

A-Engrossed
House Bill 3201

Ordered by the House June 4
Including House Amendments dated June 4

Sponsored by Representative NELSON; Representatives BERGER, BRUUN, FLORES, GARRARD, KRUMMEL, G SMITH, Senator FERRIOLI (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.

[Creates tax credit for taxpayer that provides full-time residential care to disabled veteran.]

Allows employee of Oregon Military Department to subtract from federal taxable income specified amount for performing duties for Oregon National Guard Youth Challenge Program.

Creates personal income tax credit for physicians who provide medical care to residents of Oregon Veterans' Home. Requires physician claiming credit to submit letter with tax return confirming physician missed no more than five percent of scheduled visits with residents.

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

A BILL FOR AN ACT

Relating to taxation; creating new provisions; and amending ORS 316.680.

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

SECTION 1. ORS 316.680 is amended to read:

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

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

(b) The amount of any federal income taxes accrued by the taxpayer during the taxable year as described in ORS 316.685, less the amount of any refunds of federal taxes previously accrued for which a tax benefit was received.

(c)(A) If the taxpayer does not qualify for the subtraction under subparagraph (B) of this paragraph, compensation (other than pension or retirement pay) received for active service performed by a member of the Armed Forces of the United States in an amount not to exceed [*\$3,000*] **\$6,000** per annum.

(B) For the tax year of initial draft or enlistment into the Armed Forces of the United States or for the tax year of discharge from or termination of full-time active duty for the Armed Forces of the United States, compensation (other than pension or retirement pay or pay for service when on military reserve duty) paid by the Armed Forces of the United States for services performed

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 outside this state, if the taxpayer is on active duty as a full-time officer, enlistee or draftee, with the
2 Armed Forces of the United States.

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

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

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

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

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

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

17 (C) As used in this paragraph:

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

20 (ii) "Federal pension" means any form of retirement allowance provided by the federal govern-
21 ment, its agencies or its instrumentalities to retirees of the federal government or their benefi-
22 ciaries.

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

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

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

30 (h) Any amounts awarded to the taxpayer by the Public Safety Memorial Fund Board under ORS
31 243.954 to 243.974 to the extent that the taxpayer has not taken the amount as a deduction in de-
32 termining the taxpayer's federal taxable income for the tax year.

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

36 **(j) Any amounts included in the federal taxable income that are attributable to income**
37 **earned by an employee of the Oregon Military Department for performing duties for the**
38 **Oregon National Guard Youth Challenge Program in an amount not to exceed \$6,000 per an-**
39 **num.**

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

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

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

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

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

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

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

16 (g) The amount of any increased benefits paid to a taxpayer under chapter 569, Oregon Laws
17 1995, under the provisions of chapter 796, Oregon Laws 1991, and under section 26, chapter 815,
18 Oregon Laws 1991, that is not includable in the taxpayer's federal taxable income under the Internal
19 Revenue Code.

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

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

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

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

28 (j) If the taxpayer makes a nonqualified withdrawal, as defined in ORS 348.841, from a college
29 savings network account established under ORS 348.841 to 348.873, the amount of the withdrawal
30 that is attributable to contributions that were subtracted from federal taxable income under ORS
31 316.699.

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

37 **SECTION 2. Section 3 of this 2007 Act is added to and made a part of ORS chapter 315.**

38 **SECTION 3. (1) A resident or nonresident individual physician licensed under ORS chap-**
39 **ter 677 who is engaged in the practice of medicine qualifies for an annual credit against the**
40 **taxes that are otherwise due under ORS chapter 316 if the physician provides medical care**
41 **to residents of an Oregon Veterans' Home.**

42 **(2) The amount of the credit allowed under this section shall be equal to the lesser of:**

43 **(a) \$1,000 for every eight residents to whom the physician provides care at an Oregon**
44 **Veterans' Home; or**

45 **(b) \$5,000.**

1 **(3) The credit allowed under this section may not exceed the tax liability of the taxpayer**
2 **for the tax year, and a credit allowed under this section that is unused may not be carried**
3 **forward to a succeeding tax year.**

4 **(4) A nonresident shall be allowed the credit described in this section in the proportion**
5 **provided in ORS 316.117. If a change in the status of a taxpayer from resident to nonresident**
6 **or from nonresident to resident occurs, the credit allowed by this section shall be determined**
7 **in a manner consistent with ORS 316.117.**

8 **(5) In order to qualify for the tax credit allowed under this section, the physician claim-**
9 **ing the credit must submit with the physician's tax return a letter from the Oregon Veter-**
10 **ans' Home at which the physician provided care to residents, confirming that the physician**
11 **missed no more than five percent of the physician's scheduled visits with residents of the**
12 **home during the tax year.**

13 **(6) In the case of a shareholder of a corporation or a member of a partnership, only the**
14 **care provided by the individual shareholder or partner shall be considered, and the full**
15 **amount of the credit shall be allowed to each shareholder or partner who qualifies in an in-**
16 **dividual capacity.**

17 **(7) The Director of Veterans' Affairs shall assist the Department of Revenue in deter-**
18 **mining if a taxpayer claiming a credit under this section qualifies for the credit.**

19 **SECTION 4. Section 3 of this 2007 Act and the amendments to ORS 316.680 by section 1**
20 **of this 2007 Act apply to tax years beginning on or after January 1, 2008.**

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