

DRAFT

SUMMARY

Provides for increase in income and corporate excise tax rates if high school graduation rates fall below certain percentage. Provides for subsequent decrease in income and corporate excise tax rates, to rates in current law, if high school graduation rates are raised to certain percentage. Becomes operative when Superintendent of Public Instruction announces high school graduation rates that meet thresholds. Applies to tax years beginning on or after January 1 following announcement.

Directs that revenues received due to imposition of income and excise tax rates above rates in current law are to be transferred to School Improvement Fund.

Takes effect on 91st day following adjournment sine die.

A BILL FOR AN ACT

Relating to state finance; creating new provisions; amending ORS 316.037 and 317.061; and prescribing an effective date.

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

SECTION 1. ORS 316.037 is amended to read:

316.037. (1)(a) A tax is imposed for each taxable year on the entire taxable income of every resident of this state. The amount of the tax shall be determined in accordance with the following table:

If taxable income is:	The tax is:
Not over \$2,000	5% of taxable income

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	Over \$2,000 but not	
2	over \$5,000	\$100 plus 7%
3		of the excess
4		over \$2,000
5		
6	Over \$5,000 but not	
7	over \$125,000	\$310 plus 9%
8		of the excess
9		over \$5,000
10		
11	Over \$125,000 but not	
12	over \$250,000	\$11,110 plus 9.9%
13		of the excess
14		over \$125,000
15		
16	Over \$250,000	\$24,610 plus 11%
17		of the excess
18		over \$250,000

20 (b) For tax years beginning in each calendar year, the Department of
 21 Revenue shall adopt a table that shall apply in lieu of the table contained
 22 in paragraph (a) of this subsection, as follows:

23 (A) Except as provided in subparagraph (D) of this paragraph, the mini-
 24 mum and maximum dollar amounts for each bracket for which a tax is im-
 25 posed shall be increased by the cost-of-living adjustment for the calendar
 26 year.

27 (B) The rate applicable to any rate bracket as adjusted under subpara-
 28 graph (A) of this paragraph shall not be changed.

29 (C) The amounts setting forth the tax, to the extent necessary to reflect
 30 the adjustments in the rate brackets, shall be adjusted.

31 (D) The rate brackets applicable to taxable income in excess of \$125,000

1 may not be adjusted.

2 (c) For purposes of paragraph (b) of this subsection, the cost-of-living ad-
3 justment for any calendar year is the percentage (if any) by which the
4 monthly averaged U.S. City Average Consumer Price Index for the 12 con-
5 secutive months ending August 31 of the prior calendar year exceeds the
6 monthly averaged index for the second quarter of the calendar year 1992.

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

11 (e) If any increase determined under paragraph (b) of this subsection is
12 not a multiple of \$50, the increase shall be rounded to the next lower mul-
13 tiple of \$50.

14 (2) A tax is imposed for each taxable year upon the entire taxable income
15 of every part-year resident of this state. The amount of the tax shall be
16 computed under subsection (1) of this section as if the part-year resident
17 were a full-year resident and shall be multiplied by the ratio provided under
18 ORS 316.117 to determine the tax on income derived from sources within this
19 state.

20 (3) A tax is imposed for each taxable year on the taxable income of every
21 full-year nonresident that is derived from sources within this state. The
22 amount of the tax shall be determined in accordance with the table set forth
23 in subsection (1) of this section.

24 **SECTION 2.** ORS 317.061, as amended by section 9, chapter 745, Oregon
25 Laws 2009, is amended to read:

26 317.061. The rate of the tax imposed by and computed under this chapter
27 is:

28 (1) Six and six-tenths percent of the first [*\$10 million*] **\$250,000** of taxable
29 income, or fraction thereof; and

30 (2) Seven and [*six-tenths*] **nine-tenths** percent of any amount of taxable
31 income in excess of [*\$10 million*] **\$250,000**.

1 **SECTION 3.** The amendments to ORS 316.037 and 317.061 by sections
2 1 and 2 of this 2013 Act apply to tax years beginning on or after the
3 January 1 immediately following the operative date specified in section
4 4 of this 2013 Act.

5 **SECTION 4.** The amendments to ORS 316.037 and 317.061 by sections
6 1 and 2 of this 2013 Act become operative on the date that the Super-
7 intendent of Public Instruction announces a high school graduation
8 rate of 65 percent or lower for students entering high school _____
9 years earlier.

10 **SECTION 5.** ORS 316.037, as amended by section 1 of this 2013 Act, is
11 amended to read:

12 316.037. (1)(a) A tax is imposed for each taxable year on the entire taxable
13 income of every resident of this state. The amount of the tax shall be de-
14 termined in accordance with the following table:

If taxable income is:	The tax is:
Not over \$2,000	5% of taxable income
Over \$2,000 but not over \$5,000	\$100 plus 7% of the excess over \$2,000
Over \$5,000 but not over \$125,000	\$310 plus 9% of the excess over \$5,000

1	Over \$125,000 [<i>but not</i>	
2	<i>over \$250,000</i>]	\$11,110 plus 9.9%
3		of the excess
4		over \$125,000
5		
6	[<i>Over \$250,000</i>	\$24,610 plus 11%
7		<i>of the excess</i>
8		<i>over \$250,000</i>]

10 (b) For tax years beginning in each calendar year, the Department of
 11 Revenue shall adopt a table that shall apply in lieu of the table contained
 12 in paragraph (a) of this subsection, as follows:

13 (A) Except as provided in subparagraph (D) of this paragraph, the mini-
 14 mum and maximum dollar amounts for each bracket for which a tax is im-
 15 posed shall be increased by the cost-of-living adjustment for the calendar
 16 year.

17 (B) The rate applicable to any rate bracket as adjusted under subpara-
 18 graph (A) of this paragraph shall not be changed.

19 (C) The amounts setting forth the tax, to the extent necessary to reflect
 20 the adjustments in the rate brackets, shall be adjusted.

21 (D) The rate brackets applicable to taxable income in excess of \$125,000
 22 may not be adjusted.

23 (c) For purposes of paragraph (b) of this subsection, the cost-of-living ad-
 24 justment for any calendar year is the percentage (if any) by which the
 25 monthly averaged U.S. City Average Consumer Price Index for the 12 con-
 26 secutive months ending August 31 of the prior calendar year exceeds the
 27 monthly averaged index for the second quarter of the calendar year 1992.

28 (d) As used in this subsection, "U.S. City Average Consumer Price
 29 Index" means the U.S. City Average Consumer Price Index for All Urban
 30 Consumers (All Items) as published by the Bureau of Labor Statistics of the
 31 United States Department of Labor.

1 (e) If any increase determined under paragraph (b) of this subsection is
2 not a multiple of \$50, the increase shall be rounded to the next lower mul-
3 tiple of \$50.

4 (2) A tax is imposed for each taxable year upon the entire taxable income
5 of every part-year resident of this state. The amount of the tax shall be
6 computed under subsection (1) of this section as if the part-year resident
7 were a full-year resident and shall be multiplied by the ratio provided under
8 ORS 316.117 to determine the tax on income derived from sources within this
9 state.

10 (3) A tax is imposed for each taxable year on the taxable income of every
11 full-year nonresident that is derived from sources within this state. The
12 amount of the tax shall be determined in accordance with the table set forth
13 in subsection (1) of this section.

14 **SECTION 6.** ORS 317.061, as amended by section 9, chapter 745, Oregon
15 Laws 2009, and section 2 of this 2013 Act, is amended to read:

16 317.061. The rate of the tax imposed by and computed under this chapter
17 is:

18 (1) Six and six-tenths percent of the first [~~\$250,000~~] **\$10 million** of taxable
19 income, or fraction thereof; and

20 (2) Seven and [~~nine-tenths~~] **six-tenths** percent of any amount of taxable
21 income in excess of [~~\$250,000~~] **\$10 million**.

22 **SECTION 7.** The amendments to ORS 316.037 and 317.061 by sections
23 **5 and 6 of this 2013 Act apply to tax years beginning on or after the**
24 **January 1 immediately following the operative date specified in section**
25 **8 of this 2013 Act.**

26 **SECTION 8.** The amendments to ORS 316.037 and 317.061 by sections
27 **5 and 6 of this 2013 Act become operative on the date that the Super-**
28 **intendent of Public Instruction announces a high school graduation**
29 **rate of at least 90 percent for students entering high school _____**
30 **years earlier, if, on a date following the effective date of this 2013 Act,**
31 **the Superintendent of Public Instruction has previously announced a**

1 high school graduation rate of 65 percent or lower.

2 **SECTION 9.** Section 10 of this 2013 Act is added to and made a part
3 of ORS chapter 316.

4 **SECTION 10.** (1) For tax years beginning on or after January 1, 2015,
5 any revenue that is received as a result of a rate of tax above 9.9
6 percent imposed under this chapter and that is in excess of the reve-
7 nue that would be received under this chapter at a rate of 9.9 percent
8 shall be deposited into the School Improvement Fund established in
9 ORS 327.294.

10 (2) Before the end of each biennium beginning with the biennium
11 ending on June 30, 2017, the Department of Revenue shall estimate the
12 revenue described in subsection (1) of this section. An amount equal
13 to that estimate shall be transferred into the School Improvement
14 Fund established in ORS 327.294 on or before June 30 of each odd-
15 numbered year.

16 **SECTION 11.** Section 12 of this 2013 Act is added to and made a part
17 of ORS chapter 317.

18 **SECTION 12.** (1) For tax years beginning on or after January 1, 2015,
19 any revenue that is received as a result of a rate of tax above seven
20 and six-tenths percent imposed under this chapter and that is in ex-
21 cess of the revenue that would be received under this chapter at a rate
22 of seven and six-tenths percent shall be deposited into the School Im-
23 provement Fund established in ORS 327.294.

24 (2) Before the end of each biennium beginning with the biennium
25 ending on June 30, 2017, the Department of Revenue shall estimate the
26 revenue described in subsection (1) of this section. An amount equal
27 to that estimate shall be transferred into the School Improvement
28 Fund established in ORS 327.294 on or before June 30 of each odd-
29 numbered year.

30 **SECTION 13.** Section 14 of this 2013 Act is added to and made a part
31 of ORS chapter 318.

1 **SECTION 14.** (1) For tax years beginning on or after January 1, 2015,
2 any revenue that is received as a result of a rate of tax above seven
3 and six-tenths percent imposed under this chapter and that is in ex-
4 cess of the revenue that would be received under this chapter at a rate
5 of seven and six-tenths percent shall be deposited into the School Im-
6 provement Fund established in ORS 327.294.

7 (2) Before the end of each biennium beginning with the biennium
8 ending on June 30, 2017, the Department of Revenue shall estimate the
9 revenue described in subsection (1) of this section. An amount equal
10 to that estimate shall be transferred into the School Improvement
11 Fund established in ORS 327.294 on or before June 30 of each odd-
12 numbered year.

13 **SECTION 15.** This 2013 Act takes effect on the 91st day after the
14 date on which the 2013 regular session of the Seventy-seventh Legis-
15 lative Assembly adjourns sine die.

16
