

**75TH OREGON LEGISLATIVE ASSEMBLY  
STAFF MEASURE SUMMARY  
SENATE FINANCE & REVENUE COMMITTEE**

**MEASURE: HB 2873 C  
CARRIER: Sen. Rosenbaum**

**REVENUE: No Revenue Impact  
FISCAL: No Fiscal Impact**

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**Action:** Do Pass  
**Vote:** 4-1-0  
**Yeas:** Hass, Morse, Rosenbaum, Burdick  
**Nays:** Telfer  
**Exc.:** 0

**Prepared By:** Paul Warner, Economist  
**Meeting Dates:** June 18, 2009

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**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.
- Protective claims associated with previous court actions.
- 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:** Corrects numbering error contained in enrolled SB 112.

**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.