

House Bill 2118

Sponsored by Representative RESCHKE (Pre-session filed.)

SUMMARY

The following summary is not prepared by the sponsors of the measure and is not a part of the body thereof subject to consideration by the Legislative Assembly. It is an editor's brief statement of the essential features of the measure **as introduced**. The statement includes a measure digest written in compliance with applicable readability standards.

Digest: The Act exempts certain plants grown by farmers from tax under the CAT. (Flesch Readability Score: 83.0).

Exempts certain agricultural commodities from commercial activity subject to the corporate activity tax. Applies to tax years beginning on or after January 1, 2026.

Takes effect on the 91st day following adjournment sine die.

A BILL FOR AN ACT

1
2 Relating to the exemption of agricultural commodities from the corporate activity tax; creating new
3 provisions; amending ORS 317A.100; and prescribing an effective date.

4 **Be It Enacted by the People of the State of Oregon:**

5 **SECTION 1.** ORS 317A.100, as amended by section 26, chapter 75, Oregon Laws 2024, is
6 amended to read:

7 317A.100. As used in ORS 317A.100 to 317A.158:

8 (1)(a) "Commercial activity" means:

9 (A) The total amount realized by a person, arising from transactions and activity in the regular
10 course of the person's trade or business, without deduction for expenses incurred by the trade or
11 business;

12 (B) If received by a financial institution:

13 (i) If the reporting person for a financial institution is a holding company, all items of income
14 reported on the FR Y-9 filed by the holding company;

15 (ii) If the reporting person for a financial institution is a bank organization, all items of income
16 reported on the call report filed by the bank organization; and

17 (iii) If the reporting person for a financial institution is a nonbank financial organization, all
18 items of income reported in accordance with generally accepted accounting principles; and

19 (C)(i) If received by an insurer, as reported on the statement of premiums accompanying the
20 annual statement required under ORS 731.574 to be filed with the Director of the Department of
21 Consumer and Business Services, all gross direct life insurance premiums, gross direct accident and
22 health insurance premiums and gross direct property and casualty insurance premiums; and

23 (ii) The gross amount of surplus lines premiums received on Oregon home state risks as shown
24 in the report required by ORS 735.465.

25 (b) "Commercial activity" does not include:

26 (A) Interest income except:

27 (i) Interest on credit sales; or

28 (ii) Interest income, including service charges, received by financial institutions;

29 (B) Receipts from the sale, exchange or other disposition of an asset described in section 1221

NOTE: Matter in **boldfaced** type in an amended section is new; matter [*italic and bracketed*] is existing law to be omitted. New sections are in **boldfaced** type.

1 or 1231 of the Internal Revenue Code, without regard to the length of time the person held the asset;

2 (C) If received by an insurer, federally reinsured premiums or income from transactions between
3 a reciprocal insurer and its attorney in fact operating under ORS 731.142;

4 (D) Receipts from hedging transactions, to the extent that the transactions are entered into
5 primarily to protect a financial position, including transactions intended to manage the risk of ex-
6 posure to foreign currency fluctuations that affect assets, liabilities, profits, losses, equity or in-
7 vestments in foreign operations, risk of exposure to interest rate fluctuations or risk of commodity
8 price fluctuations;

9 (E) Proceeds received attributable to the repayment, maturity or redemption of the principal of
10 a loan, bond, mutual fund, certificate of deposit or marketable instrument;

11 (F) The principal amount received under a repurchase agreement or on account of any trans-
12 action properly characterized as a loan to the person;

13 (G) Contributions received by a trust, plan or other arrangement, any of which is described in
14 section 501(a) of the Internal Revenue Code, or to which title 26, subtitle A, chapter 1, subchapter
15 (D) of the Internal Revenue Code applies;

16 (H) Compensation, whether current or deferred, and whether in cash or in kind, received or to
17 be received by an employee, a former employee or the employee's legal successor for services ren-
18 dered to or for an employer, including reimbursements received by or for an individual for medical
19 or education expenses, health insurance premiums or employee expenses or on account of a de-
20 pendent care spending account, legal services plan, any cafeteria plan described in section 125 of
21 the Internal Revenue Code or any similar employee reimbursement;

22 (I) Proceeds received from the issuance of the taxpayer's own stock, options, warrants, puts or
23 calls, or from the sale of the taxpayer's treasury stock;

24 (J) Proceeds received on the account of payments from insurance policies, including crop in-
25 surance policies, owned by the taxpayer, except those proceeds received for the loss of commercial
26 activity;

27 (K) Gifts or charitable contributions received, membership dues received by trade, professional,
28 homeowners' or condominium associations, payments received for educational courses, meetings or
29 meals, or similar payments to a trade, professional or other similar association, and fundraising re-
30 cepts received by any person when any excess receipts are donated or used exclusively for chari-
31 table purposes;

32 (L) Damages received as the result of litigation in excess of amounts that, if received without
33 litigation, would be treated as commercial activity;

34 (M) Property, money and other amounts received or acquired by an agent on behalf of another
35 in excess of the agent's commission, fee or other remuneration;

36 (N) Tax refunds from any tax program, other tax benefit recoveries and reimbursements for the
37 tax imposed under ORS 317A.100 to 317A.158 made by entities that are part of the same unitary
38 group as provided under ORS 317A.106, and reimbursements made by entities that are not members
39 of a unitary group that are required to be made for economic parity among multiple owners of an
40 entity whose tax obligation under ORS 317A.100 to 317A.158 is required to be reported and paid
41 entirely by one owner, as provided in ORS 317A.106;

42 (O) Pension reversions;

43 (P) Contributions to capital;

44 (Q) Receipts from the sale, transfer, exchange or other disposition of motor vehicle fuel or any
45 other product used for the propulsion of motor vehicles;

1 (R) In the case of receipts from the sale of cigarettes or tobacco products by a wholesale dealer,
2 retail dealer, distributor, manufacturer or seller, an amount equal to the federal and state excise
3 taxes paid by any person on or for such cigarettes or tobacco products under subtitle E of the
4 Internal Revenue Code or ORS chapter 323;

5 (S) In the case of receipts from the sale of malt beverages or wine, as defined in ORS 471.001,
6 cider, as defined in ORS 471.023 or distilled liquor, as defined in ORS 471.001, by a person holding
7 a license issued under ORS chapter 471, an amount equal to the federal and state excise taxes paid
8 by any person on or for such malt beverages, wine or distilled liquor under subtitle E of the Internal
9 Revenue Code or ORS chapter 471 or 473, and any amount paid to the Oregon Liquor and Cannabis
10 Commission for sales of distilled spirits by an agent appointed under ORS 471.750;

11 (T) In the case of receipts from the sale of marijuana items, as defined in ORS 475C.009, by a
12 person holding a license issued under ORS 475C.005 to 475C.525, an amount equal to the federal and
13 state excise taxes paid by any person on or for such marijuana items under subtitle E of the Internal
14 Revenue Code or ORS 475C.670 to 475C.734 and any local retail taxes authorized under ORS
15 475C.453;

16 (U) Local taxes collected by a restaurant or other food establishment on sales of meals, prepared
17 food or beverages;

18 (V) Tips or gratuities collected by a restaurant or other food establishment and passed on to
19 employees;

20 (W) Receipts realized by a vehicle dealer certified under ORS 822.020 or a person described in
21 ORS 320.400 (8)(a)(B) from the sale or other transfer of a motor vehicle, as defined in ORS 801.360,
22 to another vehicle dealer for the purpose of resale by the transferee vehicle dealer, but only if the
23 sale or other transfer was based upon the transferee's need to meet a specific customer's preference
24 for a motor vehicle or is an exchange of new vehicles between franchised motor vehicle dealerships;

25 (X) Registration fees or taxes collected by a vehicle dealer certified under ORS 822.020 or a
26 person described in ORS 320.400 (8)(a)(B) at the sale or other transfer of a motor vehicle, as defined
27 in ORS 801.360, that are owed to a third party by the purchaser of the motor vehicle and passed to
28 the third party by the dealer;

29 (Y) Receipts from a financial institution for services provided to the financial institution in
30 connection with the issuance, processing, servicing and management of loans or credit accounts, if
31 the financial institution and the recipient of the receipts have at least 50 percent of their ownership
32 interests owned or controlled, directly or constructively through related interests, by common own-
33 ers;

34 (Z) In the case of amounts retained as commissions by a holder of a license under ORS chapter
35 462, an amount equal to the amounts specified under ORS chapter 462 that must be paid to or col-
36 lected by the Department of Revenue as a tax and the amounts specified under ORS chapter 462 to
37 be used as purse money;

38 (AA) Receipts of residential care facilities as defined in ORS 443.400 or in-home care agencies
39 as defined in ORS 443.305, to the extent that the receipts are derived from or received as compen-
40 sation for providing services to a medical assistance or Medicare recipient;

41 (BB) Dividends received;

42 (CC) Distributive income received from a pass-through entity;

43 (DD) Receipts from sales to a wholesaler in this state, if the seller receives certification at the
44 time of sale from the wholesaler that the wholesaler will sell the purchased property outside this
45 state;

1 (EE) Receipts from the wholesale or retail sale of groceries, including receipts of a person that
 2 owns groceries at the time of sale and compensation of any consignee engaged in effecting the sale
 3 of groceries on behalf the owner of the groceries, but only to the extent that the compensation re-
 4 lates to grocery sales;

5 (FF) Receipts from transactions among members of a unitary group;

6 (GG) Moneys, including public purpose charge moneys collected under ORS 757.612 and moneys
 7 collected to plan for and pursue cost-effective energy efficiency resources under ORS 757.054, that
 8 are collected from customers, passed to a utility and approved by the Public Utility Commission and
 9 that support energy conservation, renewable resource acquisition and low-income assistance pro-
 10 grams;

11 (HH) Moneys collected by a utility from customers for the payment of loans through on-bill fi-
 12 nancing;

13 (II) Surcharges collected under ORS 757.736;

14 (JJ) Moneys passed to a utility by the Bonneville Power Administration for the purpose of
 15 effectuating the Regional Power Act Exchange credits or pursuant to any settlement associated with
 16 the exchange credit;

17 (KK) Moneys collected or recovered, by entities listed in ORS 756.310, cable operators as de-
 18 fined in 47 U.S.C. 522(5), telecommunications carriers as defined in 47 U.S.C. 153(51) and providers
 19 of information services as defined in 47 U.S.C. 153(24), for fees payable under ORS 756.310, right-of-
 20 way fees, franchise fees, privilege taxes, federal taxes and local taxes;

21 (LL) Charges paid to the Residential Service Protection Fund required by chapter 290, Oregon
 22 Laws 1987;

23 (MM) Universal service surcharge moneys collected or recovered and paid into the universal
 24 service fund established in ORS 759.425;

25 (NN) Moneys collected for public purpose funding as described in ORS 759.430;

26 (OO) Moneys collected or recovered and paid into the federal universal service fund as deter-
 27 mined by the Federal Communications Commission;

28 (PP) In the case of a seller or provider of telecommunications services, the amount of tax im-
 29 posed under ORS 403.200 for access to the emergency communications system that is collected from
 30 subscribers or consumers;

31 (QQ) In the case of a transient lodging tax collector, the amount of tax imposed under ORS
 32 320.305 and of any local transient lodging tax imposed upon the occupancy of transit lodging;

33 (RR) In the case of a seller of bicycles, the amount of tax imposed under ORS 320.415 upon retail
 34 sales of bicycles;

35 (SS) In the case of a qualified heavy equipment provider, the amount of tax imposed under ORS
 36 307.872 upon the rental price of heavy equipment;

37 (TT) Farmer sales to an agricultural cooperative in this state that is a cooperative organization
 38 described in section 1381 of the Internal Revenue Code;

39 (UU) Revenue received by a business entity that is mandated by contract or subcontract to be
 40 distributed to another person or entity if the revenue constitutes sales commissions that are paid
 41 to a person who is not an employee of the business entity, including, without limitation, a split-fee
 42 real estate commission;

43 (VV) Receipts from the sale of fluid milk by dairy farmers that are not members of an agricul-
 44 tural cooperative; *[and]*

45 **(WW) All agricultural commodities that are classified as code 01, Agricultural Production**

1 **Crops, under the Standard Industrial Classification system; and**

2 [(WW)(i)] (XX)(i) Cost paid by a dealer for items of precious metal.

3 (ii) As used in this subparagraph, “item of precious metal” means an item of gold, silver,
4 platinum, rhodium or palladium that has been put through a process of smelting or refining and that
5 is in a state or condition that its value depends on its contents and not its form.

6 (2) “Cost inputs” means:

7 (a) The cost of goods sold as calculated in arriving at federal taxable income under the Internal
8 Revenue Code; or

9 (b) In the case of a taxpayer that is engaged in a farming operation, as defined in ORS 317A.102,
10 and that does not report cost of goods sold for federal tax purposes, the taxpayer’s operating ex-
11 penses excluding labor costs.

12 (3) “Doing business” means engaging in any activity, whether legal or illegal, that is conducted
13 for, or results in, the receipt of commercial activity at any time during a calendar year.

14 (4) “Excluded person” means any of the following:

15 (a) Organizations described in sections 501(c) and 501(j) of the Internal Revenue Code, unless the
16 exemption is denied under section 501(h), (i) or (m) or under section 502, 503 or 505 of the Internal
17 Revenue Code.

18 (b) Organizations described in section 501(d) of the Internal Revenue Code, unless the exemption
19 is denied under section 502 or 503 of the Internal Revenue Code.

20 (c) Organizations described in section 501(e) of the Internal Revenue Code.

21 (d) Organizations described in section 501(f) of the Internal Revenue Code.

22 (e) Charitable risk pools described in section 501(n) of the Internal Revenue Code.

23 (f) Organizations described in section 521 of the Internal Revenue Code.

24 (g) Qualified state tuition programs described in section 529 of the Internal Revenue Code.

25 (h) Foreign or alien insurance companies, but only with respect to the underwriting profit de-
26 rived from writing wet marine and transportation insurance subject to tax under ORS 731.824 and
27 731.828 or if an insurance company is subject to the retaliatory tax under ORS 731.854 and 731.859.

28 (i) Governmental entities.

29 (j) Any person with commercial activity that does not exceed \$750,000 for the tax year, other
30 than a person that is part of a unitary group as provided in ORS 317A.106 with commercial activity
31 in excess of \$750,000.

32 (k) Hospitals subject to assessment under ORS 414.855, long term care facilities subject to as-
33 sessment under ORS 409.801 or any entity subject to assessment under ORS 414.880 or section 3 or
34 5, chapter 538, Oregon Laws 2017.

35 (L) Manufactured dwelling park nonprofit cooperatives organized under ORS chapter 62.

36 (5) “Financial institution” has the meaning given that term in ORS 314.610, except that “finan-
37 cial institution” does not include a credit union.

38 (6)(a) “FR Y-9” means the consolidated or parent-only financial statements that a holding com-
39 pany is required to file with the Federal Reserve Board pursuant to 12 U.S.C. 1844.

40 (b) In the case of a holding company required to file both consolidated and parent-only financial
41 statements, “FR Y-9” means the consolidated financial statements that the holding company is re-
42 quired to file.

43 (7) “Governmental entity” means:

44 (a) The United States and any of its unincorporated agencies and instrumentalities.

45 (b) Any incorporated agency or instrumentality of the United States wholly owned by the United

1 States or by a corporation wholly owned by the United States.

2 (c) The State of Oregon and any of its unincorporated agencies and instrumentalities.

3 (d) Any county, city, district or other political subdivision of the state.

4 (e) A special government body as defined in ORS 174.117.

5 (f) A federally recognized Indian tribe.

6 (8) "Groceries" means food as defined in 7 U.S.C. 2012(k), but does not include cannabinoid
7 edibles or marijuana seeds.

8 (9)(a) "Hedging transaction" means a hedging transaction as defined in section 1221 of the
9 Internal Revenue Code or a transaction accorded hedge accounting treatment under Financial Ac-
10 counting Standards Board Statement No. 133.

11 (b) "Hedging transaction" does not include a transaction in which an actual transfer of title of
12 real or tangible property to another entity occurs.

13 (10) "Insurer" has the meaning given that term in ORS 317.010.

14 (11) "Internal Revenue Code," except where the Legislative Assembly has provided otherwise,
15 refers to the laws of the United States or to the Internal Revenue Code as they are amended and
16 in effect on December 31, 2023.

17 (12) "Labor costs" means total compensation of all employees, not to include compensation paid
18 to any single employee in excess of \$500,000.

19 (13)(a) "Motor vehicle fuel or any other product used for the propulsion of motor vehicles"
20 means:

21 (A) Motor vehicle fuel as defined in ORS 319.010; and

22 (B) Fuel the use of which in a motor vehicle is subject to taxation under ORS 319.530.

23 (b) "Motor vehicle fuel or any other product used for the propulsion of motor vehicles" does not
24 mean:

25 (A) Electricity; or

26 (B) Electric batteries or any other mechanical or physical component or accessory of a motor
27 vehicle.

28 (14) "Person" includes individuals, combinations of individuals of any form, receivers, assignees,
29 trustees in bankruptcy, firms, companies, joint-stock companies, business trusts, estates, partner-
30 ships, limited liability partnerships, limited liability companies, associations, joint ventures, clubs,
31 societies, entities organized as for-profit corporations under ORS chapter 60, C corporations, S cor-
32 porations, qualified subchapter S subsidiaries, qualified subchapter S trusts, trusts, entities that are
33 disregarded for federal income tax purposes and any other entities.

34 (15) "Retailer" means a person doing business by selling tangible personal property to a pur-
35 chaser for a purpose other than:

36 (a) Resale by the purchaser of the property as tangible personal property in the regular course
37 of business;

38 (b) Incorporation by the purchaser of the property in the course of regular business as an in-
39 gredient or component of real or personal property; or

40 (c) Consumption by the purchaser of the property in the production for sale of a new article of
41 tangible personal property.

42 (16) "Taxable commercial activity" means commercial activity sourced to this state under ORS
43 317A.128, less any subtraction pursuant to ORS 317A.119.

44 (17)(a) "Taxpayer" means any person or unitary group required to register, file or pay tax under
45 ORS 317A.100 to 317A.158.

1 (b) "Taxpayer" does not include excluded persons, except to the extent that a tax-exempt entity
2 has unrelated business income as described in the Internal Revenue Code.

3 (18) "Tax year" means, except as otherwise provided in ORS 317A.103, a taxpayer's annual ac-
4 counting period used for federal income tax purposes under section 441 of the Internal Revenue
5 Code.

6 (19)(a) "Unitary business" means a business enterprise in which there exists directly or indi-
7 rectly between the members or parts of the enterprise a sharing or exchange of value as demon-
8 strated by:

9 (A) Centralized management or a common executive force;

10 (B) Centralized administrative services or functions resulting in economies of scale; or

11 (C) Flow of goods, capital resources or services demonstrating functional integration.

12 (b) "Unitary business" may include a business enterprise the activities of which:

13 (A) Are in the same general line of business, such as manufacturing, wholesaling or retailing;

14 or

15 (B) Constitute steps in a vertically integrated process, such as the steps involved in the pro-
16 duction of natural resources, which might include exploration, mining, refining and marketing.

17 (20) "Unitary group" means a group of persons with more than 50 percent common ownership,
18 either direct or indirect, that is engaged in business activities that constitute a unitary business.

19 (21) "Wholesaler" means a person primarily doing business by merchant distribution of tangible
20 personal property to retailers or to other wholesalers.

21 **SECTION 2. The amendments to ORS 317A.100 by section 1 of this 2025 Act apply to tax**
22 **years beginning on or after January 1, 2026.**

23 **SECTION 3. This 2025 Act takes effect on the 91st day after the date on which the 2025**
24 **regular session of the Eighty-third Legislative Assembly adjourns sine die.**

25