

**HB 2548 STAFF MEASURE SUMMARY**

**House Committee On Revenue**

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**Prepared By:** Kyle Easton, Economist

**Meeting Dates:** 2/1

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**WHAT THE MEASURE DOES:**

Requires local government that imposes an income tax to conform to state statutory provisions governing determination of net income, including the apportionment and sourcing of income. Repeals authority of metropolitan service district to impose an income tax. Applies to ordinance imposing local income tax that has not received approval of electors of local government before January 1, 2024. Takes effect 91st day following adjournment sine die.

**ISSUES DISCUSSED:**

**EFFECT OF AMENDMENT:**

No amendment.

**BACKGROUND:**

ORS chapter 268 contains statutory provisions relating to a Metropolitan Service District. ORS 268.505 provides authority for a Metropolitan Service District to impose an income tax. Measure's repeal of ORS 268.505 applies to any ordinance imposing a local income tax that has not received approval prior to January 1, 2024. Several Oregon local governments impose a local income tax in Oregon. Examples include Multnomah County, City of Portland and Metro.

Apportionment is dividing apportionable income among taxing jurisdictions by use of a formula. Allocation is the assignment of specific nonapportionable income to a taxing jurisdiction. For state tax purposes, Oregon generally uses single sales factor apportionment where an apportionment factor is determined by dividing a business's Oregon sales by the business's everywhere sales. Apportionable income is income arising from transactions and activities in the regular course of the business's trade or business. Nonapportionable income is earned income that is not associated with the taxpayer's regular business. Nonapportionable income is allocated to a particular taxing jurisdiction based upon the source of the income.