

Senate Bill 904

Sponsored by Senator G GEORGE (at the request of Russell Walker, FreedomWorks)

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 personal income tax rates and establishes separate rate for capital gains. Allows federal taxes paid to be completely deductible for Oregon tax purposes. Eliminates addition to taxable income of federal personal exemption deduction amounts and repeals related personal exemption credit.

Applies to tax years beginning on or after January 1, 2009.

Eliminates Oregon inheritance tax for estates of decedents who die on or after January 1, 2009.

A BILL FOR AN ACT

Relating to taxation; creating new provisions; amending ORS 316.037, 316.157, 316.362, 316.680, 316.687, 316.690 and 316.695; and repealing ORS 316.045 and 316.085.

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.

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 (B) The rate applicable to any rate bracket as adjusted under subparagraph (A) of this para-
2 graph shall not be changed.

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

5 (c) For purposes of paragraph (b) of this subsection, the cost-of-living adjustment for any calen-
6 dar year is the percentage (if any) by which the monthly averaged U.S. City Average Consumer
7 Price Index for the 12 consecutive months ending August 31 of the prior calendar year exceeds the
8 monthly averaged index for the [*second quarter of the calendar year 1992*] **12 consecutive months**
9 **ending August 31, 2008.**

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

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

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

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

22 **(4) Notwithstanding subsections (1) to (3) of this section, any net capital gain included**
23 **within Oregon taxable income shall be taxed at the rate of three percent.**

24 **SECTION 2. The cost of living adjustment described in ORS 316.037 (1)(c) may not be**
25 **made for tax years beginning in the 2009 calendar year.**

26 **SECTION 3. ORS 316.045 does not apply to tax years beginning on or after January 1,**
27 **2009.**

28 **SECTION 4. ORS 316.045 is repealed on January 2, 2012.**

29 **SECTION 5. Nothing in the repeal of ORS 316.045 by section 4 of this 2007 Act affects the**
30 **taxation of long-term capital gain under ORS 316.045 for a tax year that begins before Jan-**
31 **uary 1, 2009.**

32 **SECTION 6. ORS 316.680 is amended to read:**

33 316.680. (1) There shall be subtracted from federal taxable income:

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

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

45 (c)(A) If the taxpayer does not qualify for the subtraction under subparagraph (B) of this para-

1 graph, compensation (other than pension or retirement pay) received for active service performed
2 by a member of the Armed Forces of the United States in an amount not to exceed \$3,000 per an-
3 num.

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

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

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

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

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

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

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

24 (C) As used in this paragraph:

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

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

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

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

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

37 (h) Any amounts awarded to the taxpayer by the Public Safety Memorial Fund Board under ORS
38 243.954 to 243.974 to the extent that the taxpayer has not taken the amount as a deduction in de-
39 termining the taxpayer's federal taxable income for the tax year.

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

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

44 (a) Interest or dividends, exempt from federal income tax, on obligations or securities of any
45 foreign state or of a political subdivision or authority of any foreign state. However, the amount

1 added under this paragraph shall be reduced by any interest on indebtedness incurred to carry the
2 obligations or securities described in this paragraph and by any expenses incurred in the production
3 of interest or dividend income described in this paragraph.

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

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

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

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

17 *[(f)]* (e) The amount taken as a deduction on the taxpayer's federal return for unused qualified
18 business credits under section 196 of the Internal Revenue Code.

19 *[(g)]* (f) The amount of any increased benefits paid to a taxpayer under chapter 569, Oregon
20 Laws 1995, under the provisions of chapter 796, Oregon Laws 1991, and under section 26, chapter
21 815, Oregon Laws 1991, that is not includable in the taxpayer's federal taxable income under the
22 Internal Revenue Code.

23 *[(h)]* (g) The amount of any long term care insurance premiums paid or incurred by the taxpayer
24 during the tax year if:

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

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

28 *[(i)]* (h) Any amount taken as a deduction under section 1341 of the Internal Revenue Code in
29 computing federal taxable income for the tax year, if the taxpayer has claimed a credit for claim
30 of right income repayment adjustment under ORS 315.068.

31 *[(j)]* (i) If the taxpayer makes a nonqualified withdrawal, as defined in ORS 348.841, from a col-
32 lege savings network account established under ORS 348.841 to 348.873, the amount of the with-
33 drawal that is attributable to contributions that were subtracted from federal taxable income under
34 ORS 316.699.

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

40 **SECTION 7. ORS 316.085 does not apply to tax years beginning on or after January 1,**
41 **2009.**

42 **SECTION 8. ORS 316.085 is repealed on January 2, 2012.**

43 **SECTION 9. Nothing in the repeal of ORS 316.085 by section 8 of this 2007 Act affects the**
44 **allowance of personal exemption credits under ORS 316.085 for a tax year that begins before**
45 **January 1, 2009.**

1 **SECTION 10.** ORS 316.157 is amended to read:

2 316.157. (1) In the case of an eligible individual, there shall be allowed as a credit against the
3 taxes otherwise due under this chapter for the taxable year an amount equal to the lesser of the tax
4 liability of the taxpayer or nine percent of net pension income.

5 (2) For purposes of this section:

6 (a) "Eligible individual" means any individual who is receiving pension income and who has at-
7 tained the following age before the close of the taxable year:

8 (A) For taxable years beginning on or after January 1, 1991, and before January 1, 1993, the
9 individual must attain 58 years of age before the close of the taxable year.

10 (B) For taxable years beginning on or after January 1, 1993, and before January 1, 1995, the
11 individual must attain 59 years of age before the close of the taxable year.

12 (C) For taxable years beginning on or after January 1, 1995, and before January 1, 1997, the
13 individual must attain 60 years of age before the close of the taxable year.

14 (D) For taxable years beginning on or after January 1, 1997, and before January 1, 1999, the
15 individual must attain 61 years of age before the close of the taxable year.

16 (E) For taxable years beginning on or after January 1, 1999, the individual must attain 62 years
17 of age before the close of the taxable year.

18 (b) "Household income" has that meaning given in ORS 310.630 except that "household
19 income" shall not include Social Security benefits received by the taxpayer or the spouse of the
20 taxpayer.

21 (c) "Net pension income" means:

22 (A) For eligible individuals filing a joint return, the lesser of the pension income of the eligible
23 individuals received during the taxable year or the excess, if any, of \$15,000 over the sum of the
24 following amounts:

25 (i) Any Social Security benefits received by the eligible individual, or by the spouse of the in-
26 dividual, during the taxable year; and

27 (ii) The excess, if any, of household income over \$30,000.

28 (B) For an eligible individual filing a return other than a joint return, the lesser of the pension
29 income of the eligible individual received during the taxable year or the excess, if any, of \$7,500
30 over the sum of the following amounts:

31 (i) Any Social Security benefits received by the eligible individual during the taxable year; and

32 (ii) The excess, if any, of household income over \$15,000.

33 (d) "Pension income" means income included in Oregon taxable income from:

34 (A) Distributions from or pursuant to an employee pension benefit plan, as defined in section
35 3(2) of the Employee Retirement Income Security Act of 1974, which satisfies the requirements of
36 section 401 of the Internal Revenue Code;

37 (B) Distributions from or pursuant to a public retirement system of this state or a political
38 subdivision of this state, or a public retirement system created by an Act of this state or a political
39 subdivision of this state, or the public retirement system of any other state or local government;

40 (C) Distributions from or pursuant to a federal retirement system created by the federal gov-
41 ernment for any officer or employee of the United States, including any person retired from service
42 in the United States Civil Service, the Armed Forces of the United States or any agency or subdi-
43 vision thereof;

44 (D) Distributions or withdrawals from or pursuant to an eligible deferred compensation plan
45 which satisfies the requirements of section 457 of the Internal Revenue Code;

1 (E) Distributions or withdrawals from or pursuant to an individual retirement account, annuity
2 or trust or simplified employee pension which satisfies the requirements of section 408 of the Inter-
3 nal Revenue Code; and

4 (F) Distributions or withdrawals from or pursuant to an employee annuity, including custodial
5 accounts treated as annuities, subject to section 403 (a) or (b) of the Internal Revenue Code.

6 (e) "Social Security benefits" means Social Security benefits, as defined in section 86 of the
7 Internal Revenue Code (Title II Social Security or tier 1 railroad retirement benefits).

8 (3) If a change in the taxable year of the eligible individual occurs as described in ORS 314.085,
9 or if the Department of Revenue terminates the tax year of the eligible individual under ORS
10 314.440, the credit allowed by this section shall be prorated or computed in a manner consistent with
11 ORS [316.085] **314.085**.

12 (4) If a change in the status of the eligible individual from resident to nonresident or from
13 nonresident to resident occurs, the credit allowed by this section shall be determined in a manner
14 consistent with subsection (1) of this section.

15 **SECTION 11.** ORS 316.695 is amended to read:

16 316.695. (1) In addition to the modifications to federal taxable income contained in this chapter,
17 there shall be added to or subtracted from federal taxable income:

18 (a) If, in computing federal income tax for a taxable year, the taxpayer deducted itemized de-
19 ductions, as defined in section 63(d) of the Internal Revenue Code, the taxpayer shall add the amount
20 of itemized deductions deducted (the itemized deductions less an amount, if any, by which the item-
21 ized deductions are reduced under section 68 of the Internal Revenue Code).

22 (b) If, in computing federal income tax for a taxable year, the taxpayer deducted the standard
23 deduction, as defined in section 63(c) of the Internal Revenue Code, the taxpayer shall add the
24 amount of the standard deduction deducted.

25 (c)(A) From federal taxable income there shall be subtracted the larger of (i) the taxpayer's
26 itemized deductions or (ii) a standard deduction. Except as provided in subsection [(8)] (5) of this
27 section, for purposes of this subparagraph, "standard deduction" means the sum of the basic stand-
28 ard deduction and the additional standard deduction.

29 (B) For purposes of subparagraph (A) of this paragraph, the basic standard deduction is:

30 (i) \$3,280, in the case of joint return filers or a surviving spouse;

31 (ii) \$1,640, in the case of an individual who is not a married individual and is not a surviving
32 spouse;

33 (iii) \$1,640, in the case of a married individual who files a separate return; or

34 (iv) \$2,640, in the case of a head of household.

35 (C)(i) For purposes of subparagraph (A) of this paragraph for tax years beginning on or after
36 January 1, 2003, the Department of Revenue shall annually recompute the basic standard deduction
37 for each category of return filer listed under subparagraph (B) of this paragraph. The basic standard
38 deduction shall be computed by dividing the average U.S. City Average Consumer Price Index for
39 the second quarter of the current calendar year by the average U.S. City Average Consumer Price
40 Index for the second quarter of 2002, then multiplying that quotient by the amount listed under
41 subparagraph (B) of this paragraph for each category of return filer.

42 (ii) If any change in the maximum household income determined under this subparagraph is not
43 a multiple of \$5, the increase shall be rounded to the next lower multiple of \$5.

44 (iii) As used in this subparagraph, "U.S. City Average Consumer Price Index" means the U.S.
45 City Average Consumer Price Index for All Urban Consumers (All Items) as published by the Bureau

1 of Labor Statistics of the United States Department of Labor.

2 (D) For purposes of subparagraph (A) of this paragraph, the additional standard deduction is the
3 sum of each additional amount to which the taxpayer is entitled under subsection [(7)] (4) of this
4 section.

5 (E) As used in subparagraph (B) of this paragraph, “surviving spouse” and “head of household”
6 have the meaning given those terms in section 2 of the Internal Revenue Code.

7 (F) In the case of the following, the standard deduction referred to in subparagraph (A) of this
8 paragraph shall be zero:

9 (i) A husband or wife filing a separate return where the other spouse has claimed itemized de-
10 ductions under subparagraph (A) of this paragraph;

11 (ii) A nonresident alien individual;

12 (iii) An individual making a return for a period of less than 12 months on account of a change
13 in his or her annual accounting period;

14 (iv) An estate or trust;

15 (v) A common trust fund; or

16 (vi) A partnership.

17 (d) For the purposes of paragraph (c)(A) of this subsection, the taxpayer’s itemized deductions
18 are the sum of:

19 (A) The taxpayer’s itemized deductions as defined in section 63(d) of the Internal Revenue Code
20 (reduced, if applicable, as described under section 68 of the Internal Revenue Code) minus the de-
21 duction for Oregon income tax (reduced, if applicable, by the proportion that the reduction in federal
22 itemized deductions resulting from section 68 of the Internal Revenue Code bears to the amount of
23 federal itemized deductions as defined for purposes of section 68 of the Internal Revenue Code); and

24 (B) The amount that may be taken into account under section 213(a) of the Internal Revenue
25 Code, not to exceed seven and one-half percent of the federal adjusted gross income of the taxpayer,
26 if the taxpayer has attained the following age before the close of the taxable year, or, in the case
27 of a joint return, if either taxpayer has attained the following age before the close of the taxable
28 year:

29 (i) For taxable years beginning on or after January 1, 1991, and before January 1, 1993, a tax-
30 payer must attain 58 years of age before the close of the taxable year.

31 (ii) For taxable years beginning on or after January 1, 1993, and before January 1, 1995, a tax-
32 payer must attain 59 years of age before the close of the taxable year.

33 (iii) For taxable years beginning on or after January 1, 1995, and before January 1, 1997, a
34 taxpayer must attain 60 years of age before the close of the taxable year.

35 (iv) For taxable years beginning on or after January 1, 1997, and before January 1, 1999, a tax-
36 payer must attain 61 years of age before the close of the taxable year.

37 (v) For taxable years beginning on or after January 1, 1999, a taxpayer must attain 62 years of
38 age before the close of the taxable year.

39 (2)(a) There shall be subtracted from federal taxable income any portion of the distribution of
40 a pension, profit-sharing, stock bonus or other retirement plan, representing that portion of contri-
41 butions which were taxed by the State of Oregon but not taxed by the federal government under
42 laws in effect for tax years beginning prior to January 1, 1969, or for any subsequent year in which
43 the amount that was contributed to the plan under the Internal Revenue Code was greater than the
44 amount allowed under this chapter.

45 (b) Interest or other earnings on any excess contributions of a pension, profit-sharing, stock

1 bonus or other retirement plan not permitted to be deducted under paragraph (a) of this subsection
2 shall not be added to federal taxable income in the year earned by the plan and shall not be sub-
3 tracted from federal taxable income in the year received by the taxpayer.

4 *[(3)(a) Except as provided in paragraph (b) of this subsection and subsection (4) of this section,*
5 *there shall be added to federal taxable income the amount of any federal income taxes in excess of*
6 *\$5,500, accrued by the taxpayer during the taxable year as described in ORS 316.685, less the amount*
7 *of any refund of federal taxes previously accrued for which a tax benefit was received.]*

8 *[(b) In the case of a husband and wife filing separate tax returns, the amount added shall be in*
9 *the amount of any federal income taxes in excess of \$2,750, less the amount of any refund of federal*
10 *taxes previously accrued for which a tax benefit was received.]*

11 *[(c)(A) For a calendar year beginning on or after January 1, 2008, the Department of Revenue shall*
12 *make a cost-of-living adjustment to the federal income tax threshold amount described in paragraphs*
13 *(a) and (b) of this subsection.]*

14 *[(B) The cost-of-living adjustment for a calendar year is the percentage by which the monthly av-*
15 *eraged U.S. City Average Consumer Price Index for the 12 consecutive months ending August 31 of the*
16 *prior calendar year exceeds the monthly averaged index for the period beginning September 1, 2005,*
17 *and ending August 31, 2006.]*

18 *[(C) As used in this paragraph, "U.S. City Average Consumer Price Index" means the U.S. City*
19 *Average Consumer Price Index for All Urban Consumers (All Items) as published by the Bureau of*
20 *Labor Statistics of the United States Department of Labor.]*

21 *[(D) If any adjustment determined under subparagraph (B) of this paragraph is not a multiple of*
22 *\$50, the adjustment shall be rounded to the next lower multiple of \$50.]*

23 *[(E) The adjustment shall apply to all tax years beginning in the calendar year for which the ad-*
24 *justment is made.]*

25 *[(4)(a) In addition to the adjustments required by ORS 316.130, a full-year nonresident individual*
26 *shall add to taxable income a proportion of any accrued federal income taxes as computed under ORS*
27 *316.685 in excess of \$5,500 in the proportion provided in ORS 316.117.]*

28 *[(b) In the case of a husband and wife filing separate tax returns, the amount added under this*
29 *subsection shall be computed in a manner consistent with the computation of the amount to be added*
30 *in the case of a husband and wife filing separate returns under subsection (3) of this section. The*
31 *method of computation shall be determined by the Department of Revenue by rule.]*

32 *[(5) Subsections (3)(b) and (4)(b) of this section shall not apply to married individuals living apart*
33 *as defined in section 7703(b) of the Internal Revenue Code.]*

34 *[(6)(a)] (3)(a) For tax years beginning on or after January 1, 1981, and prior to January 1, 1983,*
35 *income or loss taken into account in determining federal taxable income by a shareholder of an S*
36 *corporation pursuant to sections 1373 to 1375 of the Internal Revenue Code shall be adjusted for*
37 *purposes of determining Oregon taxable income, to the extent that as income or loss of the S cor-*
38 *poration, they were required to be adjusted under the provisions of ORS chapter 317.*

39 *(b) For tax years beginning on or after January 1, 1983, items of income, loss or deduction taken*
40 *into account in determining federal taxable income by a shareholder of an S corporation pursuant*
41 *to sections 1366 to 1368 of the Internal Revenue Code shall be adjusted for purposes of determining*
42 *Oregon taxable income, to the extent that as items of income, loss or deduction of the shareholder*
43 *the items are required to be adjusted under the provisions of this chapter.*

44 *(c) The tax years referred to in paragraphs (a) and (b) of this subsection are those of the S*
45 *corporation.*

1 (d) As used in paragraph (a) of this subsection, an S corporation refers to an electing small
2 business corporation.

3 [(7)(a)] (4)(a) The taxpayer shall be entitled to an additional amount, as referred to in subsection
4 (1)(c)(A) and (D) of this section, of \$1,000:

5 (A) For himself or herself if he or she has attained age 65 before the close of his or her taxable
6 year; and

7 (B) For the spouse of the taxpayer if the spouse has attained age 65 before the close of the
8 taxable year and an additional exemption is allowable to the taxpayer for such spouse for federal
9 income tax purposes under section 151(b) of the Internal Revenue Code.

10 (b) The taxpayer shall be entitled to an additional amount, as referred to in subsection (1)(c)(A)
11 and (D) of this section, of \$1,000:

12 (A) For himself or herself if he or she is blind at the close of the taxable year; and

13 (B) For the spouse of the taxpayer if the spouse is blind as of the close of the taxable year and
14 an additional exemption is allowable to the taxpayer for such spouse for federal income tax purposes
15 under section 151(b) of the Internal Revenue Code. For purposes of this subparagraph, if the spouse
16 dies during the taxable year, the determination of whether such spouse is blind shall be made im-
17 mediately prior to death.

18 (c) In the case of an individual who is not married and is not a surviving spouse, paragraphs (a)
19 and (b) of this subsection shall be applied by substituting "\$1,200" for "\$1,000."

20 (d) For purposes of this subsection, an individual is blind only if his or her central visual acuity
21 does not exceed 20/200 in the better eye with correcting lenses, or if his or her visual acuity is
22 greater than 20/200 but is accompanied by a limitation in the fields of vision such that the widest
23 diameter of the visual field subtends an angle no greater than 20 degrees.

24 [(8)] (5) In the case of an individual with respect to whom a deduction under section 151 of the
25 Internal Revenue Code is allowable for federal income tax purposes to another taxpayer for a tax-
26 able year beginning in the calendar year in which the individual's taxable year begins, the basic
27 standard deduction (referred to in subsection (1)(c)(B) of this section) applicable to such individual
28 for such individual's taxable year shall equal the lesser of:

29 (a) The amount allowed to the individual under section 63(c)(5) of the Internal Revenue Code for
30 federal income tax purposes for the tax year for which the deduction is being claimed; or

31 (b) The amount determined under subsection (1)(c)(B) of this section.

32 **SECTION 12.** ORS 316.362 is amended to read:

33 316.362. (1) An income tax return with respect to the tax imposed by this chapter shall be made
34 by the following:

35 (a) Every resident individual:

36 (A) Who is required to file a federal income tax return for the taxable year; or

37 (B) Who has gross income greater than the sum of:

38 (i) The basic standard deduction allowed under ORS 316.695 (1)(c)(B);

39 (ii) Any additional standard deduction allowed to the taxpayer under ORS 316.695 [(7)] (4); and

40 (iii) An amount equal to the [*income equivalent of*] one personal exemption [*credit under ORS*
41 *316.085 (3)(b)*] **deduction under section 151 of the Internal Revenue Code** if unmarried, or equal
42 to [*the income equivalent of*] two personal exemption [*credits under ORS 316.085 (3)(b)*] **deductions**
43 **under section 151 of the Internal Revenue Code** if married.

44 (b) Every nonresident individual who has federal gross income from sources in this state of more
45 than the basic standard deduction allowed under ORS 316.695 (1)(c)(B).

1 (c) Every resident estate or trust that is required to file a federal income tax return.

2 (d) Every nonresident estate that has federal gross income of \$600 or more for the taxable year
3 from sources within this state.

4 (e) Every nonresident trust that for the taxable year has from sources within this state any
5 taxable income, or gross income of \$600 or more regardless of the amount of taxable income.

6 (2) Nothing contained in this section shall preclude the Department of Revenue from requiring
7 any individual, estate or trust to file a return when, in the judgment of the department, a return
8 should be filed.

9 *[(3) For purposes of this section, the income equivalent of a personal exemption credit under ORS
10 316.085 (3)(b) shall be determined as follows:]*

11 *[(a) Divide the personal exemption credit amount by the rate applicable to the lowest income
12 bracket under ORS 316.037.]*

13 *[(b) If the resulting quotient is less than the maximum amount of income subject to the rate used
14 in paragraph (a) of this subsection, the quotient is the income equivalent.]*

15 *[(c) If the resulting quotient is more than the maximum amount of income subject to the rate used
16 in paragraph (a) of this subsection:]*

17 *[(A) Multiply the maximum amount of income subject to the rate used in paragraph (a) of this
18 subsection by the rate used in paragraph (a) of this subsection.]*

19 *[(B) Determine the difference between the product calculated under subparagraph (A) of this par-
20 agraph and the personal exemption credit amount.]*

21 *[(C) Divide the difference determined in subparagraph (B) of this paragraph by the rate applicable
22 to the income bracket that is the next succeeding the lowest income bracket under ORS 316.037.]*

23 *[(D) Add the quotient determined in subparagraph (C) of this paragraph to the maximum amount
24 of income subject to the rate used in paragraph (a) of this subsection. The sum is the income
25 equivalent.]*

26 **SECTION 13.** ORS 316.687 is amended to read:

27 316.687. There shall be added to federal taxable income of a parent who makes an election under
28 section 1(g)(7)(B) of the Internal Revenue Code any amount in excess of the standard deduction al-
29 lowed for a child under ORS 316.695 [(8)] (5) but not in excess of the amount described in section
30 1(g)(7)(B)(i) of the Internal Revenue Code (twice the amount in effect for the taxable year under
31 section 63(c)(5)(A) of the Internal Revenue Code). The addition under this section shall be made for
32 each child whose income is included in the taxable income of the parent under section 1(g)(7)(B) of
33 the Internal Revenue Code.

34 **SECTION 14.** ORS 316.690 is amended to read:

35 316.690. (1) Subject to subsection (2) of this section, in addition to other modifications provided
36 in this chapter, and if a taxpayer elects to take foreign income taxes imposed for the taxable year
37 by a foreign country as a credit on the federal income tax return or does not itemize personal de-
38 ductions on the federal income tax return, there shall be subtracted from federal taxable income in
39 the computation of state taxable income the amount of foreign income taxes imposed for the taxable
40 year by a foreign country.

41 (2) The deduction for foreign country income taxes provided by this section shall be limited as
42 follows:

43 (a) Except as provided in paragraph (b) of this subsection, the sum of foreign country income
44 taxes deducted in computing state taxable income and the modification for federal income taxes
45 authorized by ORS 316.680 (1)(b) [*as limited by ORS 316.695 (3) shall*] **may** not exceed \$3,000.

1 (b) In the case of a husband and wife filing separate tax returns, the sum described in paragraph
2 (a) of this subsection shall be limited to \$1,500.

3 **SECTION 15. The amendments to ORS 316.037, 316.157, 316.362, 316.680, 316.687, 316.690**
4 **and 316.695 by sections 1, 6 and 10 to 14 of this 2007 Act apply to tax years beginning on or**
5 **after January 1, 2009.**

6 **SECTION 16. ORS 118.005 to 118.840 do not apply to estates of decedents who die on or**
7 **after January 1, 2009.**

8
