OREGON DEPARTMENT OF REVENUE

House Bill 2339

DOR “Catch All” Bill – April 2025

Background

Department of Revenue staff have proposed minor changes to unrelated programs that may be considered technical, align statute with legislative intent, or codify current practice. The proposals in House Bill 2339 will enhance department work with customers and ease administrative responsibilities.

This bill addresses five different issues:

- realignment of the calculation and distribution of the Small Tract Forest Severance Tax;
- expansion of data-sharing with OLCC and OHA for the marijuana and psilocybin programs;
- modifications to outdated agency reporting;
- alignment of the Agriculture Overtime Tax Credit and business statutes; and
- limiting foreign-earned income for qualification for Oregon Kids Credit.

Sections 1-3 - Realignment of Calculation and Distribution of Small Tract Forestland Severance Tax

- The department proposes to change the Small Tract Forestland Severance Tax (STF) fund balance calculation date from May 1 to June 1 each year, and to change the distribution deadline from May 15 to June 15 each year.

Currently, the Small Tract Forestland Severance Tax (STF) distributions are made on or before May 15 each year, of the balance available as of May 1. Prior to 2019, the STF return filing due date was January 31 each year; however, in 2019 the return filing due date was changed to April 15 with an allowed extension of 30 days.

The 2019 statutory change from January 31 to April 15 for filing STF returns significantly reduced the time available to DOR staff for processing returns and calculating refunds to meet the May 1 calculation of balances in the Western Oregon Timber Tax Severance Fund and the Eastern Oregon Timber Tax Severance Fund and to meet the May 15 deadline to distribute money from those funds to the State School Fund and the Community College Support Fund.

Sections 4-5 – Expansion of data-sharing with OLCC and OHA for Marijuana and Psilocybin Programs

- The department proposes to allow agreements with OLCC and OHA to share marijuana or psilocybin program data for the purpose of administering and enforcing income, excise, and corporate activity tax programs. The department currently has access and agreements with partner agencies, to administer the revenue streams.

Access to existing data will allow programs to support audit and filing enforcement efforts. Without access, additional time and resources will be needed to determine taxpayer income and expenses during an audit and identification of income for filing enforcement cases. This could lead to inaccurate and low assessments due to other indirect methods to determine and verify income.

Sections 6-14 – Modifications to Outdated Agency Reporting

- During a review of statutes that may require department reports, it was determined that some reports may be outdated or not reflect current practice. The bill proposes to repeal reporting responsibility in relevant statutes. For some reports, there is no information to provide, or reports have not been filed or requested in recent years.

Section 6 – Repeal ORS 291.351, Certification of costs to calculate and administer "kicker payments"

Since 2011, the method for returning the kicker to taxpayers changed from a check to a refundable credit. With this method, the cost to administer is absorbed into the tax return filing process and cannot be separated and reported as an independent cost.

- Section 7 – Amend ORS 291.349, Revenue estimates

  This statute is modified to reflect the repeal of ORS 291.351.

Section 8 – Amend ORS 305.025, A report on the utilization and coordination of revenue raising functions of agencies

This statute was first approved in 1969, and last amended in 1981. We believe the report referred to in this foundational section was intended to be a one-time report when the Department of Revenue was first established.

Section 9 – Amend ORS 305.170, Reports on taxes collected and tax law complaints

Of the reports described in this section, the taxes collected by the Department of Revenue are reported during the biennial budget process. The department does not have data about county and municipal taxes collected. Also, the Taxpayer Advocate, established by the legislature in 2021, is required to report on a biennial basis and include recommendations on changes to tax laws. The department also recommends changes to tax laws through the legislative concept development process.

Section 10 – Repeal ORS 311.175 and 311.183, Loss of revenues by school taxing districts and corrections of report errors

These statutes were associated with implementation of Ballot Measure 5(1991). Data similar to what is identified in this section are reported annually in the "Oregon Property Tax Statistics" report.

- Section 11 – Amend ORS 327.011, Description of local revenues for purpose of School Fund distribution

  This statute is modified to reflect the repeal of ORS 311.175.

- Section 12 – Amend ORS 327.019, School Fund dist. computation for ESDs

  This statute is modified to reflect the repeal of ORS 311.175.

- Section 13 – Amend ORS 327.061, Computation of student ADM

  This statute is modified to reflect the repeal of ORS 311.175.

Section 14 – Amend ORS 408.505, Agency reporting on providing info to veterans

All agencies are required to provide information about how to contact the Department of Veterans Affairs and Oregon Military Department regarding veterans benefits and services. This section proposes to eliminate a biennial reporting requirement on the measures and effectiveness of agency outreach.

Section 15 – Alignment of Agricultural Employer Overtime Tax Credit and Business Statutes

- The department proposes to align the Agricultural Employer Overtime Tax Credit (AEOTC) statute with the business statutes clarifying S corporations cannot claim the AEOTC tax credit on the entity return. This may have been an inadvertent error when HB 4002(2022) was approved.

Current statute states that the AEOTC is a business credit. Current business statutes also prevent S corporations from claiming the AEOTC, and other business credits, on the entity tax return for the S corporation. The entity must instead pass the credit to shareholders as a separately stated item so they can claim the credit on their personal income tax returns.

Section 16 – Limiting Foreign-Earned Income for Qualification for Oregon Kids Credit

- The department proposes to add back to the Oregon return the federal excluded income, similar to the business loss requirement, with the intent to prevent high-earning individuals living and working abroad from claiming the Oregon Kids Credit. The foreign income exclusion taxpayers use to calculate their federal taxable income, can artificially understate the actual income used to determine if they qualify for the Oregon Kids Credit. The department suggests this wasn't the intent of the initial legislation.

For the 2023 tax year, almost 60 taxpayers claimed the Oregon Kids Credit (almost $70,000) and the Foreign Earned Income Exclusion. Some taxpayers may have actively sought this credit, whereas other taxpayers may have been prompted by software due to eligibility criteria.

Sections 17-18 – Application and Effective Dates of the Measure

- Provisions of the measure related to Agriculture Overtime Tax Credit and the Oregon Kids Credit will apply to tax years 2023 and 2025, respectively. The proposed effective date of the measure is 91st day after Sine Die.

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