

75TH OREGON LEGISLATIVE ASSEMBLY
STAFF MEASURE SUMMARY
HOUSE REVENUE COMMITTEE

MEASURE: HB 2873 B
CARRIER: Rep. Berger

REVENUE: - No Revenue Impact
FISCAL: - No Fiscal Impact

Action: Do Pass as Amended and be Printed B-Engrossed

Vote: 10-0

Yeas: Bailey, Gelser, Kahl, Read, Riley, Barnhart, Bentz, Berger, Bruun, Sprenger

Nays: 0

Exc.: 0

Prepared By: Paul Warner, Legislative Revenue Officer

Meeting Dates: May 12, June 12, 2009

WHAT THE BILL DOES: Establishes PERS benefit adjustments based on fixed 9% marginal personal income tax rate. Deletes language increasing benefits for all PERS beneficiaries if the maximum Oregon personal income tax is increased above 9%. Takes effect immediately upon passage.

ISSUES DISCUSSED:

- History of court decisions and legislative actions regarding taxation of PERS benefits.
- Risk of state exposure to suit from PERS beneficiaries—Legislative Counsel deems risk to be very low.
- Links to HB 2649.
- Very small group of taxpayers with PERS income accrued prior to 1991 and taxable income above \$125,000 for single filers and \$250,000 for joint filers.

EFFECT OF COMMITTEE AMENDMENTS: Replaces the bill.

BACKGROUND: State income taxation of PERS benefits and federal retirement income went through a series of modifications in the 1990s in an effort to conform to federal law. Under current Oregon law, all PERS benefits are subject to state income taxation but federal retirement income accrued prior to 1991 is exempt. The Oregon Supreme Court ruled that this is consistent treatment because PERS beneficiaries received an offsetting increase in benefits to compensate them for being taxed by the state.

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