

## SB 140 -3 STAFF MEASURE SUMMARY

### Senate Committee On Finance and Revenue

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**Prepared By:** Jonathan Hart, Economist

**Meeting Dates:** 6/1, 6/6

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#### WHAT THE MEASURE DOES:

Requires Legislative Revenue Officer to study the Corporate Activity Tax and report findings to interim revenue committee by September 15, 2024. Takes effect 91st day following adjournment sine die.

#### ISSUES DISCUSSED:

- State programs supported by CAT
- Cost of medical care
- Reimbursement rates of Medicare/Medicaid compared to costs
- Tax based on receipts versus profits

#### EFFECT OF AMENDMENT:

-3 Replaces bill.

Creates Corporate Activity Tax (CAT) exemption for receipts from reimbursed health care services for specified public health insurance programs. Exempts receipts from administering or dispensing medications in a clinical setting other than a hospital. Reduces the available subtraction for cost inputs or labor costs from 35 percent to 30 percent. Increases the amount of commercial activity exempt from the CAT, and the threshold for filing a tax return from \$1 million to \$2 million of commercial activity. Creates two-tiered tax rate structure with 0.57 percent applying to taxable commercial activity from \$2 million of taxable commercial activity to \$10 million, and of 0.615 percent over \$10 million.

Applies to all tax years beginning on or after January 1, 2024. Takes effect on the 91st day after sine die.

#### BACKGROUND:

The 2019 Legislature passed the Student Success Act thereby creating the Corporate Activity Tax as a dedicated source of education funding. It is based on commercial activity in Oregon conducted by businesses. The tax is \$250 plus 0.57% on taxable commercial activity above \$1 million. Taxpayers are allowed a subtraction equal to 35 percent of the greater of input costs or labor costs.

#### Key Parameters

- Threshold: \$1 million
- Subtraction: 35% of either Cost-of-goods-Sold or Employee Labor Costs
- Selected Exclusions: wholesale and retail sale of groceries, motor fuel
- Tax: \$250 + 0.57% of commercial activity above \$1 million