

SB 125 -1 STAFF MEASURE SUMMARY

Senate Committee On Finance and Revenue

Prepared By: Michael Doughty, Economist

Meeting Dates: 2/24, 5/28, 6/9

WHAT THE MEASURE DOES:

Creates a Corporate Activity Tax exclusion for receipts from reimbursed health care services for 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 the 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:

- Reimbursements for medical services through public medical coverage may be below cost
- Reimbursements for medications in nonhospital setting may be below cost
- Inability of medical providers accepting public medical plans to pass on cost
- Inability of prescription dispensers in nonhospital settings to pass on cost
- Impact on students of a reduction of CAT receipts

EFFECT OF AMENDMENT:

-1 Replaces the content of the bill.

Exempts from the Corporate Activity Tax receipts from the administration or dispensing of medications in a clinical setting other than a hospital. Applies to tax years beginning on or after January 1, 2026.

Creates a Corporate Activity Tax subtraction from commercial activity in the amount of 50 percent of receipts from reimbursed health care services for 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. Applies to tax years beginning on or after January 1, 2028 and before January 1, 2030.

Exempts from the Corporate Activity Tax receipts from reimbursed health care services for 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. Applies to all tax years beginning on or after January 1, 2030.

Takes effect 91 days following adjournment sine die.

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.

PRELIMINARY