

HB 2110 STAFF MEASURE SUMMARY

House Committee On Revenue

Prepared By: Kyle Easton, Senior Economist

Meeting Dates: 1/30

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. Applies to all local income taxes whenever enacted. Excludes from requirement, any business license tax imposed by a city on net income that is operative on January 1, 2025 and includes any such tax subsequently amended. Repeals statutory authority of a metropolitan service district to impose an income tax. Takes effect on 91st day following adjournment sine die.

ISSUES DISCUSSED:

EFFECT OF AMENDMENT:

No amendment.

BACKGROUND:

Several Oregon local governments impose a local income tax in Oregon. Examples include Multnomah County, City of Portland and Metro. A summary of the three income taxes is available in the meeting materials <https://olis.oregonlegislature.gov/liz/2025R1/Downloads/CommitteeMeetingDocument/288729>.

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.