

**SB 125 STAFF MEASURE SUMMARY**

**Senate Committee On Finance and Revenue**

---

**Prepared By:** Michael Doughty, Economist

**Meeting Dates:** 2/24

---

**WHAT THE MEASURE DOES:**

Creates a Corporate Activity Tax exclusion for receipts for reimbursed health care services from recipients of medical assistance under ORS chapter 414, Medicare, the Public Employee's Benefit Board, the Oregon Educator's Benefit Board, the Children's Health Insurance Program, or the U.S. Department of Defense under a TRICARE contract. Creates a Corporate Activity Tax exclusion for receipts from administration or dispensing of medications in a clinical setting other than a hospital. Applies to tax years beginning on or after January 1, 2026, and before January 1, 2032. Takes effect 91 days following adjournment sine die.

**ISSUES DISCUSSED:**

**EFFECT OF AMENDMENT:**

No amendment.

**BACKGROUND:**

According to the Centers for Medicaid and Medicare studies, in 2020 there was \$42.3 billion spent on personal healthcare in Oregon. A significant portion of commercial activity related to healthcare is currently exempt from the Corporate Activity Tax, either because the recipient is an exempt entity or because the taxpayer's commercial activity is below the taxability threshold of \$1 million of taxable commercial activity. More than two-thirds of healthcare commercial activity is currently exempt from the Corporate Activity Tax.

This bill would add categories of commercial activity exempt from the Corporate Activity Tax based on specified programs providing the payment. The specified programs were responsible for over \$20 billion in healthcare spending in Oregon for 2020. The bill also creates an exemption for medications dispensed or administered in clinical settings outside a hospital.