

## SB 123 A STAFF MEASURE SUMMARY

### Senate Committee On Finance and Revenue

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**Action Date:** 06/09/25

**Action:** Do pass with amendments and requesting referral to Tax Expenditures. (Printed A-Engrossed.)

**Vote:** 4-0-1-0

**Yeas:** 4 - McLane, Meek, Patterson, Starr

**Exc:** 1 - Taylor

**Fiscal:** Has minimal fiscal impact

**Revenue:** Revenue impact issued

**Prepared By:** Michael Doughty, Economist

**Meeting Dates:** 6/9

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#### WHAT THE MEASURE DOES:

Modifies the Corporate Activity Tax definition of an "eligible pharmacy" that excludes prescription drug sales receipts from commercial activity. Defines "eligible pharmacy" as a pharmacy with at least one but fewer than 10 locations or a critical access pharmacies as defined by the Oregon Health Authority. Applies to tax years beginning on or after January 1, 2026. Removes the sunset from the exclusion. Removes the sunset from the 15% subtraction for payments to subcontractors for labor cost that residential single-family general contractors are allowed. Takes effect 91 days following adjournment sine die.

#### ISSUES DISCUSSED:

- Impact of the Corporate Activity Tax on independent pharmacies
- Inability of pharmacies to pass on Corporate Activity tax
- Reason for the change from 9 or fewer to at least 1 but fewer than 10 in eligible pharmacy definition
- Impact of the Corporate Activity Tax on residential construction cost

#### EFFECT OF AMENDMENT:

Replaces the content of the bill.

#### BACKGROUND:

The Corporate Activity Tax was enacted by the 2019 Legislature and taxes Oregon commercial activity. The tax is imposed on commercial activity greater than \$1,000,000 after exclusions and subtractions. The tax is 0.57% of taxable commercial activity plus a base tax of \$250. Currently, retail sales receipts from pharmacies with 9 or few locations are exempt from the Corporate Activity Tax. Single-family residential construction general contractors are currently allowed a 15% subtraction for payments to subcontractors for labor cost. Both the exclusion and subtraction are set to sunset January 1, 2026.