

SB 1528 B STAFF MEASURE SUMMARY

Carrier: Sen. Hass

Senate Committee On Finance and Revenue

Action Date: 02/20/18
Action: Do pass with amendments. (Printed B-Eng.)
Vote: 3-2-1-0
Yeas: 3 - Hass, President Courtney, Taylor
Nays: 2 - Baertschiger Jr, Boquist
Exc: 1 - Riley
Fiscal: Fiscal impact issued
Revenue: Revenue impact issued
Prepared By: Kyle Easton, Economist

WHAT THE MEASURE DOES:

Makes available credit against personal or corporate income/excise taxes to taxpayers that make certified Opportunity Grant contributions to the Opportunity Grant Fund. Requires Department of Revenue, in cooperation with Higher Education Coordinating Commission to conduct auction of tax credits. Limits fiscal year certifications of tax credits to no more than \$14 million. Allows unused portion of tax credit to be carried forward up to three succeeding tax years. Applies to tax years beginning on or after January 1, 2018 and before January 1, 2024.

Establishes Opportunity Grant Fund in the State Treasury, separate and distinct from the General Fund. Directs moneys in the fund to be continuously appropriated to Higher Education Coordinating Commission. After paying administrative costs, directs funds to be used for the Oregon Opportunity Grant program.

Effective for tax years beginning on or after January 1, 2018, requires addition to federal taxable income for amount allowable as a deduction under section 199A(a) of the Internal Revenue Code.

ISSUES DISCUSSED:

- Background on Oregon's pass through entity reduced tax rate policy, types of entities that benefit from Oregon provision
- Background on new federal deduction, entities impacted by new federal deduction
- How Oregon's disconnect would appear on tax forms
- Opportunity grant tax credit background, credit auction
- Tax credit auction floor equal to 95% of face value of credit
- Sole proprietorships not being part of Oregon's reduced rate policy for pass through active income.

EFFECT OF AMENDMENT:

Eliminates language of 1528A unrelated to the Opportunity Grant Fund credit and the required addition to federal taxable income for amount allowable as a deduction under section 199A(a) of the Internal Revenue Code.

Continuously appropriates to the Higher Education Coordinating Commission moneys necessary to reimburse the commission for the actual costs incurred by the commission in administering an auction, not to exceed 0.25 percent of auction proceeds.

BACKGROUND:

In December 2017, the Tax Cuts and Jobs Act was enacted by Congress and signed by the President. Included in the Act was a provision allowing specified pass through entities a deduction generally equal to twenty percent of the pass through's qualified business income. Due to Oregon's connection to the federal definition of taxable income, the twenty percent deduction, absent any law change in Oregon, automatically becomes part of Oregon's taxable income starting point for determining Oregon tax liability.

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The Oregon Opportunity Grant is Oregon's largest state-funded, need-based grant program for college students. More than 40,000 students receive Opportunity Grants each year. Only students with student/family adjusted gross incomes at or below \$70,000 are considered for the grant. Students must be enrolled at least half time fall term to receive Oregon Opportunity Grant funds and maintain their grant eligibility for the rest of the academic year.