

REVENUE: Revenue statement issued
FISCAL: No fiscal impact

Action: Do Pass and Be Referred to the Joint Tax Credits Committee by prior reference
Vote: 10 - 0 - 0
Yeas: Barton, Fagan, Holvey, Kennemer, Matthews, Thatcher, Thompson, Weidner, Witt, Doherty
Nays: 0
Exc.: 0
Prepared By: Jan Nordlund, Administrator
Meeting Dates: 3/18, 4/8

WHAT THE MEASURE DOES: Extends sunset from 2014 to 2020 for pension income tax credit.

ISSUES DISCUSSED:

- Support for means-tested tax credit
- Taxpayer cannot take tax credit for pension income and tax credit for elderly and disabled

EFFECT OF COMMITTEE AMENDMENT: No amendment.

BACKGROUND: In 1991, the Legislative Assembly created a tax credit for pension income. Though the intent is not stated in statute, it is presumed to provide tax relief to retired low income taxpayers. The credit is for nine percent of net pension income for taxpayers age 62 or older. Net pension income is defined as all retirement income except for Social Security income and federal pension income not taxed by Oregon. To qualify, household income, excluding social security income, must be less than \$22,500 if single and \$45,000 if married. Social Security income must be less than \$7,500 if single or \$15,000 if married.

Taxpayers may claim the pension income tax credit or the tax credit for the elderly or the disabled, but not both.

In the 2011 tax year, approximately 6,400 filers claimed a total of \$1.8 million in tax credits; roughly \$900,000 was used to reduce tax liability.

The household income and Social Security limits have not been changed since the tax credit was created in 1991. The number of taxpayers claiming the credit has declined since the credit became available. Use of the credit dropped off when federal pension income became exempt from taxation in 1998; the increase in Social Security benefits, which are not taxed by Oregon, has also resulted in lower use of the tax credit.