

SB 1524 B STAFF MEASURE SUMMARY

Carrier: Rep. Nathanson

House Committee On Revenue**Action Date:** 03/02/22**Action:** Do pass with amendments. (Printed B-Eng.)**Vote:** 7-0-0-0**Yeas:** 7 - Levy, Marsh, Nathanson, Pham, Reschke, Smith G, Valderrama**Fiscal:** Has minimal fiscal impact**Revenue:** Revenue impact issued**Prepared By:** Kyle Easton, Economist**Meeting Dates:** 3/1, 3/2**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. Requires Department of Revenue to require estimated payments for Business Alternative Income Tax (BAIT). Requires Department of Revenue to adopt rules relating to BAIT when pass-through entity or its members have made sufficient estimated payments. Specifies federally deducted BAIT to be an addition on member's income tax return. Applies to tax years beginning on or after January 1, 2022. Makes administrative technical changes to accommodate businesses filing Corporate Activity Tax (CAT) returns using a fiscal year that differs from the calendar year. Exempts from CAT, amounts received by an eligible pharmacy in receipt for sale of prescription drugs. Defines eligible pharmacy as a pharmacy that has nine or fewer locations under common ownership in Oregon and is not a pharmacy that caters primarily to veterinary customers. 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. Extends sunset of Gain Share distributions from July 15, 2024 to July 15, 2025. Allows eligible personal income or corporate income taxpayer to elect to use a three-year net operating loss carryback. Defines eligible taxpayer as a taxpayer primarily doing business in 2017 North American Industry Classification System code 111 (crop production) or code 112 (animal production and aquaculture). Requires Oregon addition and subtraction from taxable income as necessary for aligning with taxpayer's federal taxable income. Makes changes to net operating loss carryback applicable to tax years 2023 through 2028, only if House Bill 4002 (2022) becomes law.

ISSUES DISCUSSED:

3/1/2022

- Overview of pre-session discussion between respective House and Senate Revenue Committee chairs
- Balance between committee measures introduced by Senate and House Revenue Committees
- Overview of contents of omnibus measure
- Explanation as to how contents of omnibus measure were crafted and impetus for proposed amendments
- Use of Gain Share funds by local governments
- Change in OPIF intended to increase competitiveness of incentive with other states
- Change to OPIF does not change tax credit auction limit
- Potential of future request for increased credit auction limit for film and video tax credit due to increased reimbursement percentages
- High volume of marijuana sales made within city of Ontario due to purchases from out of state individuals.

3/2/2022

- Contents of measure as amended

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- Marijuana proposal not included in final amendment
- Eligible pharmacy exclusion from Corporate Activity Tax, emphasis on rural Oregon pharmacies
- Net operating loss carryback for farm/ranch.

EFFECT OF AMENDMENT:

Eliminated expansion of rural medical provider tax credit as proposed in 1524 A. Modified sunset extension of Gain Share distributions. Established three-year net operating loss carryback for eligible taxpayers.

BACKGROUND:

Measure is an omnibus measure that makes multiple modifications to various tax expenditures and tax programs. Measure modifies income qualification thresholds for property tax exemption for new housing in rural counties. Measure increases limit on Multistate Tax Compact revolving account limit reflective of cost associated with Oregon's participation in the compact. Measure extends sunset of Gain Share distributions from July 15, 2024 to July 15, 2025. Measure makes modifications to Business Alternative Income Tax in alignment with underlying intent of tax as enacted by SB 727 (2021). Measure exempts from Corporate Activity Tax, amounts received by an eligible pharmacy in receipt for sale of prescription drugs. Measure allows personal and corporate taxpayers, primarily operating as a farm or ranch, to carryback net operating losses to three previous tax years.