



SALT INSIGHTS

Jurisdiction: Oregon
Tax Type: Income Tax
Issue: Oregon IRC §965 Conformity And Repatriation Tax Credit
Date: June 17, 2017

SYNOPSIS:

As a result of the passage of the Tax Cuts and Jobs Act ("TCJA") enacted on December 22, 2017, treatment of deferred foreign income ("IRC §965"), was amended to require that taxpayers include the accumulated post-1986 deferred foreign corporation income in their federal taxable income for tax year 2017- a deemed repatriation.

In response, effective for tax years beginning on or after January 1, 2017, and before January 1, 2018, Oregon passed conformity legislation (SB 1529) requiring that the gross amount of IRC §965 be included in computing Oregon taxable income by adding to federal taxable income the amount included on Line 1 of the IRC §965 Transition Tax Statement. Specifically, the mandatory repatriation calculation for 2017 is equal to the excess of 2017 Oregon tax determined with mandatory repatriation, over the 2017 Oregon tax determined without mandatory repatriation.

While SB 1529 creates a requirement to include IRC §965 income in the Oregon tax base, the good news is the provision also creates a corresponding tax credit for tax year 2017 equal to the lesser of the Oregon tax attributable to the IRC §965 inclusion for tax year 2017, or the total Oregon tax attributable and imposed on the ORS 317.716 listed jurisdiction additions as filed or adjusted for tax years 2014, 2015, and 2016.

INSIGHT:

Oregon now conforms, in part, to IRC §965 as amended under the TCJA. It should be noted, while the amendment requires the income to be added back, at the earliest, on the 2017 return, the IRS allows the tax on the repatriated income to be paid over eight years. However, Oregon does not have a comparable deferral provision. Accordingly, the Oregon tax on the repatriated income is due by the due date of the Oregon return, excluding extensions. Contact SimekScott to discuss.

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