

House Bill 3197

Sponsored by Representative NELSON (at the request of Oregon War Veterans Association)

SUMMARY

The following summary is not prepared by the sponsors of the measure and is not a part of the body thereof subject to consideration by the Legislative Assembly. It is an editor's brief statement of the essential features of the measure **as introduced**.

Establishes one-time tax credit for health care provider participating in TRICARE system. Directs Office of Rural Health to establish criteria to certify eligibility for tax credit.

Creates subtraction from federal taxable income for income from TRICARE paid to health care provider in first two years of provider's participation in TRICARE system.

Applies to tax years beginning on or after January 1, 2008.

A BILL FOR AN ACT

1
2 Relating to TRICARE program; creating new provisions; and amending ORS 316.680.

3 **Be It Enacted by the People of the State of Oregon:**

4 **SECTION 1. Section 2 of this 2007 Act is added to and made a part of ORS chapter 315.**

5 **SECTION 2. (1) A health care provider who is engaged in the practice of medicine shall**
6 **be allowed a one-time credit against taxes otherwise due under ORS chapter 316 in the**
7 **amount of \$2,500 if the health care provider participates in the TRICARE military health care**
8 **system.**

9 **(2) A nonresident shall be allowed the credit under this section in the proportion provided**
10 **in ORS 316.117. If a change in the status of a taxpayer from resident to nonresident or from**
11 **nonresident to resident occurs, the credit allowed by this section shall be determined in a**
12 **manner consistent with ORS 316.117.**

13 **SECTION 3. The Office of Rural Health shall establish criteria for certifying health care**
14 **providers as eligible for the one-time tax credit authorized by section 2 of this 2007 Act or**
15 **a deduction from federal taxable income under ORS 316.680. Upon finding that a health care**
16 **provider meets the eligibility criteria established by the office, the office shall certify the**
17 **provider for the tax credit under section 2 of this 2007 Act or the tax deduction under ORS**
18 **316.680.**

19 **SECTION 4. ORS 316.680 is amended to read:**

20 316.680. (1) There shall be subtracted from federal taxable income:

21 (a) The interest or dividends on obligations of the United States and its territories and pos-
22 sessions or of any authority, commission or instrumentality of the United States to the extent
23 includable in gross income for federal income tax purposes but exempt from state income taxes un-
24 der the laws of the United States. However, the amount subtracted under this paragraph shall be
25 reduced by any interest on indebtedness incurred to carry the obligations or securities described in
26 this paragraph, and by any expenses incurred in the production of interest or dividend income de-
27 scribed in this paragraph to the extent that such expenses, including amortizable bond premiums,
28 are deductible in determining federal taxable income.

29 (b) The amount of any federal income taxes accrued by the taxpayer during the taxable year as
30 described in ORS 316.685, less the amount of any refunds of federal taxes previously accrued for

NOTE: Matter in **boldfaced** type in an amended section is new; matter [*italic and bracketed*] is existing law to be omitted. New sections are in **boldfaced** type.

1 which a tax benefit was received.

2 (c)(A) If the taxpayer does not qualify for the subtraction under subparagraph (B) of this para-
3 graph, compensation (other than pension or retirement pay) received for active service performed
4 by a member of the Armed Forces of the United States in an amount not to exceed \$3,000 per an-
5 num.

6 (B) For the tax year of initial draft or enlistment into the Armed Forces of the United States
7 or for the tax year of discharge from or termination of full-time active duty for the Armed Forces
8 of the United States, compensation (other than pension or retirement pay or pay for service when
9 on military reserve duty) paid by the Armed Forces of the United States for services performed
10 outside this state, if the taxpayer is on active duty as a full-time officer, enlistee or draftee, with the
11 Armed Forces of the United States.

12 (d) Amounts allowable under sections 2621(a)(2) and 2622(b) of the Internal Revenue Code to the
13 extent that the taxpayer does not elect under section 642(g) of the Internal Revenue Code to reduce
14 federal taxable income by those amounts.

15 (e) Any supplemental payments made to JOBS Plus Program participants under ORS 411.892.

16 (f)(A) Federal pension income that is attributable to federal employment occurring before Octo-
17 ber 1, 1991. Federal pension income that is attributable to federal employment occurring before
18 October 1, 1991, shall be determined by multiplying the total amount of federal pension income for
19 the tax year by the ratio of the number of months of federal creditable service occurring before
20 October 1, 1991, over the total number of months of federal creditable service.

21 (B) The subtraction allowed under this paragraph applies only to federal pension income re-
22 ceived at a time when:

23 (i) Benefit increases provided under chapter 569, Oregon Laws 1995, are in effect; or

24 (ii) Public Employees Retirement System benefits received for service prior to October 1, 1991,
25 are exempt from state income tax.

26 (C) As used in this paragraph:

27 (i) "Federal creditable service" means those periods of time for which a federal employee earned
28 a federal pension.

29 (ii) "Federal pension" means any form of retirement allowance provided by the federal govern-
30 ment, its agencies or its instrumentalities to retirees of the federal government or their benefici-
31 aries.

32 (g) Any amount included in federal taxable income for the tax year that is attributable to the
33 conversion of a regular individual retirement account into a Roth individual retirement account
34 described in section 408A of the Internal Revenue Code, to the extent that:

35 (A) The amount was subject to the income tax of another state or the District of Columbia in
36 a prior tax year; and

37 (B) The taxpayer was a resident of the other state or the District of Columbia for that prior tax
38 year.

39 (h) Any amounts awarded to the taxpayer by the Public Safety Memorial Fund Board under ORS
40 243.954 to 243.974 to the extent that the taxpayer has not taken the amount as a deduction in de-
41 termining the taxpayer's federal taxable income for the tax year.

42 (i) If included in taxable income for federal tax purposes, the amount withdrawn during the tax
43 year in qualified withdrawals from a college savings network account established under ORS 348.841
44 to 348.873.

45 (j) **Any amount paid by the TRICARE military health care system to a health care pro-**

1 **vider during the first two years that the health care provider participates in the TRICARE**
 2 **system.**

3 (2) There shall be added to federal taxable income:

4 (a) Interest or dividends, exempt from federal income tax, on obligations or securities of any
 5 foreign state or of a political subdivision or authority of any foreign state. However, the amount
 6 added under this paragraph shall be reduced by any interest on indebtedness incurred to carry the
 7 obligations or securities described in this paragraph and by any expenses incurred in the production
 8 of interest or dividend income described in this paragraph.

9 (b) Interest or dividends on obligations of any authority, commission, instrumentality and terri-
 10 torial possession of the United States that by the laws of the United States are exempt from federal
 11 income tax but not from state income taxes. However, the amount added under this paragraph shall
 12 be reduced by any interest on indebtedness incurred to carry the obligations or securities described
 13 in this paragraph and by any expenses incurred in the production of interest or dividend income
 14 described in this paragraph.

15 (c) The amount of any federal estate taxes allocable to income in respect of a decedent not
 16 taxable by Oregon.

17 (d) The amount of any allowance for depletion in excess of the taxpayer's adjusted basis in the
 18 property depleted, deducted on the taxpayer's federal income tax return for the taxable year, pur-
 19 suant to sections 613, 613A, 614, 616 and 617 of the Internal Revenue Code.

20 (e) For taxable years beginning on or after January 1, 1985, the dollar amount deducted under
 21 section 151 of the Internal Revenue Code for personal exemptions for the taxable year.

22 (f) The amount taken as a deduction on the taxpayer's federal return for unused qualified busi-
 23 ness credits under section 196 of the Internal Revenue Code.

24 (g) The amount of any increased benefits paid to a taxpayer under chapter 569, Oregon Laws
 25 1995, under the provisions of chapter 796, Oregon Laws 1991, and under section 26, chapter 815,
 26 Oregon Laws 1991, that is not includable in the taxpayer's federal taxable income under the Internal
 27 Revenue Code.

28 (h) The amount of any long term care insurance premiums paid or incurred by the taxpayer
 29 during the tax year if:

30 (A) The amount is taken into account as a deduction on the taxpayer's federal return for the
 31 tax year; and

32 (B) The taxpayer claims the credit allowed under ORS 315.610 for the tax year.

33 (i) Any amount taken as a deduction under section 1341 of the Internal Revenue Code in com-
 34 puting federal taxable income for the tax year, if the taxpayer has claimed a credit for claim of right
 35 income repayment adjustment under ORS 315.068.

36 (j) If the taxpayer makes a nonqualified withdrawal, as defined in ORS 348.841, from a college
 37 savings network account established under ORS 348.841 to 348.873, the amount of the withdrawal
 38 that is attributable to contributions that were subtracted from federal taxable income under ORS
 39 316.699.

40 (3) Discount and gain or loss on retirement or disposition of obligations described under sub-
 41 section (2)(a) of this section issued on or after January 1, 1985, shall be treated for purposes of this
 42 chapter in the same manner as under sections 1271 to 1283 and other pertinent sections of the
 43 Internal Revenue Code as if the obligations, although issued by a foreign state or a political subdi-
 44 vision of a foreign state, were not tax exempt under the Internal Revenue Code.

45 **SECTION 5. Sections 2 and 3 of this 2007 Act and the amendments to ORS 316.680 by**

1 **section 4 of this 2007 Act apply to tax years beginning on or after January 1, 2008.**

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