

REVENUE: Revenue statement issued
FISCAL: No fiscal impact

Action:	Do Pass and Be Referred to the Committee on Revenue by prior reference
Vote:	8 - 0 - 0
Yeas:	Boone, Esquivel, Freeman, Komp, Matthews, Riley, Weidner, Cowan
Nays:	0
Exc.:	0
Prepared By:	David Molina, Administrator
Meeting Dates:	2/17

WHAT THE MEASURE DOES: Amends ORS 316.680 adding specific language used by the Oregon National Guard for periods of non-activated duty or in-state duty for the purpose of federal taxable income eligibility. Applies to tax years beginning on or after January 1, 2009.

ISSUES DISCUSSED:

- Constant changes in U.S. military terminology impact benefits entitled to service members
- The need to simplify Oregon taxation rules to be more user-friendly for all military personnel
- Many citizen-soldiers and families affected personally due to restrictions under current state law
- The Department of Revenue implemented temporary rules to address the interpretation of active duty service

EFFECT OF COMMITTEE AMENDMENT: No amendment.

BACKGROUND: In 1971 the Oregon Legislative Assembly originally passed a \$3,000 tax deduction for active military personnel; the Legislative Assembly then increased the tax deduction to \$6,000 in 2007. However, due to language specification, the Department of Revenue (DOR) provided this tax credit to active military personnel, but excluded Oregon National Guard (ORNG) members. DOR did not interpret weekend drills or annual training as part of active duty service.

When not federalized, ORNG work for the governor and fall under United States Code Title 32. During deployment orders, ORNG is placed under United States Code 10 and are then entitled to the same benefits and privileges their reserve counterparts enjoy, including: Army, Navy, Air Force, Marine Reserve and Coast Guard. These reserve components are always under Title 10 due to their federal status.

House Bill 2164 amends ORS 316.680 for what specifically constitutes active duty service, adding reserve component language, including: weekend drills, annual training, special school attendance, summer camp, and battle assemblies. Currently, Oregon law does not specify language for active-duty or in-state duty for either USC title. Consequently, many junior military personnel and their families do not take advantage of the 2007 law.

Since 2008, the DOR implemented temporary rules to include weekend drills, and annual training. House Bill 2164 codifies those rules. This measure is retroactive and applies to tax years beginning on or after January 1, 2009.

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This summary has not been adopted or officially endorsed by action of the committee.