HB 2546 STAFF MEASURE SUMMARY

House Committee On Revenue

Prepared By: Jonathan Hart, Economist
Meeting Dates: 2/14, 3/1

WHAT THE MEASURE DOES:

Eliminates general rule that sale made from within Oregon to a different state where a taxpayer is not taxable is included as an Oregon sale in the numerator of the apportionment formula for purposes of calculating business income taxable by Oregon. Applies to tax years beginning on or after January 1, 2024. Takes effect on the 91st day after adjournment sine die.

ISSUES DISCUSSED:

- Corporate Income Apportionment and shift to Single Sales Factor
- Manufacturer's location decisions and incentives
- Origin based tax versus destination based tax
- State-supported services used by Corporations

EFFECT OF AMENDMENT:

No amendment.

BACKGROUND:

For businesses that operate or sell goods in multiple states, their net income is apportioned among states for tax purposes. Oregon's single sales factor apportionment formula uses the ratio of Oregon Sales to Everywhere Sales in determining income taxable by Oregon. In that formula, Oregon sales includes three components: 1) sales of goods delivered to a purchaser in Oregon; 2) sales originating in Oregon and delivered to the federal government; or 3) sales originating in Oregon and delivered to a purchaser in another state if the recipient state has a corporate income tax but does not have jurisdiction to tax the corporation making the sale.

HB 2546 would exclude "throwback sales," from Oregon into states where the taxpayer is not taxable, from the numerator of the apportionment formula.