



ISSUE BRIEF

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Albert Einstein Would Oppose Rolling Reconnect: Why HB 2542-A Should be Amended

Insanity: doing the same thing over and over again and expecting different results.

Albert Einstein

Oregon's Constitution prohibits the state Legislative Assembly from delegating law-making authority to Congress, except with regard to the income tax. That exception was carved out by a constitutional amendment referred to the voters by the 1969 Legislative Assembly. Once the Constitution was amended, the Legislature automatically connected to future federal tax code changes ("rolling" or "automatic" reconnect). This meant that whenever Congress changed the definition of taxable income, that change automatically applied in Oregon.

In 1971, after the Legislative Assembly adjourned, Congress enacted changes that created a budget deficit in Oregon, necessitating a special session later that year. Having been burned by the automatic or rolling connection to federal tax code changes, the Legislative Assembly subsequently removed the rolling reconnect from the statutes and returned to deciding every two years which federal tax law changes should also be applied in Oregon.

Unaware of or indifferent to the problems created when Oregon previously experimented with rolling reconnect to federal law changes, in 1997 the Legislative Assembly again chose to connect automatically to future federal tax code changes. Oregon must affirmatively disconnect from federal changes in the definition of taxable income under this 1997 change in the law.

After the fiscal problems of the 2001-03 biennium, caused in part by federal tax changes automatically applying to Oregon, the 2003 Legislative Assembly temporarily suspended the automatic reconnect scheme adopted in 1997. This suspension will sunset on December 31, 2005.

HB 2542-A removes, and does not extend, the sunset. Thus, as passed by the House, HB 2542-A allows changes in the federal definition of taxable income enacted after December 31, 2005, to apply automatically in Oregon.

The Senate should consider removing the future rolling reconnect, either permanently or temporarily by extending the sunset. By removing the rolling reconnect, Oregon's revenues would be protected from being eroded by decisions made in Washington, D.C.

Extending the temporary suspension of rolling reconnect, or permanently ending the practice, would require only a simple majority vote because under current law the rolling reconnect applies only to legislation enacted after December 31, 2005.