

# House Bill 3697

Sponsored by COMMITTEE ON REVENUE

## 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**.

Increases age requirement for elderly medical expense subtraction for tax years beginning on or after January 1, 2010. Further increases age requirement for tax years beginning on or after January 1, 2018. Phases out available subtraction as taxpayer's adjusted gross income increases. Transfers revenue raised by limitations on elderly medical expense subtraction to Oregon Project Independence Fund and Elderly and Disabled Special Transportation Fund.

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

Takes effect on 91st day following adjournment sine die.

## A BILL FOR AN ACT

1  
2 Relating to elderly medical income tax subtraction; creating new provisions; amending ORS 316.362,  
3 316.687, 316.690 and 316.695; prescribing an effective date; and providing for revenue raising that  
4 requires approval by a three-fifths majority.

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

6 **SECTION 1.** ORS 316.695 is amended to read:

7 316.695. (1) In addition to the modifications to federal taxable income contained in this chapter,  
8 there shall be added to or subtracted from federal taxable income:

9 (a) If, in computing federal income tax for a taxable year, the taxpayer deducted itemized de-  
10 ductions, as defined in section 63(d) of the Internal Revenue Code, the taxpayer shall add the amount  
11 of itemized deductions deducted (the itemized deductions less an amount, if any, by which the item-  
12 ized deductions are reduced under section 68 of the Internal Revenue Code).

13 (b) If, in computing federal income tax for a taxable year, the taxpayer deducted the standard  
14 deduction, as defined in section 63(c) of the Internal Revenue Code, the taxpayer shall add the  
15 amount of the standard deduction deducted.

16 (c)(A) From federal taxable income there shall be subtracted the larger of (i) the taxpayer's  
17 itemized deductions or (ii) a standard deduction. Except as provided in subsection [(8)] (11) of this  
18 section, for purposes of this subparagraph, "standard deduction" means the sum of the basic stand-  
19 ard deduction and the additional standard deduction.

20 (B) For purposes of subparagraph (A) of this paragraph, the basic standard deduction is:

21 (i) \$3,280, in the case of joint return filers or a surviving spouse;

22 (ii) \$1,640, in the case of an individual who is not a married individual and is not a surviving  
23 spouse;

24 (iii) \$1,640, in the case of a married individual who files a separate return; or

25 (iv) \$2,640, in the case of a head of household.

26 (C)(i) For purposes of subparagraph (A) of this paragraph for tax years beginning on or after  
27 January 1, 2003, the Department of Revenue shall annually recompute the basic standard deduction  
28 for each category of return filer listed under subparagraph (B) of this paragraph. The basic standard

**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 deduction shall be computed by dividing the monthly averaged U.S. City Average Consumer Price  
2 Index for the 12 consecutive months ending August 31 of the prior calendar year by the average  
3 U.S. City Average Consumer Price Index for the second quarter of 2002, then multiplying that quo-  
4 tient by the amount listed under subparagraph (B) of this paragraph for each category of return  
5 filer.

6 (ii) If any change in the maximum household income determined under this subparagraph is not  
7 a multiple of \$5, the increase shall be rounded to the next lower multiple of \$5.

8 (iii) As used in this subparagraph, "U.S. City Average Consumer Price Index" means the U.S.  
9 City Average Consumer Price Index for All Urban Consumers (All Items) as published by the Bureau  
10 of Labor Statistics of the United States Department of Labor.

11 (D) For purposes of subparagraph (A) of this paragraph, the additional standard deduction is the  
12 sum of each additional amount to which the taxpayer is entitled under subsection [(7)] (10) of this  
13 section.

14 (E) As used in subparagraph (B) of this paragraph, "surviving spouse" and "head of household"  
15 have the meaning given those terms in section 2 of the Internal Revenue Code.

16 (F) In the case of the following, the standard deduction referred to in subparagraph (A) of this  
17 paragraph shall be zero:

18 (i) A husband or wife filing a separate return where the other spouse has claimed itemized de-  
19 ductions under subparagraph (A) of this paragraph;

20 (ii) A nonresident alien individual;

21 (iii) An individual making a return for a period of less than 12 months on account of a change  
22 in [*his or her*] **the individual's** annual accounting period;

23 (iv) An estate or trust;

24 (v) A common trust fund; or

25 (vi) A partnership.

26 (d) For the purposes of paragraph (c)(A) of this subsection, the taxpayer's itemized deductions  
27 are the sum of:

28 (A) The taxpayer's itemized deductions as defined in section 63(d) of the Internal Revenue Code  
29 (reduced, if applicable, as described under section 68 of the Internal Revenue Code) minus the de-  
30 duction for Oregon income tax (reduced, if applicable, by the proportion that the reduction in federal  
31 itemized deductions resulting from section 68 of the Internal Revenue Code bears to the amount of  
32 federal itemized deductions as defined for purposes of section 68 of the Internal Revenue Code); and

33 (B) The amount that may be taken into account under section 213(a) of the Internal Revenue  
34 Code, not to exceed seven and one-half percent of the federal adjusted gross income of the taxpayer,  
35 if the taxpayer has attained the following age before the close of the taxable year, or, in the case  
36 of a joint return, if either taxpayer has attained the following age before the close of the taxable  
37 year:

38 (i) For taxable years beginning on or after January 1, 1991, and before January 1, 1993, a tax-  
39 payer must attain 58 years of age before the close of the taxable year.

40 (ii) For taxable years beginning on or after January 1, 1993, and before January 1, 1995, a tax-  
41 payer must attain 59 years of age before the close of the taxable year.

42 (iii) For taxable years beginning on or after January 1, 1995, and before January 1, 1997, a  
43 taxpayer must attain 60 years of age before the close of the taxable year.

44 (iv) For taxable years beginning on or after January 1, 1997, and before January 1, 1999, a tax-  
45 payer must attain 61 years of age before the close of the taxable year.

1        *[(v) For taxable years beginning on or after January 1, 1999, a taxpayer must attain 62 years of*  
 2 *age before the close of the taxable year.]*

3        **(v) For taxable years beginning on or after January 1, 1999, and before January 1, 2010,**  
 4 **a taxpayer must attain 62 years of age before the close of the taxable year.**

5        **(vi) For taxable years beginning on or after January 1, 2010, and before January 1, 2018,**  
 6 **a taxpayer must attain 65 years of age before the close of the taxable year.**

7        **(vii) For taxable years beginning on or after January 1, 2018, a taxpayer must attain 67**  
 8 **years of age before the close of the taxable year.**

9        **(2) Notwithstanding the amount calculated under subsection (1)(d)(B) of this section, if**  
 10 **the federal adjusted gross income of the taxpayer for the tax year is \$125,000 or more, the**  
 11 **maximum amount allowed for an itemized deduction under subsection (1)(d)(B) of this sec-**  
 12 **tion may not exceed the amount calculated under subsection (1)(d)(B) of this section reduced**  
 13 **by:**

14        **(a) 20 percent, if the federal adjusted gross income of the taxpayer for the tax year is**  
 15 **\$125,000 or more and less than \$130,000.**

16        **(b) 40 percent, if the federal adjusted gross income of the taxpayer for the tax year is**  
 17 **\$130,000 or more and less than \$135,000.**

18        **(c) 60 percent, if the federal adjusted gross income of the taxpayer for the tax year is**  
 19 **\$135,000 or more and less than \$140,000.**

20        **(d) 80 percent, if the federal adjusted gross income of the taxpayer for the tax year is**  
 21 **\$140,000 or more and less than \$145,000.**

22        **(3) Notwithstanding the amount calculated under subsection (1)(d)(B) of this section, if**  
 23 **the federal adjusted gross income of the taxpayer is \$145,000 or more for the tax year, an**  
 24 **itemized deduction may not be claimed under subsection (1)(d)(B) of this section.**

25        **(4) For purposes of subsections (2) and (3) of this section, the amounts of the federal**  
 26 **adjusted gross income brackets are doubled for a taxpayer who files a joint return, a return**  
 27 **as a head of household or a return as a surviving spouse.**

28        *[(2)(a)]* **(5)(a)** There shall be subtracted from federal taxable income any portion of the distrib-  
 29 *ution of a pension, profit-sharing, stock bonus or other retirement plan, representing that portion*  
 30 *of contributions which were taxed by the State of Oregon but not taxed by the federal government*  
 31 *under laws in effect for tax years beginning prior to January 1, 1969, or for any subsequent year in*  
 32 *which the amount that was contributed to the plan under the Internal Revenue Code was greater*  
 33 *than the amount allowed under this chapter.*

34        **(b)** Interest or other earnings on any excess contributions of a pension, profit-sharing, stock  
 35 **bonus or other retirement plan not permitted to be deducted under paragraph (a) of this subsection**  
 36 **shall not be added to federal taxable income in the year earned by the plan and shall not be sub-**  
 37 **tracted from federal taxable income in the year received by the taxpayer.**

38        *[(3)(a)]* **(6)(a)** Except as provided in paragraph (b) of this subsection and subsection *[(4)]* **(7)**  
 39 **of this section, there shall be added to federal taxable income the amount of any federal income taxes**  
 40 **in excess of \$5,500, accrued by the taxpayer during the taxable year as described in ORS 316.685,**  
 41 **less the amount of any refund of federal taxes previously accrued for which a tax benefit was re-**  
 42 **ceived.**

43        **(b)** In the case of a husband and wife filing separate tax returns, the amount added shall be in  
 44 **the amount of any federal income taxes in excess of \$2,750, less the amount of any refund of federal**  
 45 **taxes previously accrued for which a tax benefit was received.**

1 (c)(A) For a calendar year beginning on or after January 1, 2008, the Department of Revenue  
2 shall make a cost-of-living adjustment to the federal income tax threshold amount described in par-  
3 agraphs (a) and (b) of this subsection.

4 (B) The cost-of-living adjustment for a calendar year is the percentage by which the monthly  
5 averaged U.S. City Average Consumer Price Index for the 12 consecutive months ending August 31  
6 of the prior calendar year exceeds the monthly averaged index for the period beginning September  
7 1, 2005, and ending August 31, 2006.

8 (C) As used in this paragraph, "U.S. City Average Consumer Price Index" means the U.S. City  
9 Average Consumer Price Index for All Urban Consumers (All Items) as published by the Bureau of  
10 Labor Statistics of the United States Department of Labor.

11 (D) If any adjustment determined under subparagraph (B) of this paragraph is not a multiple of  
12 \$50, the adjustment shall be rounded to the next lower multiple of \$50.

13 (E) The adjustment shall apply to all tax years beginning in the calendar year for which the  
14 adjustment is made.

15 [(4)(a)] **(7)(a)** In addition to the adjustments required by ORS 316.130, a full-year nonresident  
16 individual shall add to taxable income a proportion of any accrued federal income taxes as computed  
17 under ORS 316.685 in excess of \$5,500 in the proportion provided in ORS 316.117.

18 (b) In the case of a husband and wife filing separate tax returns, the amount added under this  
19 subsection shall be computed in a manner consistent with the computation of the amount to be  
20 added in the case of a husband and wife filing separate returns under subsection [(3)] **(6)** of this  
21 section. The method of computation shall be determined by the Department of Revenue by rule.

22 [(5)] **(8)** Subsections [(3)(b)] **(6)(b)** and [(4)(b)] **(7)(b)** of this section *[shall]* **do** not apply to married  
23 individuals living apart as defined in section 7703(b) of the Internal Revenue Code.

24 [(6)(a)] **(9)(a)** For tax years beginning on or after January 1, 1981, and prior to January 1, 1983,  
25 income or loss taken into account in determining federal taxable income by a shareholder of an S  
26 corporation pursuant to sections 1373 to 1375 of the Internal Revenue Code shall be adjusted for  
27 purposes of determining Oregon taxable income, to the extent that as income or loss of the S cor-  
28 poration, they were required to be adjusted under the provisions of ORS chapter 317.

29 (b) For tax years beginning on or after January 1, 1983, items of income, loss or deduction taken  
30 into account in determining federal taxable income by a shareholder of an S corporation pursuant  
31 to sections 1366 to 1368 of the Internal Revenue Code shall be adjusted for purposes of determining  
32 Oregon taxable income, to the extent that as items of income, loss or deduction of the shareholder  
33 the items are required to be adjusted under the provisions of this chapter.

34 (c) The tax years referred to in paragraphs (a) and (b) of this subsection are those of the S  
35 corporation.

36 (d) As used in paragraph (a) of this subsection, an S corporation refers to an electing small  
37 business corporation.

38 [(7)(a)] **(10)(a)** The taxpayer shall be entitled to an additional amount, as referred to in sub-  
39 section (1)(c)(A) and (D) of this section, of \$1,000:

40 (A) For *[himself or herself]* **the taxpayer** if *[he or she]* **the taxpayer** has attained age 65 before  
41 the close of *[his or her]* **the taxpayer's** taxable year; and

42 (B) For the spouse of the taxpayer if the spouse has attained age 65 before the close of the  
43 taxable year and an additional exemption is allowable to the taxpayer for such spouse for federal  
44 income tax purposes under section 151(b) of the Internal Revenue Code.

45 (b) The taxpayer shall be entitled to an additional amount, as referred to in subsection (1)(c)(A)

1 and (D) of this section, of \$1,000:

2 (A) For [*himself or herself*] **the taxpayer** if [*he or she*] **the taxpayer** is blind at the close of the  
3 taxable year; and

4 (B) For the spouse of the taxpayer if the spouse is blind as of the close of the taxable year and  
5 an additional exemption is allowable to the taxpayer for such spouse for federal income tax purposes  
6 under section 151(b) of the Internal Revenue Code. For purposes of this subparagraph, if the spouse  
7 dies during the taxable year, the determination of whether such spouse is blind shall be made im-  
8 mediately prior to death.

9 (c) In the case of an individual who is not married and is not a surviving spouse, paragraphs (a)  
10 and (b) of this subsection shall be applied by substituting “\$1,200” for “\$1,000.”

11 (d) For purposes of this subsection, an individual is blind only if his or her central visual acuity  
12 does not exceed 20/200 in the better eye with correcting lenses, or if his or her visual acuity is  
13 greater than 20/200 but is accompanied by a limitation in the fields of vision such that the widest  
14 diameter of the visual field subtends an angle no greater than 20 degrees.

15 [(8)] (11) In the case of an individual with respect to whom a deduction under section 151 of the  
16 Internal Revenue Code is allowable for federal income tax purposes to another taxpayer for a tax-  
17 able year beginning in the calendar year in which the individual’s taxable year begins, the basic  
18 standard deduction (referred to in subsection (1)(c)(B) of this section) applicable to such individual  
19 for such individual’s taxable year shall equal the lesser of:

20 (a) The amount allowed to the individual under section 63(c)(5) of the Internal Revenue Code for  
21 federal income tax purposes for the tax year for which the deduction is being claimed; or

22 (b) The amount determined under subsection (1)(c)(B) of this section.

23 **SECTION 1a.** If chapter 746, Oregon Laws 2009, is approved by voters at a special election held  
24 throughout this state on January 26, 2010, ORS 316.695, as amended by section 3, chapter 746,  
25 Oregon Laws 2009, is amended to read:

26 316.695. (1) In addition to the modifications to federal taxable income contained in this chapter,  
27 there shall be added to or subtracted from federal taxable income:

28 (a) If, in computing federal income tax for a taxable year, the taxpayer deducted itemized de-  
29 ductions, as defined in section 63(d) of the Internal Revenue Code, the taxpayer shall add the amount  
30 of itemized deductions deducted (the itemized deductions less an amount, if any, by which the item-  
31 ized deductions are reduced under section 68 of the Internal Revenue Code).

32 (b) If, in computing federal income tax for a taxable year, the taxpayer deducted the standard  
33 deduction, as defined in section 63(c) of the Internal Revenue Code, the taxpayer shall add the  
34 amount of the standard deduction deducted.

35 (c)(A) From federal taxable income there shall be subtracted the larger of (i) the taxpayer’s  
36 itemized deductions or (ii) a standard deduction. Except as provided in subsection [(8)] (11) of this  
37 section, for purposes of this subparagraph, “standard deduction” means the sum of the basic stand-  
38 ard deduction and the additional standard deduction.

39 (B) For purposes of subparagraph (A) of this paragraph, the basic standard deduction is:

40 (i) \$3,280, in the case of joint return filers or a surviving spouse;

41 (ii) \$1,640, in the case of an individual who is not a married individual and is not a surviving  
42 spouse;

43 (iii) \$1,640, in the case of a married individual who files a separate return; or

44 (iv) \$2,640, in the case of a head of household.

45 (C)(i) For purposes of subparagraph (A) of this paragraph for tax years beginning on or after

1 January 1, 2003, the Department of Revenue shall annually recompute the basic standard deduction  
2 for each category of return filer listed under subparagraph (B) of this paragraph. The basic standard  
3 deduction shall be computed by dividing the monthly averaged U.S. City Average Consumer Price  
4 Index for the 12 consecutive months ending August 31 of the prior calendar year by the average  
5 U.S. City Average Consumer Price Index for the second quarter of 2002, then multiplying that quo-  
6 tient by the amount listed under subparagraph (B) of this paragraph for each category of return  
7 filer.

8 (ii) If any change in the maximum household income determined under this subparagraph is not  
9 a multiple of \$5, the increase shall be rounded to the next lower multiple of \$5.

10 (iii) As used in this subparagraph, "U.S. City Average Consumer Price Index" means the U.S.  
11 City Average Consumer Price Index for All Urban Consumers (All Items) as published by the Bureau  
12 of Labor Statistics of the United States Department of Labor.

13 (D) For purposes of subparagraph (A) of this paragraph, the additional standard deduction is the  
14 sum of each additional amount to which the taxpayer is entitled under subsection [(7)] (10) of this  
15 section.

16 (E) As used in subparagraph (B) of this paragraph, "surviving spouse" and "head of household"  
17 have the meaning given those terms in section 2 of the Internal Revenue Code.

18 (F) In the case of the following, the standard deduction referred to in subparagraph (A) of this  
19 paragraph shall be zero:

20 (i) A husband or wife filing a separate return where the other spouse has claimed itemized de-  
21 ductions under subparagraph (A) of this paragraph;

22 (ii) A nonresident alien individual;

23 (iii) An individual making a return for a period of less than 12 months on account of a change  
24 in the individual's annual accounting period;

25 (iv) An estate or trust;

26 (v) A common trust fund; or

27 (vi) A partnership.

28 (d) For the purposes of paragraph (c)(A) of this subsection, the taxpayer's itemized deductions  
29 are the sum of:

30 (A) The taxpayer's itemized deductions as defined in section 63(d) of the Internal Revenue Code  
31 (reduced, if applicable, as described under section 68 of the Internal Revenue Code) minus the de-  
32 duction for Oregon income tax (reduced, if applicable, by the proportion that the reduction in federal  
33 itemized deductions resulting from section 68 of the Internal Revenue Code bears to the amount of  
34 federal itemized deductions as defined for purposes of section 68 of the Internal Revenue Code); and

35 (B) The amount that may be taken into account under section 213(a) of the Internal Revenue  
36 Code, not to exceed seven and one-half percent of the federal adjusted gross income of the taxpayer,  
37 if the taxpayer has attained the following age before the close of the taxable year, or, in the case  
38 of a joint return, if either taxpayer has attained the following age before the close of the taxable  
39 year:

40 (i) For taxable years beginning on or after January 1, 1991, and before January 1, 1993, a tax-  
41 payer must attain 58 years of age before the close of the taxable year.

42 (ii) For taxable years beginning on or after January 1, 1993, and before January 1, 1995, a tax-  
43 payer must attain 59 years of age before the close of the taxable year.

44 (iii) For taxable years beginning on or after January 1, 1995, and before January 1, 1997, a  
45 taxpayer must attain 60 years of age before the close of the taxable year.

1 (iv) For taxable years beginning on or after January 1, 1997, and before January 1, 1999, a tax-  
 2 payer must attain 61 years of age before the close of the taxable year.

3 *[(v) For taxable years beginning on or after January 1, 1999, a taxpayer must attain 62 years of*  
 4 *age before the close of the taxable year.]*

5 **(v) For taxable years beginning on or after January 1, 1999, and before January 1, 2010,**  
 6 **a taxpayer must attain 62 years of age before the close of the taxable year.**

7 **(vi) For taxable years beginning on or after January 1, 2010, and before January 1, 2018,**  
 8 **a taxpayer must attain 65 years of age before the close of the taxable year.**

9 **(vii) For taxable years beginning on or after January 1, 2018, a taxpayer must attain 67**  
 10 **years of age before the close of the taxable year.**

11 **(2) Notwithstanding the amount calculated under subsection (1)(d)(B) of this section, if**  
 12 **the federal adjusted gross income of the taxpayer for the tax year is \$125,000 or more, the**  
 13 **maximum amount allowed for an itemized deduction under subsection (1)(d)(B) of this sec-**  
 14 **tion may not exceed the amount calculated under subsection (1)(d)(B) of this section reduced**  
 15 **by:**

16 **(a) 20 percent, if the federal adjusted gross income of the taxpayer for the tax year is**  
 17 **\$125,000 or more and less than \$130,000.**

18 **(b) 40 percent, if the federal adjusted gross income of the taxpayer for the tax year is**  
 19 **\$130,000 or more and less than \$135,000.**

20 **(c) 60 percent, if the federal adjusted gross income of the taxpayer for the tax year is**  
 21 **\$135,000 or more and less than \$140,000.**

22 **(d) 80 percent, if the federal adjusted gross income of the taxpayer for the tax year is**  
 23 **\$140,000 or more and less than \$145,000.**

24 **(3) Notwithstanding the amount calculated under subsection (1)(d)(B) of this section, if**  
 25 **the federal adjusted gross income of the taxpayer is \$145,000 or more for the tax year, an**  
 26 **itemized deduction may not be claimed under subsection (1)(d)(B) of this section.**

27 **(4) For purposes of subsections (2) and (3) of this section, the amounts of the federal**  
 28 **adjusted gross income brackets are doubled for a taxpayer who files a joint return, a return**  
 29 **as a head of household or a return as a surviving spouse.**

30 *[(2)(a)]* **(5)(a)** There shall be subtracted from federal taxable income any portion of the distrib-  
 31 ution of a pension, profit-sharing, stock bonus or other retirement plan, representing that portion  
 32 of contributions which were taxed by the State of Oregon but not taxed by the federal government  
 33 under laws in effect for tax years beginning prior to January 1, 1969, or for any subsequent year in  
 34 which the amount that was contributed to the plan under the Internal Revenue Code was greater  
 35 than the amount allowed under this chapter.

36 **(b)** Interest or other earnings on any excess contributions of a pension, profit-sharing, stock  
 37 bonus or other retirement plan not permitted to be deducted under paragraph (a) of this subsection  
 38 shall not be added to federal taxable income in the year earned by the plan and shall not be sub-  
 39 tracted from federal taxable income in the year received by the taxpayer.

40 *[(3)(a)]* **(6)(a)** Except as provided in subsection *[(4)]* **(7)** of this section, there shall be added to  
 41 federal taxable income the amount of any federal income taxes in excess of the amount provided in  
 42 paragraphs (b) to (d) of this subsection, accrued by the taxpayer during the taxable year as de-  
 43 scribed in ORS 316.685, less the amount of any refund of federal taxes previously accrued for which  
 44 a tax benefit was received.

45 **(b)** The limits applicable to this subsection are:

1 (A) \$5,500, if the federal adjusted gross income of the taxpayer for the tax year is less than  
2 \$125,000, or, if reported on a joint return, less than \$250,000.

3 (B) \$4,400, if the federal adjusted gross income of the taxpayer for the tax year is \$125,000 or  
4 more and less than \$130,000, or, if reported on a joint return, \$250,000 or more and less than  
5 \$260,000.

6 (C) \$3,300, if the federal adjusted gross income of the taxpayer for the tax year is \$130,000 or  
7 more and less than \$135,000, or, if reported on a joint return, \$260,000 or more and less than  
8 \$270,000.

9 (D) \$2,200, if the federal adjusted gross income of the taxpayer for the tax year is \$135,000 or  
10 more and less than \$140,000, or, if reported on a joint return, \$270,000 or more and less than  
11 \$280,000.

12 (E) \$1,100, if the federal adjusted gross income of the taxpayer for the tax year is \$140,000 or  
13 more and less than \$145,000, or, if reported on a joint return, \$280,000 or more and less than  
14 \$290,000.

15 (c) If the federal adjusted gross income of the taxpayer is \$145,000 or more for the tax year, or,  
16 if reported on a joint return, \$290,000 or more, the limit is zero and the taxpayer is not allowed a  
17 subtraction for federal income taxes under ORS 316.680 (1) for the tax year.

18 (d) In the case of a husband and wife filing separate tax returns, the amount added shall be in  
19 the amount of any federal income taxes in excess of the amount provided for individual taxpayers  
20 under paragraphs (a) to (c) of this subsection, less the amount of any refund of federal taxes previ-  
21 ously accrued for which a tax benefit was received.

22 (e) For purposes of this subsection, the limits applicable to a joint return shall apply to a head  
23 of household or a surviving spouse, as defined in section 2(a) and (b) of the Internal Revenue Code.

24 (f)(A) For a calendar year beginning on or after January 1, 2008, the Department of Revenue  
25 shall make a cost-of-living adjustment to the federal income tax threshold amounts described in  
26 paragraphs (b) and (d) of this subsection.

27 (B) The cost-of-living adjustment for a calendar year is the percentage by which the monthly  
28 averaged U.S. City Average Consumer Price Index for the 12 consecutive months ending August 31  
29 of the prior calendar year exceeds the monthly averaged index for the period beginning September  
30 1, 2005, and ending August 31, 2006.

31 (C) As used in this paragraph, "U.S. City Average Consumer Price Index" means the U.S. City  
32 Average Consumer Price Index for All Urban Consumers (All Items) as published by the Bureau of  
33 Labor Statistics of the United States Department of Labor.

34 (D) If any adjustment determined under subparagraph (B) of this paragraph is not a multiple of  
35 \$50, the adjustment shall be rounded to the next lower multiple of \$50.

36 (E) The adjustment shall apply to all tax years beginning in the calendar year for which the  
37 adjustment is made.

38 [(4)(a)] (7)(a) In addition to the adjustments required by ORS 316.130, a full-year nonresident  
39 individual shall add to taxable income a proportion of any accrued federal income taxes as computed  
40 under ORS 316.685 in excess of the amount provided in subsection [(3)] (6) of this section in the  
41 proportion provided in ORS 316.117.

42 (b) In the case of a husband and wife filing separate tax returns, the amount added under this  
43 subsection shall be computed in a manner consistent with the computation of the amount to be  
44 added in the case of a husband and wife filing separate returns under subsection [(3)] (6) of this  
45 section. The method of computation shall be determined by the Department of Revenue by rule.



1        [(5)] **(8)** Subsections [(3)(d)] **(6)(d)** and [(4)(b)] **(7)(b)** of this section [shall] **do** not apply to mar-  
 2 ried individuals living apart as defined in section 7703(b) of the Internal Revenue Code.

3        [(6)(a)] **(9)(a)** For tax years beginning on or after January 1, 1981, and prior to January 1, 1983,  
 4 income or loss taken into account in determining federal taxable income by a shareholder of an S  
 5 corporation pursuant to sections 1373 to 1375 of the Internal Revenue Code shall be adjusted for  
 6 purposes of determining Oregon taxable income, to the extent that as income or loss of the S cor-  
 7 poration, they were required to be adjusted under the provisions of ORS chapter 317.

8        (b) For tax years beginning on or after January 1, 1983, items of income, loss or deduction taken  
 9 into account in determining federal taxable income by a shareholder of an S corporation pursuant  
 10 to sections 1366 to 1368 of the Internal Revenue Code shall be adjusted for purposes of determining  
 11 Oregon taxable income, to the extent that as items of income, loss or deduction of the shareholder  
 12 the items are required to be adjusted under the provisions of this chapter.

13        (c) The tax years referred to in paragraphs (a) and (b) of this subsection are those of the S  
 14 corporation.

15        (d) As used in paragraph (a) of this subsection, an S corporation refers to an electing small  
 16 business corporation.

17        [(7)(a)] **(10)(a)** The taxpayer shall be entitled to an additional amount, as referred to in sub-  
 18 section (1)(c)(A) and (D) of this section, of \$1,000:

19        (A) For the taxpayer if the taxpayer has attained age 65 before the close of the taxpayer's tax-  
 20 able year; and

21        (B) For the spouse of the taxpayer if the spouse has attained age 65 before the close of the  
 22 taxable year and an additional exemption is allowable to the taxpayer for such spouse for federal  
 23 income tax purposes under section 151(b) of the Internal Revenue Code.

24        (b) The taxpayer shall be entitled to an additional amount, as referred to in subsection (1)(c)(A)  
 25 and (D) of this section, of \$1,000:

26        (A) For the taxpayer if the taxpayer is blind at the close of the taxable year; and

27        (B) For the spouse of the taxpayer if the spouse is blind as of the close of the taxable year and  
 28 an additional exemption is allowable to the taxpayer for such spouse for federal income tax purposes  
 29 under section 151(b) of the Internal Revenue Code. For purposes of this subparagraph, if the spouse  
 30 dies during the taxable year, the determination of whether such spouse is blind shall be made im-  
 31 mediately prior to death.

32        (c) In the case of an individual who is not married and is not a surviving spouse, paragraphs (a)  
 33 and (b) of this subsection shall be applied by substituting "\$1,200" for "\$1,000."

34        (d) For purposes of this subsection, an individual is blind only if the individual's central visual  
 35 acuity does not exceed 20/200 in the better eye with correcting lenses, or if the individual's visual  
 36 acuity is greater than 20/200 but is accompanied by a limitation in the fields of vision such that the  
 37 widest diameter of the visual field subtends an angle no greater than 20 degrees.

38        [(8)] **(11)** In the case of an individual with respect to whom a deduction under section 151 of the  
 39 Internal Revenue Code is allowable for federal income tax purposes to another taxpayer for a tax-  
 40 able year beginning in the calendar year in which the individual's taxable year begins, the basic  
 41 standard deduction (referred to in subsection (1)(c)(B) of this section) applicable to such individual  
 42 for such individual's taxable year shall equal the lesser of:

43        (a) The amount allowed to the individual under section 63(c)(5) of the Internal Revenue Code for  
 44 federal income tax purposes for the tax year for which the deduction is being claimed; or

45        (b) The amount determined under subsection (1)(c)(B) of this section.

1       **SECTION 2.** (1) For tax years beginning on or after January 1, 2010, the Department of  
 2 Revenue shall estimate the increase in revenue, if any, attributable to the reduction in the  
 3 allowable medical subtraction resulting from the amendments to ORS 316.695 by sections 1  
 4 and 1a of this 2010 Act, compared to revenue received for tax years beginning on or after  
 5 January 1, 2009, and before January 1, 2010. Before June 30 of each year, an amount equal  
 6 to the estimated increase in revenue, if any, shall be deposited into the General Fund and  
 7 distributed as follows:

8           (a) 50 percent to the Oregon Project Independence Fund established by ORS 410.422.

9           (b) 50 percent to the Elderly and Disabled Special Transportation Fund established by  
 10 ORS 391.800.

11       (2) Moneys deposited under this section may not be used to supplant other moneys in the  
 12 funds listed in this section, as provided under ORS 391.800 and 410.422.

13       (3) The department may adopt rules necessary to administer this section.

14       **SECTION 3.** ORS 316.362 is amended to read:

15       316.362. (1) An income tax return with respect to the tax imposed by this chapter shall be made  
 16 by the following:

17           (a) Every resident individual:

18               (A) Who is required to file a federal income tax return for the taxable year; or

19               (B) Who has gross income greater than the sum of:

20                   (i) The basic standard deduction allowed under ORS 316.695 (1)(c)(B);

21                   (ii) Any additional standard deduction allowed to the taxpayer under ORS 316.695 [(7)] (10); and

22                   (iii) An amount equal to the income equivalent of one personal exemption credit under ORS  
 23 316.085 (3)(b) if unmarried, or equal to the income equivalent of two personal exemption credits un-  
 24 der ORS 316.085 (3)(b) if married.

25           (b) Every nonresident individual who has federal gross income from sources in this state of more  
 26 than the basic standard deduction allowed under ORS 316.695 (1)(c)(B).

27           (c) Every resident estate or trust that is required to file a federal income tax return.

28           (d) Every nonresident estate that has federal gross income of \$600 or more for the taxable year  
 29 from sources within this state.

30           (e) Every nonresident trust that for the taxable year has from sources within this state any  
 31 taxable income, or gross income of \$600 or more regardless of the amount of taxable income.

32       (2) Nothing contained in this section shall preclude the Department of Revenue from requiring  
 33 any individual, estate or trust to file a return when, in the judgment of the department, a return  
 34 should be filed.

35       (3) For purposes of this section, the income equivalent of a personal exemption credit under ORS  
 36 316.085 (3)(b) shall be determined as follows:

37           (a) Divide the personal exemption credit amount by the rate applicable to the lowest income  
 38 bracket under ORS 316.037.

39           (b) If the resulting quotient is less than the maximum amount of income subject to the rate used  
 40 in paragraph (a) of this subsection, the quotient is the income equivalent.

41           (c) If the resulting quotient is more than the maximum amount of income subject to the rate  
 42 used in paragraph (a) of this subsection:

43               (A) Multiply the maximum amount of income subject to the rate used in paragraph (a) of this  
 44 subsection by the rate used in paragraph (a) of this subsection.

45               (B) Determine the difference between the product calculated under subparagraph (A) of this

1 paragraph and the personal exemption credit amount.

2 (C) Divide the difference determined in subparagraph (B) of this paragraph by the rate applica-  
 3 ble to the income bracket that is the next succeeding the lowest income bracket under ORS 316.037.

4 (D) Add the quotient determined in subparagraph (C) of this paragraph to the maximum amount  
 5 of income subject to the rate used in paragraph (a) of this subsection. The sum is the income  
 6 equivalent.

7 **SECTION 4.** ORS 316.687 is amended to read:

8 316.687. There shall be added to federal taxable income of a parent who makes an election under  
 9 section 1(g)(7)(B) of the Internal Revenue Code any amount in excess of the standard deduction al-  
 10 lowed for a child under ORS 316.695 [(8)] (11) but not in excess of the amount described in section  
 11 1(g)(7)(B)(i) of the Internal Revenue Code (twice the amount in effect for the taxable year under  
 12 section 63(c)(5)(A) of the Internal Revenue Code). The addition under this section shall be made for  
 13 each child whose income is included in the taxable income of the parent under section 1(g)(7)(B) of  
 14 the Internal Revenue Code.

15 **SECTION 5.** ORS 316.690 is amended to read:

16 316.690. (1) Subject to subsection (2) of this section, in addition to other modifications provided  
 17 in this chapter, and if a taxpayer elects to take foreign income taxes imposed for the taxable year  
 18 by a foreign country as a credit on the federal income tax return or does not itemize personal de-  
 19 ductions on the federal income tax return, there shall be subtracted from federal taxable income in  
 20 the computation of state taxable income the amount of foreign income taxes imposed for the taxable  
 21 year by a foreign country.

22 (2) The deduction for foreign country income taxes provided by this section shall be limited as  
 23 follows:

24 (a) Except as provided in paragraph (b) of this subsection, the sum of foreign country income  
 25 taxes deducted in computing state taxable income and the modification for federal income taxes  
 26 authorized by ORS 316.680 (1)(b) as limited by ORS 316.695 [(3)] (6) [shall] **may** not exceed \$3,000.

27 (b) In the case of a husband and wife filing separate tax returns, the sum described in paragraph  
 28 (a) of this subsection shall be limited to \$1,500.

29 **SECTION 6.** The amendments to ORS 316.362, 316.687, 316.690 and 316.695 by sections 1,  
 30 1a, 3, 4 and 5 of this 2010 Act apply to tax years beginning on or after January 1, 2010.

31 **SECTION 7.** This 2010 Act takes effect on the 91st day after the date on which the special  
 32 session of the Seventy-fifth Legislative Assembly adjourns sine die.