

# House Bill 3309

Sponsored by Representative RILEY

## 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**.

Requires addition to taxable income of amounts deducted from reserve accounts by life insurance or annuity companies and excluded from taxable income because of operation of certain federal law. Removes state law provisions providing for deductions and subtractions based on changes in life insurance or annuity company reserve funds.

Applies to tax years beginning on or after January 1, 2010.

## A BILL FOR AN ACT

1  
2 Relating to tax expenditures; creating new provisions; amending ORS 317.655; and providing for re-  
3 venue raising that requires approval by a three-fifths majority.

4 **Be It Enacted by the People of the State of Oregon:**

5 **SECTION 1.** ORS 317.655 is amended to read:

6 317.655. (1) For purposes of the tax imposed under ORS 317.070, the Oregon taxable income of  
7 an insurer shall be the insurer's "net gain from operations" or "net income" determined in the  
8 manner prescribed by the Department of Consumer and Business Services on its Annual Statement  
9 Form for the taxable year, as adjusted pursuant to ORS 317.010 (11), 317.122 and 317.650 to 317.665.

10 (2) The Oregon taxable income of an insurer shall be computed by adding or subtracting, to the  
11 insurer's net gain from operations as determined under subsection (1) of this section, such of the  
12 following items as apply to the insurer:

13 (a) Add the amount of federal and state income taxes deducted by the insurer in computing its  
14 net gain from operations.

15 (b) Add penalty interest received by the insurer arising out of prepayment of loans made by the  
16 insurer.

17 (c) Add realized gains and losses on sales or exchanges by the insurer of property.

18 (d) Subtract, if the insurer so elects, additional or accelerated depreciation on real and personal  
19 property that is in excess of the depreciation deducted by the method used in computing the insur-  
20 er's net gain from operations.

21 (e) Subtract that amortized portion of the contribution for past service credits made to qualified  
22 plans and exempt trusts for employees allowed as a deduction.

23 *[(f) Add or subtract, as appropriate, increases or decreases in mandatory reserves that the insurer*  
24 *is required to maintain by law or by rules or directives of the Director of the Department of Consumer*  
25 *and Business Services or the insurance director or commissioner of the state of domicile of the foreign*  
26 *or alien insurer, other than increases or decreases that (A) are deducted in arriving at the insurer's*  
27 *net gain from operations, or (B) result from net gains or losses, realized or unrealized, in the value*  
28 *of the insurer's property and investments.]*

29 *[(g) Add or subtract, as appropriate, increases or decreases in reserves for policies and obligations*  
30 *outstanding before the beginning of the taxable year resulting from changes in the bases and methods*

**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 *of computing such reserves that are justified by accounting and actuarial practices applicable to or*  
2 *accepted by the insurance industry, commonly known as “reserve strengthening” or “reserve*  
3 *weakening.”]*

4 (3) Income, expenses, gains, losses, exclusions, deductions, assets, reserves, liabilities and other  
5 items properly attributable to one or more separate accounts authorized under ORS 733.220 shall  
6 not be taken into account in determining taxable income of an insurer under ORS 317.010 (11),  
7 317.122 and 317.650 to 317.665 until such amounts or items are returned to and reflected on the  
8 general accounts of such insurer so as to be available generally to or for the benefit of contract and  
9 policyholders of the insurer.

10 **SECTION 2. Section 3 of this 2009 Act is added to and made a part of ORS chapter 317.**

11 **SECTION 3. (1) To derive Oregon taxable income, there shall be added to federal taxable**  
12 **income any amount excluded from federal taxable income for federal tax purposes under**  
13 **sections 803(a)(2), 805(a)(2) and 807 of the Internal Revenue Code.**

14 **(2) To derive Oregon taxable income, there shall be subtracted from federal taxable in-**  
15 **come any amount that was taken into account as an addition under subsection (1) of this**  
16 **section in a prior tax year and that is included in federal taxable income for federal tax**  
17 **purposes in the current tax year.**

18 **SECTION 4. Section 3 of this 2009 Act and the amendments to ORS 317.655 by section 1**  
19 **of this 2009 Act apply to tax years beginning on or after January 1, 2010.**

20