

MEASURE SUMMARY

1 A BILL FOR AN ACT

2 Relating to taxes imposed upon or measured by income of
3 corporations; creating new provisions; amending ORS 314.105,
4 314.505, 314.670, 317.010, 317.013, 317.018, 317.022, 317.267,
5 317.314, 317.344, 317.368, 318.031 and 318.040; and repealing
6 ORS 314.363, 317.288, 317.296, 317.339, 317.514 and 468.187.

7 Be It Enacted by the People of the State of Oregon:

8 SECTION 1. Sections 2 to 4 and 19 of this Act are added to and
9 made a part of ORS chapter 317.

10 SECTION 2. (1) A corporation shall make a return with respect
11 to the tax imposed by this chapter as provided in this section.

12 (2) If the corporation is a member of an affiliated group of
13 corporations making a consolidated return for federal income tax
14 purposes, it shall file a consolidated return under this chapter
15 and its tax liability shall be joint and several with any other
16 corporation with which it is affiliated that is subject to taxation
17 under this chapter and that is included in the consolidated return.

18 (3) If the corporation makes a separate return for federal
19 income tax purposes, it shall file a separate return under this
20 chapter and its tax liability shall be separate.

21 (4) For purposes of subsection (3) of this section, if the
22 corporation is not subject to taxation under the Internal Revenue
23 Code a return for federal income tax purposes includes any form of
24 information return required to be made in lieu of an income tax
25 return under the Internal Revenue Code or regulations thereunder.

1 (5) The department shall prescribe by rule the method by which
2 a member of an affiliated group of corporations may file a single
3 consolidated return on behalf of all members of the group that are
4 subject to taxation under this chapter.

5 (6) If so directed by the department, by rule or instructions
6 on the state tax return form, every corporation required to make a
7 return under this chapter shall also file with the return a true
8 copy of the taxpayer's federal income tax return for the same
9 taxable year. The department may, by rule or instructions, permit
10 taxpayers to submit specified excerpts from federal returns in lieu
11 of submitting copies of the entire federal return. The federal
12 return or any part thereof required to be filed with the state
13 return is incorporated in and shall be a part of the state return.

14 SECTION 3. (1) Where a corporation required to make a return
15 under this chapter is a member of an affiliated group of
16 corporations making a consolidated federal return under sections
17 1501 to 1505 of the Internal Revenue Code, the corporation's Oregon
18 taxable income shall be determined as provided in this section.

19 (2) Before the modifications to federal taxable income provided
20 for in ORS 317.267 to 317.381 are made, and before allocation and
21 apportionment as provided for in ORS 317.010 (10), if any, there
22 shall be eliminated from the federal consolidated taxable income of
23 the affiliated group the separate taxable income, as determined
24 under Treas. Reg. §1.1502-12, and any deductions or additions or
25 items of income, expense, gain or loss for which consolidated
26 treatment is prescribed under Treas. Reg. §1.1502-11(a),
27 attributable to any member of the affiliated group:

28 (a) That is not subject to taxation under this chapter; and

1 (b) That is not part of a unitary group that includes a member
2 of the affiliated group that is subject to taxation under this
3 chapter.

4 (3)(a) After the modifications to consolidated federal taxable
5 income specified in subsection (2) of this section are made, the
6 modifications provided for in ORS 317.267 to 317.381 shall be made
7 for all remaining members of the affiliated group, where
8 applicable, as if all such members were subject to taxation under
9 this chapter. After the modifications provided for in ORS 317.267
10 to 317.381 are made, Oregon taxable income or loss shall be
11 determined as provided in paragraphs (a) to (c) of subsection (10)
12 of ORS 317.010, if necessary.

13 (b) In the computation of apportionment factors for an
14 affiliated group filing a consolidated return, only the property,
15 payroll, sales or other factors of the members of the affiliated
16 group remaining after the eliminations required under subsection
17 (2) of this section shall be taken into consideration.

18 (4) Except as provided in paragraphs (a) and (b) of this
19 subsection, those members of an affiliated group making a
20 consolidated return under section 2 of this 1984 Act that are
21 subject to taxation under this chapter shall be treated as one
22 taxpayer.

23 (a) The members of an affiliated group shall not be treated as
24 one taxpayer for purposes of determining whether any member of the
25 group is taxable in this state or any other state with respect to
26 questions of jurisdiction to tax or the composition of the
27 apportionment factors used to attribute income to this state under
28 ORS 314.280 or 314.605 to 314.670.

1 (b) If any member of an affiliated group is required to
2 determine its Oregon taxable income on a separate basis, under ORS
3 314.670 or because different apportionment factors are prescribed
4 by statute or rule for members of the same affiliated group, that
5 member shall be treated for all purposes as a taxpayer separate
6 from any other member of the affiliated group that is subject to
7 taxation under this chapter.

8 SECTION 4. As used in this section and sections 2 and 3 of this
9 1984 Act:

10 (1) "Affiliated group" means an affiliated group of
11 corporations as defined in section 1504 of the Internal Revenue
12 Code.

13 (2) "Unitary group" means a group of corporations that are
14 engaged in business activities that constitute a single trade or
15 business.

16 (3)(a) "Single trade or business" means a business enterprise
17 in which there exists between the members or parts of the
18 enterprise a sharing or exchange of value as demonstrated by:

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

20 (B) Centralized administrative services or functions resulting
21 in economies of scale; and

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

24 (b) "Single trade or business" includes, but is not limited to,
25 a business enterprise the activities of which:

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

1 (B) Constitute steps in a vertically integrated process (such
2 as the steps involved in the production of natural resources, which
3 might include exploration, mining, refining and marketing).

4 SECTION 5. ORS 317.010 is amended to read:

5 317.010. As used in this chapter, unless the context requires
6 otherwise:

7 (1) "Centrally assessed corporation" means every corporation
8 the property of which is assessed by the Department of Revenue
9 under ORS 308.505 to 308.730.

10 (2) "Department" means the Department of Revenue.

11 (3) ["Combined report"] "Consolidated return" means the [report]
12 return permitted or required to be filed by a [unitary] group of
13 affiliated corporations under [ORS 314.363] section 1501 of the
14 Internal Revenue Code and section 2 of this 1984 Act.

15 (4) "Doing business" means any transaction or transactions in
16 the course of its activities conducted within the state by a
17 national banking association, or any other corporation; provided,
18 however, that a foreign corporation whose activities in this state
19 are confined to purchases of personal property, and the storage
20 thereof incident to shipment outside the state, shall not be deemed
21 to be doing business unless such foreign corporation is an
22 affiliate of another foreign or domestic corporation which is doing
23 business in Oregon. Whether or not corporations are affiliated
24 shall be determined as provided in [ORS 314.363] section 1504 of the
25 Internal Revenue Code.

26 (5) "Excise tax" means a tax measured by or according to net
27 income imposed upon national banking associations, all other banks,
28 and financial, centrally assessed, mercantile, manufacturing and

1 business corporations for the privilege of carrying on or doing
2 business in this state.

3 (6) "Financial institution" or "financial corporation" means a
4 bank or trust company organized under ORS chapter 707, national
5 banking association or production credit association organized
6 under federal statute, building and loan association, savings and
7 loan association, mutual savings bank, and any other corporation
8 whose principal business is in direct competition with national and
9 state banks.

10 (7) "Internal Revenue Code" means the laws of the United States
11 relating to income taxes as they may be amended on or before
12 December 31, 1982, even where the amendments take effect or become
13 operative after that date.

14 (8) "Oregon taxable income" means taxable income, less the
15 deduction allowed under ORS 317.476, except as otherwise provided
16 with respect to domestic insurers in subsection (11) of this
17 section and ORS 317.650 to 317.665.

18 (9) "Oregon net loss" means taxable loss, except as otherwise
19 provided with respect to domestic insurers in subsection (11) of
20 this section and ORS 317.650 to 317.665.

21 (10) "Taxable income or loss" means the taxable income or loss
22 determined, or in the case of a corporation for which no federal
23 taxable income or loss is determined, as would be determined, under
24 chapter 1, Subtitle A of the Internal Revenue Code, with the
25 additions, subtractions, adjustments and other modifications as are
26 specifically prescribed by this chapter except that in determining
27 taxable income or loss for any year, no deduction under ORS 317.476
28 shall be allowed. If the corporation is a corporation to which ORS
29 314.280 or 314.605 to 314.675 (requiring or permitting

1 apportionment of income from transactions or activities carried on
2 both within and without the state) applies, to derive taxable
3 income or loss, the following shall occur:

4 (a) From the amount otherwise determined under this subsection,
5 subtract nonbusiness income, or add nonbusiness loss, whichever is
6 applicable.

7 (b) Multiply the amount determined under paragraph (a) of this
8 subsection by the Oregon apportionment percentage defined under ORS
9 314.280, 314.650 or 314.670, whichever is applicable. The
10 resulting product shall be Oregon apportioned income or loss.

11 (c) To the amount determined as Oregon apportioned income or
12 loss under paragraph (b) of this subsection, add nonbusiness income
13 allocable entirely to Oregon under ORS 314.280 or 314.625 to
14 314.645, or subtract nonbusiness loss allocable entirely to Oregon
15 under ORS 314.280 or 314.625 to 314.645. The resulting figure is
16 "taxable income or loss" for those corporations carrying on taxable
17 transactions or activities both within and without Oregon.

18 (11) As used in ORS 317.122 and 317.650 to 317.665, "domestic
19 insurer" has the meaning defined by ORS 731.082 (1) and 731.142 (1)
20 and (2) but does not include title insurers or health care service
21 contractors operating pursuant to ORS 750.005 to 750.065.

22 SECTION 6. ORS 317.013 is amended to read:

23 317.013. (1) Those portions of chapter 1 and subchapter A,
24 chapter 6, Subtitle A, Internal Revenue Code, pertaining to
25 corporate taxpayers, are adopted by reference as a part of this
26 chapter. Those portions of the Internal Revenue Code have full
27 force and effect under this chapter unless modified by other
28 provisions of this chapter.

1 (2) When portions of the Internal Revenue Code incorporated by
2 reference as provided in subsection (1) of this section refer to
3 rules and regulations adopted, or hereafter adopted, by the United
4 States Commissioner of Internal Revenue, they are regarded as rules
5 adopted by the department under and in accord with the provisions
6 of this chapter.

7 SECTION 7. ORS 317.018 is amended to read:

8 317.018. It is the intent of the Legislative Assembly, by the
9 changes to the corporate excise [and income] tax laws contained in
10 ORS 317.010, 317.013, 317.022, 317.038, 317.259 to 317.374,
11 317.476, [317.514,] 317.625 and 317.635, to accomplish the
12 following:

13 (1) To make the Oregon corporate excise [and income] tax law,
14 insofar as it relates to the measurement of taxable income,
15 identical to the provisions of the federal Internal Revenue Code of
16 1954, as amended on or before December 31, 1982, even where the
17 amendments take effect or become operative after that date, to the
18 end that taxable income of a corporation for Oregon purposes is the
19 same as it is for federal income tax purposes, subject to Oregon's
20 jurisdiction to tax, and subject to the additions, subtractions,
21 adjustments and modifications contained in this chapter [and ORS
22 chapter 318].

23 (2) To achieve the results desired under subsection (1) of this
24 section by application of the various provisions of the federal
25 Internal Revenue Code relating to the definitions for corporations,
26 of income, deductions, accounting methods, accounting periods,
27 taxation of corporations, basis and other pertinent provisions
28 relating to gross income. It is not the intent of the Legislative
29 Assembly to adopt federal Internal Revenue Code provisions dealing

1 with the computation of tax, tax credits or any other provisions
2 designed to mitigate the amount of tax due.

3 (3) To impose on each corporation doing business within this
4 state an excise tax for the privilege of carrying on or doing that
5 business measured by its federal taxable income as adjusted in this
6 chapter.

7 [(4) To impose a tax measured by income on each corporation that has income
8 which is the result of activity within or derived from sources within this
9 state.]

10 SECTION 8. ORS 317.022 is amended to read:

11 317.022. Insofar as the provisions of this section and ORS
12 317.013, 317.018, 317.038, 317.259 to 317.362, [317.514,] 317.625
13 and 317.635 are substantially the same as existing law relating to
14 the taxation of corporations, they shall be construed as
15 restatements and continuations, and not as new enactments.

16 SECTION 9. ORS 317.267 is amended to read:

17 317.267. [(1) To derive Oregon taxable income, there shall be subtracted
18 from federal taxable income amounts included as dividends from a corporation
19 subject to tax under this chapter by a corporation authorized to hold stock in
20 other corporations and holding 50 percent or more of the voting stock of the
21 corporation which paid the dividend. The subtraction allowed by this subsection
22 shall be limited to the extent that the income of the payor corporation is
23 subject to Oregon tax.]

24 [(2)] (1) To derive Oregon taxable income, there shall be added
25 to federal taxable income amounts received as dividends from
26 corporations deducted for federal purposes pursuant to section 243
27 or 245, amounts paid as dividends by a public utility and deducted
28 for federal purposes pursuant to section 247 of the Internal
29 Revenue Code[, if such dividends received by the corporation are not

1 subtracted pursuant to the provisions of subsection (1) of this section] or
2 dividends eliminated under Treas. Reg. §1.1502-14 that are paid by
3 members of an affiliated group that are eliminated from a
4 consolidated return pursuant to subsection (2) of section 3 of this
5 1984 Act.

6 (2) To derive Oregon taxable income, there shall be subtracted
7 from federal taxable income an amount equal to 85 percent of
8 dividends (determined without regard to section 78 of the Internal
9 Revenue Code) received or deemed received from corporations if such
10 dividends are included in federal taxable income.

11 SECTION 10. ORS 317.314 is amended to read:

12 317.314. (1) To derive Oregon taxable income, there shall be
13 added to federal taxable income taxes upon or measured by net
14 income or profits imposed by any foreign country, this state or any
15 state or territory deducted in computing federal taxable income.

16 (2) There shall be subtracted from federal taxable income the
17 taxes and license fees imposed by counties, cities and other
18 political subdivisions of this state and other states, if such
19 taxes and fees are not deductible in arriving at federal taxable
20 income.

21 (3) There shall be subtracted from federal taxable income the
22 taxes paid to a foreign country upon the payment of [dividends,]
23 interest or royalties arising from sources within such foreign
24 country, if such taxes are not deductible in arriving at federal
25 taxable income and if the [dividends,] interest or royalties are
26 included in arriving at Oregon taxable income.

27 SECTION 11. ORS 317.344 is amended to read:

28 317.344. [(1) There shall be subtracted from federal taxable income the
29 amount of any capital losses sustained during the taxable year that are not

1 deductible in arriving at federal taxable income, if the sole reason that the
2 losses are not deductible is on account of section 1211(a) of the Internal
3 Revenue Code.]

4 [(2)] There shall be added to federal taxable income the amount
5 of any [capital or] net operating loss carryback or carryover allowed
6 in arriving at federal taxable income.

7 SECTION 11a. Section 11b of this Act is added to and made a
8 part of ORS 317.267 to 317.381.

9 SECTION 11b. (1) To derive Oregon taxable income, there shall
10 be subtracted from federal taxable income the amount of the excess
11 loss account included under Treas. Reg. §1.1502-19 to the extent
12 that the excess losses have offset unitary income. However, in no
13 event shall excess losses be recaptured on account of Treas. Reg.
14 §1.1502-19 for purposes of this chapter if the losses were deducted
15 for a taxable year beginning before January 1, 1986.

16 (2) As used in this section, "unitary income" means income of a
17 unitary group, as that term is defined in section 4 of this 1984
18 Act, that includes the subsidiary to which excess losses are
19 attributable, and a member of which is subject to taxation under
20 this chapter.

21 SECTION 12. ORS 317.368 is amended to read:

22 317.368. (1) In computing Oregon taxable income there shall be
23 allowed as a deduction a reasonable allowance for the depreciation,
24 exhaustion, wear and tear and obsolescence of property used in the
25 business. In no case shall the total amount recoverable through the
26 depreciation allowance over the life of the property be in excess
27 of the basis of the property as computed under subsection (5) of
28 this section.

1 (2) "Reasonable allowance," as used in subsection (1) of this
2 section, includes an allowance computed in accordance with
3 subsection (6) of this section and with rules adopted by the
4 department under any of the following methods:

5 (a) The straight-line method;

6 (b) The declining balance method, using a rate not exceeding
7 twice the rate which would have applied had the annual allowance
8 been computed under paragraph (a) of this subsection;

9 (c) The sum-of-the-years digits method; and

10 (d) Any other consistent method approved by the department.

11 (3) The rules adopted by the department pursuant to this
12 section shall be designed to permit the adoption and use by the
13 taxpayer of a uniform method of computing its allowance for
14 depreciation for the purposes of this chapter and for federal
15 income tax purposes, except that, for those taxable years that
16 begin on or after January 1, 1981, any federal law changes or
17 changes in federal regulations regarding the deduction for
18 depreciation which become operative after December 31, 1980, shall
19 not be given consideration by the department.

20 (4) Paragraphs (b), (c) and (d) of subsection (2) of this
21 section shall apply only in the case of property (other than
22 intangible property) described in subsection (1) of this section
23 with a useful life of three years or more:

24 (a) The construction, reconstruction or erection of which is
25 completed after December 31, 1956, and then only to that portion of
26 the basis which is properly attributable to such construction,
27 reconstruction or erection after December 31, 1956; or

1 (b) Acquired after December 31, 1956, if the original use of
2 such property commences with the taxpayer and commences after such
3 date.

4 (5) The basis recoverable through depreciation allowance in
5 respect of any property shall be:

6 (a) In the case of property acquired before January 1, 1929,
7 the cost of the property (or, in the case of property acquired
8 other than by purchase, the fair market value of the property at
9 the date of acquisition) less depreciation properly chargeable
10 against the property prior to January 1, 1929.

11 (b) In the case of property acquired after December 31, 1928,
12 the same basis as for gain or loss upon the disposition of such
13 property as provided in ORS 317.210 to 317.220 (1981 Replacement
14 Part).

15 (6) For tax years beginning on and after January 1, 1977, the
16 first year depreciation allowance provided by section 179 of the
17 Internal Revenue Code, as amended and in effect on December 30,
18 1980, shall be allowed for that property described in subsection
19 (d) of section 179, under the restrictions and limitations
20 described in section 179, including the initial deduction of such
21 first year allowance from basis before the computation of any other
22 depreciation deduction.

23 (7) For taxable years beginning on or after January 1, 1983, to
24 the extent that the amount allowed as a deduction under section 168
25 of the Internal Revenue Code (Accelerated Cost Recovery System)
26 exceeds, or is less than, the amount that would be allowed as a
27 deduction for depreciation for the property under subsections (1)
28 to (6) of this section, to derive Oregon taxable income, the

1 difference shall be added to or subtracted from federal taxable
2 income.

3 (8) The modifications required by subsection [(1)] (7) of this
4 section apply only to the differences in the computation of
5 depreciation (reasonable allowance for exhaustion, wear, tear and
6 obsolescence) under the Accelerated Cost Recovery System and the
7 other methods of depreciation. Nothing in this section shall be
8 construed to govern the eligibility of property for depreciation,
9 the expensing of costs or other provisions of the Internal Revenue
10 Code which do not directly govern the computation of the deduction
11 amount for recovery property.

12 (9) Subsections (7) and (8) of this section shall not apply to
13 property completed, acquired or otherwise placed in service in
14 taxable years beginning on or after January 1, 1985.

15 SECTION 13. ORS 318.031 is amended to read:

16 318.031. It being the intention of the Legislative Assembly
17 that this chapter and the Corporation Excise Tax Law of 1929 shall
18 be administered as uniformly as possible (allowance being made for
19 the difference in imposition of the taxes and the operative date of
20 this chapter), the provisions of ORS 305.140, 305.150, ORS chapter
21 314 and of the following sections of ORS chapter 317, as amended on
22 or before August 3, 1955, and as they may thereafter be amended,
23 are incorporated into this chapter by this reference and made a
24 part hereof: Sections 2 to 4 and 19 of this 1984 Act, ORS 317.010,
25 317.013, 317.018, 317.022, 317.030, 317.035, 317.038, 317.080,
26 317.102, 317.116, 317.259 to 317.303, 317.314 to 317.635 and
27 317.845.

28 SECTION 14. ORS 318.040 is amended to read:

1 318.040. In addition to the corporations exempt from the
2 provisions of this chapter by the incorporation in this chapter of
3 ORS 317.080, there shall also be exempt those foreign corporations
4 whose activities in this state are confined to purchases of
5 personal property, and the storage thereof incident to shipment
6 outside the state, unless such foreign corporation is an affiliate
7 of another foreign or domestic corporation which is doing business
8 in Oregon or is subject to this chapter and is included in a
9 consolidated return with the corporation doing business in this
10 state or subject to this chapter. [Whether or not corporations are
11 affiliated shall be determined as provided in ORS 314.363.]

12 SECTION 15. ORS 314.105 is amended to read:

13 314.105. (1) For purposes of ORS 314.105 to 314.135, the term
14 "determination" means:

15 (a) A decision by the Oregon Tax Court which has become final;

16 (b) A closing agreement made under ORS 305.150;

17 (c) A final disposition by the department of a claim for
18 refund. For purposes of this paragraph a claim for refund shall be
19 deemed finally disposed of by the department as to items with
20 respect to which the claim was allowed, on the date of allowance of
21 refund or credit or on the date of mailing notice of disallowance
22 (by reason of offsetting items) of the claim for refund, and as to
23 items with respect to which the claim was disallowed, in whole or
24 in part, or as to items applied by the department in reduction of
25 the refund or credit, on expiration of the time for instituting
26 suit with respect thereto (unless suit is instituted before the
27 expiration of such time); or

28 (d) Under regulations prescribed by the department, an
29 agreement for purposes of ORS 314.105 to 314.135 signed by the

1 director and by any person, relating to the liability of such
2 person (or the person for whom [he] the person acts) in respect of
3 a tax for any taxable period.

4 (2) For purposes of ORS 314.105 to 314.135, the term "taxpayer"
5 means any person or entity subject to a tax under the applicable
6 revenue law.

7 (3) For purposes of ORS 314.105 to 314.135, the term "related
8 taxpayer" means a taxpayer who, with the taxpayer with respect to
9 whom a determination is made, stood, in the taxable year with
10 respect to which the erroneous inclusion, exclusion, omission,
11 allowance, or disallowance was made, in one of the following
12 relationships:

13 (a) Husband and wife;

14 (b) Grantor and fiduciary;

15 (c) Grantor and beneficiary;

16 (d) Fiduciary and beneficiary, legatee, or heir;

17 (e) Decedent and decedent's estate;

18 (f) Partner; or

19 (g) Member of an affiliated group of corporations as defined in
20 [ORS 317.360 (2) (1981 Replacement Part); or] section 1504 of the Internal
21 Revenue Code.

22 [(h) Member of a unitary group of corporations which is permitted or
23 required by the department to file a combined tax return.]

24 SECTION 16. ORS 314.505 is amended to read:

25 314.505. (1) For tax years beginning on and after January 1,
26 1974, every corporation expecting to have a tax liability under
27 either ORS chapter 317 or 318 of \$500 or more shall make an
28 estimate of tax liability for the corporation's tax year and pay
29 the amount of tax determined as provided in ORS 314.515.

1 (2) The department shall by rule provide for the payment of
2 estimated tax liability by a group of affiliated corporations
3 filing a consolidated return.

4 (3) For purposes of this section, estimated tax liability means
5 the tax computed under ORS chapter 317 or 318 less the credits
6 allowed therein.

7 SECTION 17. ORS 314.670 is amended to read:

8 314.670. If the application of the allocation and
9 apportionment provisions of ORS 314.610 to 314.665 do not fairly
10 represent the extent of the taxpayer's business activity in this
11 state, and result in the violation of the taxpayer's rights under
12 the Constitution of this state or of the United States, the
13 taxpayer may petition for and the department may permit, or the
14 department may require, in respect to all or any part of the
15 taxpayer's business activity[, if reasonable]:

16 (1) Separate accounting;

17 (2) The exclusion of any one or more of the factors;

18 (3) The inclusion of one or more additional factors which will
19 fairly represent the taxpayer's business activity in this state; or

20 (4) The employment of any other method to effectuate an
21 equitable allocation and apportionment of the taxpayer's income.

22 SECTION 18. ORS 314.363, 317.288, 317.296, 317.339, 317.514 and
23 468.187 are repealed.

24 SECTION 19. (1) If any provision of the Internal Revenue Code
25 or of sections 2 to 4 of this Act, relating to the use of federal
26 consolidated returns, requires that any amount be added to or
27 deducted from federal consolidated taxable income or the Oregon
28 taxable income subject to taxation under ORS chapter 317 or 318
29 that previously had been added to or deducted from income upon or

1 with respect to which tax liability was measured under the Oregon
2 law in effect prior to the taxpayer's taxable year as to which
3 sections 2 to 4 of this Act are first effective, an appropriate
4 adjustment shall be made to the income for the year or years
5 subject to sections 2 to 4 of this Act so as to prevent the double
6 taxation or double deduction of any such amount that previously had
7 entered into the computation of income upon or with respect to
8 which tax liability was measured.

9 (2) Notwithstanding the provisions of ORS 317.013 as amended by
10 section 6 of this 1984 Act, any regulation promulgated pursuant to
11 sections 1501 to 1505 of the Internal Revenue Code which make
12 reference to provisions of the Internal Revenue Code with respect
13 to which modifications to federal taxable income are prescribed
14 under this chapter shall not be applied to the extent the
15 regulation conflicts with the provisions of this chapter.

16 (3) The Department of Revenue shall not make any adjustment
17 under this section if the resulting increase or decrease in tax
18 liability would be less than \$250.

19 SECTION 20. Except as specifically provided otherwise, the
20 amendments, repeals and new matter contained in sections 2 to 18 of
21 this Act apply to taxable years beginning on or after January 1,
22 1986. For all prior taxable years, the law applicable for those
23 years shall remain in full force for the purposes of assessment,
24 imposition and collection of corporation excise and income taxes
25 and for all interest, penalties or forfeitures that have accrued or
26 may accrue with respect to those taxes.