

SENATE AMENDMENTS TO SENATE BILL 111

By COMMITTEE ON FINANCE AND REVENUE

June 13

1 On page 1 of the printed bill, line 2, after “sections” insert “3,”.

2 Delete lines 6 through 9 and insert:

3 “**SECTION 1.** Section 3, chapter 589, Oregon Laws 2021, as amended by section 3, chapter 82,
4 Oregon Laws 2022, is amended to read:

5 “**Sec. 3.** (1) A pass-through entity may elect to be liable for and pay a pass-through business
6 alternative income tax if all members of the pass-through entity are:

7 “(a) Individuals subject to the personal income tax imposed under ORS chapter 316; [or]

8 “(b) Entities that are pass-through entities owned entirely by individuals subject to the personal
9 income tax imposed under ORS chapter 316[.]; **or**

10 “(c) **Trusts.**

11 “(2) The election to pay the pass-through business alternative income tax is available if consent
12 is given by all members of the electing pass-through entity who are members at the time the election
13 is filed or is made by any officer, manager or member of the electing pass-through entity who is
14 authorized, under law or the entity’s organizational documents, to make the election and who re-
15 presents to having such authorization under penalties of perjury. The election shall be made annu-
16 ally on or before the due date, including extensions, of the pass-through entity’s return, in the form
17 and manner prescribed by the Department of Revenue. The election may not be made retroactively.
18 The members of a pass-through entity may revoke an election under this section for a tax year only
19 on or before the due date of the pass-through entity’s return for that tax year, and only if the re-
20 vocation is agreed to by all members who are members at the time of the revocation.

21 “(3)(a) In determining the sum of distributive proceeds and computing the tax under this section,
22 a member of a pass-through entity shall add back any amount of Oregon tax imposed under [*this*
23 *chapter*] **ORS chapter 314** and deducted by the pass-through entity at the entity level for federal
24 income tax purposes under section 164 of the Internal Revenue Code.

25 “(b) Any amount that is added back under this subsection and that meets the conditions for the
26 use of elective rates under ORS 316.043 may be treated as qualifying income under ORS 316.043, in
27 a proportion determined by the department by rule.

28 “(4) Each pass-through entity that makes an election for a tax year pursuant to this section shall
29 annually report to each of its members, for the tax year, the member’s share of distributive proceeds
30 and share of tax paid under this section and eligible for the credit allowed under section 8, chapter
31 589, Oregon Laws 2021.

32 “(5) The tax imposed on a pass-through entity pursuant to this section shall be determined with
33 respect to the sum of each member’s share of distributive proceeds attributable to the pass-through
34 entity for the tax year.

35 “(6) **Notwithstanding subsections (1) to (5) of this section, a member of a pass-through**

1 entity may choose to opt out of the election made by the entity for a tax year. Not later than
2 the close of the tax year, a pass-through entity that intends to make the election shall notify
3 all members of the pass-through entity of the intention of the entity to pay the tax under
4 this section, and each member shall have 60 days from the date of notice to affirmatively opt
5 out. If a member opts out under this section:

6 “(a) The consent of the member is not required under subsection (2) of this section.

7 “(b) The share of distributive proceeds of that member is not included in the computation
8 of the tax under this section.

9 “[6)] (7) The rate of the tax imposed by and computed under this section is:

10 “(a) Nine percent of the first \$250,000, or fraction thereof, of the sum of distributive proceeds;
11 and

12 “(b) Nine and nine-tenths percent of any amount of distributive proceeds in excess of \$250,000.

13 “[7)] (8) The amount of pass-through business alternative income tax due from a pass-through
14 entity in a tax year shall be exclusive of any amount of tax due and paid by the pass-through entity
15 under [this chapter] **ORS chapter 314**, except as otherwise provided in sections 2 to 6, chapter 589,
16 Oregon Laws 2021.

17 “[8)] (9) Pass-through entities that have made an election under this section shall file an entity
18 tax return. The return shall be accompanied by payment and shall be due on the date applicable to
19 returns due under ORS chapter 316, as provided in ORS 314.385.

20 “(10) If a pass-through entity has made an overpayment of tax under this section, the
21 pass-through entity may elect to have that overpayment credited against an installment of
22 estimated tax for the subsequent tax year. The department shall administer this subsection
23 in a manner consistent with the treatment of overpayment of income tax under ORS 316.583.

24 “**SECTION 1a.** Section 10, chapter 589, Oregon Laws 2021, as amended by section 1, chapter
25 399, Oregon Laws 2023, is amended to read:

26 “**Sec. 10.** (1) Sections 3 and 8, chapter 589, Oregon Laws 2021, apply to tax years beginning on
27 or after January 1, 2022, and before January 1, [2026] **2028**.

28 “(2) The amendments to section 3, chapter 589, Oregon Laws 2021, by section 1 of this
29 2025 Act apply to tax years beginning on or after January 1, 2025, and before January 1, 2028,
30 and to overpayments made before January 1, 2027.”.
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