

REVENUE: Revenue statement issued  
FISCAL: No fiscal impact

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<b>Action:</b>	Do Pass as Amended and Be Printed Engrossed and Be Referred to the Committee on Revenue by Prior Reference
<b>Vote:</b>	10 - 0 - 0
<b>Yeas:</b>	Barton, Cameron, Edwards C., Esquivel, Holvey, Kennemer, Matthews, Thatcher, Witt, Schaufler
<b>Nays:</b>	0
<b>Exc.:</b>	0
<b>Prepared By:</b>	Theresa Van Winkle, Administrator
<b>Meeting Dates:</b>	4/6, 4/20

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**WHAT THE MEASURE DOES:** Provides that retirement benefits for police officers and firefighters that are not provided through Public Employees Retirement System are exempt from county and municipal taxes.

**ISSUES DISCUSSED:**

- Provisions of the measure

**EFFECT OF COMMITTEE AMENDMENT:** Limits the exemption to county and municipal taxes.

**BACKGROUND:** All employers of police officers and firefighters must provide retirement benefits through the Public Employees Retirement System (PERS), except if the employer offers a retirement benefits program that is equal to or better than what is provided to equivalent employee classes under PERS. The City of Portland provides such a plan, known as the Fire & Police Disability & Retirement Fund.

Multnomah County established a temporary (three-year) income tax for residents by the approval of Ballot Measure 26-48 in May 2003. On December 31, 2003, the county received an outside legal opinion that the state's PERS statutes prohibit the county from taxing retirement benefits under the PERS system, and the county is prohibited under federal law from taxing federal pension benefits. However, benefits from local retirement plans could be taxed.

HB 2863-A establishes that for these types of retirement benefits programs, benefits, returns of contributions and death benefits are exempt from county and municipal taxes. However, the measure does not apply to inheritance taxation or to state personal income taxation of retirement benefits.