

House Bill 3425

Sponsored by Representative SCOTT; Representatives BRUUN, BUTLER, CAMERON, DALLUM, FLORES, GARRARD, GILLIAM, GILMAN, GIROD, HANNA, KRIEGER, MAURER, MINNIS, NELSON, RICHARDSON, G SMITH, THATCHER, WHISNANT

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**.

Reduces rate of tax on capital gains of personal income taxpayers and corporate income and excise taxpayers.

Applies to tax years beginning on or after January 1, 2007.

A BILL FOR AN ACT

Relating to taxation on capital gains; creating new provisions; amending ORS 316.037, 317.061 and 318.020; and repealing ORS 317.063.

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

SECTION 1. ORS 316.037 is amended to read:

316.037. (1)(a) A tax is imposed for each taxable year on the entire taxable income of every resident of this state. The amount of the tax shall be determined in accordance with the following table:

If taxable income is:	The tax is:
Not over \$2,000	5% of taxable income
Over \$2,000 but not over \$5,000	\$100 plus 7% of the excess over \$2,000
Over \$5,000	\$310 plus 9% of the excess over \$5,000

(b) For tax years beginning in each calendar year, the Department of Revenue shall adopt a table that shall apply in lieu of the table contained in paragraph (a) of this subsection, as follows:

(A) The minimum and maximum dollar amounts for each rate bracket for which a tax is imposed shall be increased by the cost-of-living adjustment for the calendar year.

(B) The rate applicable to any rate bracket as adjusted under subparagraph (A) of this para-

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 graph shall not be changed.

2 (C) The amounts setting forth the tax, to the extent necessary to reflect the adjustments in the
3 rate brackets, shall be adjusted.

4 (c) For purposes of paragraph (b) of this subsection, the cost-of-living adjustment for any calen-
5 dar year is the percentage (if any) by which the monthly averaged U.S. City Average Consumer
6 Price Index for the 12 consecutive months ending August 31 of the prior calendar year exceeds the
7 monthly averaged index for the second quarter of the calendar year 1992.

8 (d) As used in this subsection, "U.S. City Average Consumer Price Index" means the U.S. City
9 Average Consumer Price Index for All Urban Consumers (All Items) as published by the Bureau of
10 Labor Statistics of the United States Department of Labor.

11 (e) If any increase determined under paragraph (b) of this subsection is not a multiple of \$50,
12 the increase shall be rounded to the next lower multiple of \$50.

13 (2) A tax is imposed for each taxable year upon the entire taxable income of every part-year
14 resident of this state. The amount of the tax shall be computed under subsection (1) of this section
15 as if the part-year resident were a full-year resident and shall be multiplied by the ratio provided
16 under ORS 316.117 to determine the tax on income derived from sources within this state.

17 (3) A tax is imposed for each taxable year on the taxable income of every full-year nonresident
18 that is derived from sources within this state. The amount of the tax shall be determined in ac-
19 cordance with the table set forth in subsection (1) of this section.

20 **(4) Notwithstanding subsections (1) to (3) of this section, any gain that is treated as net**
21 **capital gain for federal tax purposes and that is included in taxable income in this state shall**
22 **be taxed at the lesser of the rate imposed under subsections (1) to (3) of this section or seven**
23 **percent.**

24 **SECTION 2. The amendments to ORS 316.037 by section 1 of this 2007 Act apply to tax**
25 **years beginning on or after January 1, 2007.**

26 **SECTION 3. ORS 317.061 is amended to read:**

27 317.061. (1) The rate of the tax imposed by and computed under this chapter is six and six-tenths
28 percent.

29 **(2) Notwithstanding subsection (1) of this section, any gain that is treated as net capital**
30 **gain for federal tax purposes and that is included in taxable income in this state shall be**
31 **taxed at a rate of five percent.**

32 **SECTION 4. The amendments to ORS 317.061 by section 3 of this 2007 Act apply to tax**
33 **years beginning on or after January 1, 2007.**

34 **SECTION 5. ORS 317.063 does not apply to tax years beginning on or after January 1,**
35 **2007.**

36 **SECTION 6. ORS 317.063 is repealed on January 2, 2010.**

37 **SECTION 7. The repeal of ORS 317.063 by section 6 of this 2007 Act does not affect the**
38 **taxation of net long-term capital gain under ORS 317.063 for a tax year beginning before**
39 **January 1, 2007.**

40 **SECTION 8. ORS 318.020 is amended to read:**

41 318.020. (1) There hereby is imposed upon every corporation for each taxable year a tax at the
42 rate provided in ORS 317.061 upon its Oregon taxable income derived from sources within this state,
43 other than income for which the corporation is subject to the tax imposed by ORS chapter 317 ac-
44 cording to or measured by its Oregon taxable income.

45 (2) Income from sources within this state includes income from tangible or intangible property

1 located or having a situs in this state and income from any activities carried on in this state, re-
2 gardless of whether carried on in intrastate, interstate or foreign commerce.

3 *[(3) Income that constitutes net long-term capital gain described in ORS 317.063 shall be taxed at*
4 *the rate imposed under ORS 317.063.]*

5 **SECTION 9.** The amendments to ORS 318.020 by section 8 of this 2007 Act apply to tax
6 years beginning on or after January 1, 2007.

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