

Oregon Enrolled Bills Business & Personal Income Tax 2019 Regular Legislative Session

The 80th Legislative Assembly adjourned *sine die* (which is Latin for “without a day” scheduled for next meeting of the legislative body) at 5:22 p.m. on Sunday, June 30th after two marathon days of work over the weekend.

[HB2005](#) is a new paid family leave program administered largely by the Employment Department. However, the department will be responsible for banking the money received from the program and distributing it appropriately. We will also likely handle the collections in OAA after Employment gets the debt into a liquidated and delinquent status.

[HB2101](#) was our concept to align our audit practices and appeal rights to the new federal Centralized Partnership Audit Regime effective 1-1-18 which is really the first we will start seeing RARs using this regime.

[HB2102](#) was another DOR concept. This one allows us to be a full participant in the IRS Security Summit group ISAC that helps deter fraud nationwide.

[HB2119](#) was a committee bill to address the connection to the federal withholding tables. It disconnects us from relying on the federal calculation so that we can more accurately reflect the tax that will be due on Oregon income.

[HB2128](#) requires the department and the Legislative Revenue Office to give a report on the definition of the term “tax expenditure” before February 1, 2021. This is important now because the items we list in our tax expenditure report may or may not fit the definition of tax expenditure for purposes of the sunset provision established in 2014.

[HB2141](#) was a committee bill that was based on a 2017 DOR concept that did not pass because we ran out of time in 2017. It creates uniform procedures for tax credits related to transferability, revocation, and certification and this time, it did pass!

[HB2209](#) creates a new program administered by DOR that charges a fee on railcars carrying oil, and puts that money into an oil spill preparedness fund.

[HB2235](#) allows a taxpayer to directly deposit their refund into a 529 or ABLE account.

[HB2270](#) is a referendum for the next general election (November 2020). If it passes, it would increase the cigarette tax from \$1.33 a pack to \$3.33 a pack as of January 1, 2021. It imposes a cigarette floor tax as of January 1, 2021, defines little cigars as cigarettes, increases cigar tax cap to \$1.00 (up from 50 cents), imposes tobacco products tax on inhalant delivery systems (vape products), mandates a minimum wholesale sales price of \$3.00 per cigar unless sold in packages of more than 4 and wholesale sales price is at least \$12.00. It authorizes DOR and OHA to exchange confidential information related to the enforcement of tobacco laws in Oregon.

[HB2449](#) increases the E911 tax rate from 75-cents to \$1.00 per month or prepaid wireless purchase, effective 1/1/2020 and again from \$1.00 to \$1.25 per month or prepaid wireless purchase, effective 1/1/2021. With the first rate increase effective 1/1/2020, the bill reduces DOR’s administrative expense allowance from 1 percent to 0.6 percent. The tax sunset date is extended to January 1, 2030.

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[HB2488](#) prohibits state government from accepting payments in cryptocurrency.

[HB2592](#) includes some technical changes to transportation taxes that were requested by SPA, including clarifying the definition of a bicycle.

[HB2847](#) expands the list of hospitals whose medical staff may qualify for the Rural Medical credit.

[HB3136](#) provides funding for implementation of local lodging tax administration. Requires DOR to purchase data scraped from online listings.

[HB3137](#) provides that the state lodging tax is required to be reported and remitted for quarter in which stay ended.

[HB3138](#) excludes transient lodging intermediaries from state lodging tax exemption when lodging facility is rented fewer than 30 days in a calendar year.

[HB3427](#)— \$2B Student Success Act. Section 56 reduces all but the highest tier of personal income tax rates down by .25 percent. Section 58 creates the Corporate Activity Tax. [SB116](#) provides if the people of Oregon gather enough signatures to put it to a vote of the people through the referral process, that a special election will be held January 21, 2020. [SB212](#) ensures if the revenue side of the Student Success Act fails, so does the spending side. [HB2164](#) fixed many of the technical issues with the first version of the CAT but also had all the tax credit and exemption sunset extensions as well. The bill increased the Earned Income Tax Credit from 8% and 11% to 9% and 12%. It establishes a refundable credit against personal income taxes for contributions to higher education savings network account (529 plans) or ABLE accounts instead of the subtraction currently allowed. Established a tax credit for short line railroad rehabilitation projects that will be certified by the Department of Transportation. It extended the favorable tax treatment for the sale of a manufactured home park, the Retirement Income, Rural Medical EMT, employer-provided scholarships, and crop donation credits. They also extended a few others but made some minor changes to them. The Agricultural Workforce credit, the political contribution credit (the MFJ AGI limit is now \$150K down from \$200K and all others is now \$75K down from \$100K), Individual Development Account contributions is now calculated at 90% of the contribution rather than 70%, and the Cultural Trust is now \$1000 for MFJ and \$500 for all others. All the extenders are effective 1-1-2020 through 1-1-2026.

[HB3436](#) requires online sellers of vape products to verify purchaser is at least 21 using third-party verification methods before shipping into Oregon.

[SB37](#) expands the number of Oregon Veteran's Home for the charitable checkoff and the Oregon Veterans' Home Physicians credit.

[SB79](#) was another DOR concept. This one clarified our authority in OAA to collect for some agencies as over time, the tie to the Executive Branch of government has been reduced so it wasn't entirely clear we had authority to continue collecting for these client agencies. It also expanded our authority to do refund offsets for local governments.

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[SB162](#) allows a taxpayer to indicate on the tax return that they would like information about how to open a College Savings Account through the State Treasurer's office. It allows us to share that information with the Treasurer so they can contact the taxpayer that wants to set up that account.

[SB165](#) requires employers to check a box on the Form WR indicating if they offer a qualified retirement savings plan. We have authority to share this information with the State Treasurer for purposes of implementing the OregonSaves plan.

[SB193](#) continues the favorable treatment of interstate broadcasters for purposes of corporate apportionment. For one more year interstate broadcasters can source their income to Oregon using the "commercial domicile" method of apportionment as opposed to the historic audience/subscriber method. This bill also requires us to work with the Legislative Revenue Office on a report on this issue before it is permanently changed one way or the other.

[SB213](#) in the annual "reconnect" bill so we are connected to the Internal Revenue Code as of 12-31-2018.

[SB358](#) expands our license suspension authority in a limited way to members of the Oregon State Bar (attorneys) when the attorney has failed to file or pay certain taxes. This is a baby-step in getting full authority to suspend attorney licenses for non-payment of tax.

[SB459](#) decreases the reserve amounts (95% to 90%) for the Film and Video and Higher Education Coordination Commission (HECC) tax credit auctions. The bill also allows Film and Video and HECC to run their auctions until 4/15 following the close of the tax year much the same as IRA contributions work currently.

[SB519](#) increased the minimum wage exemption for OAA garnishments.

[SB523](#) allows us to post online information about delinquent debtors in very specific ways. Renee and her collections team is working on implementing this in the most automated way possible. More to come on this one soon.

[SB718](#) expands how one can prove filing with the Oregon Tax Court to include private express carriers (UPS, FedEx, etc.).

[SB851](#) is another corporate bill for the most part but it does have one PIT provision. This one gives guidance to the department and taxpayers on how to address the new provisions of the Tax Cuts and Jobs Act at the federal level. For the Corp program, it clarifies that the 100% territorial tax deduction IS allowed and the Oregon 80% dividend-received deduction is not. It clarifies that the 50% federal deduction for Global Intangible Low-taxed Income (GILTI) is not allowed, but instead the Oregon 80% dividend-received deduction is. It allows the 37.5% federal deduction for Foreign-derived Intangible Income (FDII) because it did not disconnect from the federal policy (although it was discussed and disconnection was considered). Finally for the Corp program, it provides guidance that the dividend amount that IS taxable by Oregon gets sales factor representation based on the taxpayer's specific facts and circumstances in the apportionment formula they use. This means that sometimes the dividend will receive factor representation and sometimes it won't. For the PIT program, SB 851 clarifies that the one-

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time repatriation of income that happened in tax years 2017 and 2018 is included in Oregon taxable income which is consistent with our forms and instructions and a general provision of law. This simply makes the law specific to this provision. If a taxpayer owes penalty and interest solely because of this clarity in the law, the legislature chose to abate them.

Last, but certainly not least, were our two budget bills. [HB5033](#) was our primary budget bill and [HB5047](#) provided funding for the start-up costs for the CAT. Agency leadership will give you details about what these bills mean to our work, but I can assure you, we are happy with what they approved.