be an addition on member's income tax return. Requires estimated payments and requires Department of Revenue to adopt rules providing relief from penalty if sufficient estimated payments are made by either a pass-through entity or its members.

### **BACKGROUND:**

Measure is an omnibus measure that makes multiple modifications to various tax expenditures and tax programs. Tax expenditures being modified are: film and video income tax credit, rural medical provider income tax credit, and property tax exemption for new housing in rural counties. Other taxes being modified include Oregon's Business Alternative Income Tax and Corporate Activity Tax. Measure increases limit on Multistate Tax Compact revolving account limit reflective of cost associated with Oregon's participation in the compact.