

SB 781 STAFF MEASURE SUMMARY

Senate Committee On Finance and Revenue

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Meeting Dates: 4/28

WHAT THE MEASURE DOES:

Provides that if an Oregon-chartered credit union acquires assets of a banking institution the receipts from the business portfolio acquired from the bank remain subject to Oregon corporate excise tax and corporate activity tax.

ISSUES DISCUSSED:

EFFECT OF AMENDMENT:

No amendment.

BACKGROUND:

In general, credit unions' business income is exempt from Oregon corporate income tax based on both federal and Oregon laws. Oregon tax laws generally tie to the federal definition of taxable income, incorporating tax exemptions based on federal law, including Internal Revenue Code 501(c)(14) that exempts state chartered credit unions from income tax. ORS 317.080 also specifically exempts corporations described in Internal Revenue Code 501(c). In addition, federal law preempts state income taxation of federally chartered credit unions under 12 U.S.C. Section 1768, but does allow real and personal property taxes. Credit unions' commercial activity is also exempt from Oregon Corporate Activity Tax under ORS 317A.100(4)(a) which exempts organizations described in Internal Revenue Code 501(c).

SB 781 applies to credit unions incorporated under Oregon law as defined in ORS 723.006. The revenue that remains subject to corporate income tax and the Corporate Activity Tax is the portion derived from acquired assets that produce income from loans and services provided to businesses.