

A-Engrossed
House Bill 2456

Ordered by the House April 22
Including House Amendments dated April 22

Introduced and printed pursuant to House Rule 12.00. Pre-session filed (at the request of House Interim 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.

For purposes of personal income taxation, [*changes connection point from federal adjusted gross income to federal taxable income by eliminating allowance of itemized deductions or standard deduction. Modifies rates of personal income taxation.*] **phases out availability of itemized deductions, other than charitable contribution deductions, for taxpayer with federal adjusted gross income of \$125,000 or more for single return, or \$250,000 or more for joint return. Eliminates personal exemption credit for taxpayer with federal adjusted gross income of \$125,000 or more for single return or \$250,000 or more for joint return. Increases corporate minimum tax for corporations with at least \$100 million in Oregon sales. Increases corporate excise tax rate on taxable income above \$2.5 million.**

Applies to tax years beginning on or after January 1, 2013.

Requires corporations that file Oregon tax return and include unitary corporation that is incorporated in certain jurisdictions to include income from those jurisdictions in Oregon tax return. Directs Department of Revenue to submit report to Legislative Assembly on or before January 1 of each odd-numbered year on recommended changes to list of such countries.

Applies to tax years beginning on or after January 1, 2014.

Increases rate above which revenue from corporate excise tax for tax years beginning on or after January 1, 2013, is to be deposited in Oregon Rainy Day Fund.

Takes effect on 91st day following adjournment sine die.

A BILL FOR AN ACT

1
2 Relating to taxation; creating new provisions; amending ORS 316.085, 316.362, 316.687, 316.690,
3 316.695, 317.061, 317.090, 317.267, 317.715, 317.853 and 318.074; prescribing an effective date; and
4 providing for revenue raising that 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)] **(10)** of this

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 section, for purposes of this subparagraph, “standard deduction” means the sum of the basic stand-
2 ard deduction and the additional standard deduction.

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

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

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

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

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

9 (C)(i) For purposes of subparagraph (A) of this paragraph for tax years beginning on or after
10 January 1, 2003, the Department of Revenue shall annually recompute the basic standard deduction
11 for each category of return filer listed under subparagraph (B) of this paragraph. The basic standard
12 deduction shall be computed by dividing the monthly averaged U.S. City Average Consumer Price
13 Index for the 12 consecutive months ending August 31 of the prior calendar year by the average
14 U.S. City Average Consumer Price Index for the second quarter of 2002, then multiplying that quo-
15 tient by the amount listed under subparagraph (B) of this paragraph for each category of return
16 filer.

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

19 (iii) As used in this subparagraph, “U.S. City Average Consumer Price Index” means the U.S.
20 City Average Consumer Price Index for All Urban Consumers (All Items) as published by the Bureau
21 of Labor Statistics of the United States Department of Labor.

22 (D) For purposes of subparagraph (A) of this paragraph, the additional standard deduction is the
23 sum of each additional amount to which the taxpayer is entitled under subsection [(7)] (9) of this
24 section.

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

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

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

31 (ii) A nonresident alien individual;

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

34 (iv) An estate or trust;

35 (v) A common trust fund; or

36 (vi) A partnership.

37 [(d)] (2) For the purposes of [paragraph (c)(A) of this subsection] **subsection (1)(c)(A) of this**
38 **section**, the taxpayer’s itemized deductions [are] **shall be reduced as provided in subsection (3)**
39 **of this section and shall be calculated from a starting point** of the sum of:

40 [(A)] (a) The taxpayer’s itemized deductions [as defined in section 63(d) of the Internal Revenue
41 Code (reduced, if applicable, as described under section 68 of the Internal Revenue Code) minus the
42 deduction for Oregon income tax (reduced, if applicable, by the proportion that the reduction in
43 federal itemized deductions resulting from section 68 of the Internal Revenue Code bears to the
44 amount of federal itemized deductions as defined for purposes of section 68 of the Internal Revenue
45 Code); and

1 *[(B)]* **(b)** The amount that may be taken into account under section 213(a) of the Internal Re-
 2 venue Code, not to exceed seven and one-half percent of the federal adjusted gross income of the
 3 taxpayer, if the taxpayer has attained the following age before the close of the taxable year, or, in
 4 the case of a joint return, if either taxpayer has attained *[the following age before the close of the*
 5 *taxable year:]*

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

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

10 *[(iii) For taxable years beginning on or after January 1, 1995, and before January 1, 1997, a tax-*
 11 *payer must attain 60 years of age before the close of the taxable year.]*

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

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

16 **(3)(a) If for the tax year, a taxpayer has federal adjusted gross income in excess of the**
 17 **applicable limits provided in paragraph (b) of this subsection, the amount of itemized de-**
 18 **ductions otherwise allowable under subsection (2) of this section shall be reduced by 18 per-**
 19 **cent of the excess of adjusted gross income over the applicable limit. The reduction in this**
 20 **paragraph does not apply to any deduction for charitable contributions under section 170 of**
 21 **the Internal Revenue Code.**

22 **(b) The applicable limits are \$250,000, for joint return filers, a surviving spouse or a head**
 23 **of household, or \$125,000, for an individual who is not a married individual and is not a sur-**
 24 **viving spouse, or is a married individual who files a separate return.**

25 *[(2)(a)]* **(4)(a)** There shall be subtracted from federal taxable income any portion of the distrib-
 26 ution of a pension, profit-sharing, stock bonus or other retirement plan, representing that portion
 27 of contributions which were taxed by the State of Oregon but not taxed by the federal government
 28 under laws in effect for tax years beginning prior to January 1, 1969, or for any subsequent year in
 29 which the amount that was contributed to the plan under the Internal Revenue Code was greater
 30 than the amount allowed under this chapter.

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

35 *[(3)(a)]* **(5)(a)** Except as provided in subsection *[(4)]* **(6)** of this section, there shall be added to
 36 federal taxable income the amount of any federal income taxes in excess of the amount provided in
 37 paragraphs (b) to (d) of this subsection, accrued by the taxpayer during the taxable year as de-
 38 scribed in ORS 316.685, less the amount of any refund of federal taxes previously accrued for which
 39 a tax benefit was received.

40 (b) The limits applicable to this subsection are:

41 (A) \$5,500, if the federal adjusted gross income of the taxpayer for the tax year is less than
 42 \$125,000, or, if reported on a joint return, less than \$250,000.

43 (B) \$4,400, if the federal adjusted gross income of the taxpayer for the tax year is \$125,000 or
 44 more and less than \$130,000, or, if reported on a joint return, \$250,000 or more and less than
 45 \$260,000.

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

4 (D) \$2,200, if the federal adjusted gross income of the taxpayer for the tax year is \$135,000 or
5 more and less than \$140,000, or, if reported on a joint return, \$270,000 or more and less than
6 \$280,000.

7 (E) \$1,100, if the federal adjusted gross income of the taxpayer for the tax year is \$140,000 or
8 more and less than \$145,000, or, if reported on a joint return, \$280,000 or more and less than
9 \$290,000.

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

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

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

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

22 (B) The cost-of-living adjustment for a calendar year is the percentage by which the monthly
23 averaged U.S. City Average Consumer Price Index for the 12 consecutive months ending August 31
24 of the prior calendar year exceeds the monthly averaged index for the period beginning September
25 1, 2005, and ending August 31, 2006.

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

29 (D) If any adjustment determined under subparagraph (B) of this paragraph is not a multiple of
30 \$50, the adjustment shall be rounded to the next lower multiple of \$50.

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

33 [(4)(a)] **(6)(a)** In addition to the adjustments required by ORS 316.130, a full-year nonresident
34 individual shall add to taxable income a proportion of any accrued federal income taxes as computed
35 under ORS 316.685 in excess of the amount provided in subsection [(3)] **(5)** of this section in the
36 proportion provided in ORS 316.117.

37 (b) In the case of a husband and wife filing separate tax returns, the amount added under this
38 subsection shall be computed in a manner consistent with the computation of the amount to be
39 added in the case of a husband and wife filing separate returns under subsection [(3)] **(5)** of this
40 section. The method of computation shall be determined by the Department of Revenue by rule.

41 [(5)] **(7)** Subsections [(3)(d) and (4)(b)] **(5)(d) and (6)(b)** of this section shall not apply to married
42 individuals living apart as defined in section 7703(b) of the Internal Revenue Code.

43 [(6)(a)] **(8)(a)** For tax years beginning on or after January 1, 1981, and prior to January 1, 1983,
44 income or loss taken into account in determining federal taxable income by a shareholder of an S
45 corporation pursuant to sections 1373 to 1375 of the Internal Revenue Code shall be adjusted for

1 purposes of determining Oregon taxable income, to the extent that as income or loss of the S cor-
2 poration, they were required to be adjusted under the provisions of ORS chapter 317.

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

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

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

12 [(7)(a)] (9)(a) The taxpayer shall be entitled to an additional amount, as referred to in subsection
13 (1)(c)(A) and (D) of this section, of \$1,000:

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

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

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

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

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

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

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

33 [(8)] (10) In the case of an individual with respect to whom a deduction under section 151 of the
34 Internal Revenue Code is allowable for federal income tax purposes to another taxpayer for a tax-
35 able year beginning in the calendar year in which the individual's taxable year begins, the basic
36 standard deduction (referred to in subsection (1)(c)(B) of this section) applicable to such individual
37 for such individual's taxable year shall equal the lesser of:

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

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

41 **SECTION 2.** ORS 317.090 is amended to read:

42 317.090. (1) As used in this section:

43 (a) "Oregon sales" means:

44 (A) If the corporation apportions business income under ORS 314.650 to 314.665 for Oregon tax
45 purposes, the total sales of the taxpayer in this state during the tax year, as determined for purposes

1 of ORS 314.665;

2 (B) If the corporation does not apportion business income for Oregon tax purposes, the total
3 sales in this state that the taxpayer would have had, as determined for purposes of ORS 314.665, if
4 the taxpayer were required to apportion business income for Oregon tax purposes; or

5 (C) If the corporation apportions business income using a method different from the method
6 prescribed by ORS 314.650 to 314.665, Oregon sales as defined by the Department of Revenue by
7 rule.

8 (b) If the corporation is an agricultural cooperative that is a cooperative organization described
9 in section 1381 of the Internal Revenue Code, "Oregon sales" does not include sales representing
10 business done with or for members of the agricultural cooperative.

11 (2) Each corporation or affiliated group of corporations filing a return under ORS 317.710 shall
12 pay annually to the state, for the privilege of carrying on or doing business by it within this state,
13 a minimum tax as follows:

14 (a) If Oregon sales properly reported on a return are:

15 (A) Less than \$500,000, the minimum tax is \$150.

16 (B) \$500,000 or more, but less than \$1 million, the minimum tax is \$500.

17 (C) \$1 million or more, but less than \$2 million, the minimum tax is \$1,000.

18 (D) \$2 million or more, but less than \$3 million, the minimum tax is \$1,500.

19 (E) \$3 million or more, but less than \$5 million, the minimum tax is \$2,000.

20 (F) \$5 million or more, but less than \$7 million, the minimum tax is \$4,000.

21 (G) \$7 million or more, but less than \$10 million, the minimum tax is \$7,500.

22 (H) \$10 million or more, but less than \$25 million, the minimum tax is \$15,000.

23 (I) \$25 million or more, but less than \$50 million, the minimum tax is \$30,000.

24 (J) \$50 million or more, but less than \$75 million, the minimum tax is \$50,000.

25 (K) \$75 million or more, but less than \$100 million, the minimum tax is \$75,000.

26 (L) \$100 million [*or more*], the minimum tax is \$100,000.

27 **(M) More than \$100 million, the minimum tax is \$100,000 plus 0.1 percent of the excess**
28 **over \$100 million.**

29 (b) If a corporation is an S corporation, the minimum tax is \$150.

30 (3) The minimum tax is not apportionable (except in the case of a change of accounting periods),
31 and is payable in full for any part of the year during which a corporation is subject to tax.

32 **SECTION 3.** ORS 317.061, as amended by section 9, chapter 745, Oregon Laws 2009, is amended
33 to read:

34 317.061. The rate of the tax imposed by and computed under this chapter is:

35 (1) Six and six-tenths percent of the first [*\$10 million*] **\$2.5 million** of taxable income, or fraction
36 thereof; and

37 (2) Seven and [*six-tenths*] **nine-tenths** percent of any amount of taxable income in excess of [*\$10*
38 *million*] **\$2.5 million.**

39 **SECTION 4.** ORS 316.085 is amended to read:

40 316.085. (1)(a) There shall be allowed a personal exemption credit against taxes otherwise due
41 under this chapter. The credit shall equal \$90 multiplied by the number of personal exemptions al-
42 lowed under section 151 of the Internal Revenue Code.

43 (b) In the case of an individual with respect to whom a credit under paragraph (a) of this sub-
44 section is allowable to another taxpayer for a taxable year beginning in the calendar year in which
45 the individual's taxable year begins, the credit amount applicable to such individual for such

1 individual's taxable year is zero.

2 (2)(a) A nonresident shall be allowed the credit provided under subsection (1) of this section
3 computed in the same manner and subject to the same limitations as the credit allowed to a resident
4 of this state. However, the credit shall be prorated using the proportion provided in ORS 316.117.

5 (b) If a change in the taxable year of a taxpayer occurs as described in ORS 314.085, or if the
6 Department of Revenue terminates the taxpayer's taxable year under ORS 314.440, the credit al-
7 lowed by this section shall be prorated or computed in a manner consistent with ORS 314.085.

8 (c) If a change in the status of a taxpayer from resident to nonresident or from nonresident to
9 resident occurs, the credit allowed by this section shall be determined in a manner consistent with
10 ORS 316.117.

11 (3) The Department of Revenue shall recompute the dollar amount of the personal exemption
12 credit allowed for state personal income tax purposes. The computation shall be as follows:

13 (a) Divide the monthly averaged U.S. City Average Consumer Price Index for the 12 consecutive
14 months ending August 31 of the prior calendar year by the monthly averaged index for the first six
15 months of 1986.

16 (b) Recompute the dollar amount of the personal exemption credit by multiplying \$90 by the
17 appropriate indexing factor determined as provided in paragraph (a) of this subsection. Round off the
18 amount obtained under this paragraph to the nearest \$1.

19 (4) As used in this section, "U.S. City Average Consumer Price Index" means the U.S. City Av-
20 erage Consumer Price Index for All Urban Consumers (All Items) as published by the Bureau of
21 Labor Statistics of the United States Department of Labor.

22 (5) Notwithstanding subsections (1) to (3) of this section, **a taxpayer may not claim the ex-**
23 **emption credit otherwise allowed under this section** if [a] **the taxpayer's federal adjusted gross**
24 **income for the tax year exceeds \$250,000, for joint return filers, a surviving spouse or a head**
25 **of household, or \$125,000, for an individual who is not a married individual and is not a sur-**
26 **living spouse, or is a married individual who files a separate return.** [the threshold amount, the
27 exemption amount shall be the greater of:]

28 [(a) *Thirty-three percent of the amount computed in subsection (3) of this section; or*]

29 [(b) *The amount computed in subsection (3) of this section reduced by:*]

30 [(A) *Two percentage points for each \$2,500 (or fraction thereof) by which the taxpayer's federal*
31 *adjusted gross income exceeds the threshold amount; or*]

32 [(B) *Two percentage points for each \$1,250 (or fraction thereof) by which the taxpayer's federal*
33 *adjusted gross income exceeds the threshold amount, if the taxpayer is married but filing separately.*]

34 [(6) *As used in this section, "threshold amount" means:*]

35 [(a) *\$234,600 in the case of a joint return or a surviving spouse.*]

36 [(b) *\$195,500 in the case of a head of a household.*]

37 [(c) *\$156,400 in the case of an individual who is not a married individual and is not a surviving*
38 *spouse.*]

39 [(d) *\$117,300 in the case of a married individual filing a separate return.*]

40 [(7) *The Department of Revenue shall adjust the threshold amounts in subsection (6) of this section*
41 *according to the cost-of-living adjustment for the calendar year. The department shall annually recom-*
42 *pute the threshold amounts for the current tax year by multiplying each dollar amount by the percent-*
43 *age (if any) by which the monthly averaged U.S. City Average Consumer Price Index for the 12*
44 *consecutive months ending August 31 of the prior calendar year exceeds the monthly averaged U.S.*
45 *City Average Consumer Price Index for the 12 consecutive months ending August 31, 2006.*]

1 *[(8) If a threshold amount computed under subsections (6) and (7) of this section is not a multiple*
2 *of \$50, the amount shall be rounded to the next lower multiple of \$50.]*

3 **SECTION 5.** ORS 316.362 is amended to read:

4 316.362. (1) An income tax return with respect to the tax imposed by this chapter shall be made
5 by the following:

6 (a) Every resident individual:

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

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

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

10 (ii) Any additional standard deduction allowed to the taxpayer under ORS 316.695 [(7)] (9); and

11 (iii) An amount equal to the income equivalent of one personal exemption credit under ORS
12 316.085 (3)(b) if unmarried, or equal to the income equivalent of two personal exemption credits un-
13 der ORS 316.085 (3)(b) if married.

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

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

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

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

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

24 (3) For purposes of this section, the income equivalent of a personal exemption credit under ORS
25 316.085 (3)(b) shall be determined as follows:

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

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

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

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

34 (B) Determine the difference between the product calculated under subparagraph (A) of this
35 paragraph and the personal exemption credit amount.

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

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

41 **SECTION 6.** ORS 316.687 is amended to read:

42 316.687. There shall be added to federal taxable income of a parent who makes an election under
43 section 1(g)(7)(B) of the Internal Revenue Code any amount in excess of the standard deduction al-
44 lowed for a child under ORS 316.695 [(8)] (10) but not in excess of the amount described in section
45 1(g)(7)(B)(i) of the Internal Revenue Code (twice the amount in effect for the taxable year under

1 section 63(c)(5)(A) of the Internal Revenue Code). The addition under this section shall be made for
 2 each child whose income is included in the taxable income of the parent under section 1(g)(7)(B) of
 3 the Internal Revenue Code.

4 **SECTION 7.** ORS 316.690 is amended to read:

5 316.690. (1) Subject to subsection (2) of this section, in addition to other modifications provided
 6 in this chapter, and if a taxpayer elects to take foreign income taxes imposed for the taxable year
 7 by a foreign country as a credit on the federal income tax return or does not itemize personal de-
 8 ductions on the federal income tax return, there shall be subtracted from federal taxable income in
 9 the computation of state taxable income the amount of foreign income taxes imposed for the taxable
 10 year by a foreign country.

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

13 (a) Except as provided in paragraph (b) of this subsection, the sum of foreign country income
 14 taxes deducted in computing state taxable income and the modification for federal income taxes
 15 authorized by ORS 316.680 (1)(b) as limited by ORS 316.695 [(3)] (5) shall not exceed \$3,000.

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

18 **SECTION 8.** ORS 317.715 is amended to read:

19 317.715. (1) If a corporation required to make a return under this chapter is a member of an
 20 affiliated group of corporations making a consolidated federal return under sections 1501 to 1505
 21 of the Internal Revenue Code, the corporation's Oregon taxable income shall be determined begin-
 22 ning with federal consolidated taxable income of the affiliated group as provided in this section.

23 **(2)(a) For purposes of determining Oregon taxable income, the taxable income or loss of**
 24 **any corporation that is a member of a unitary group and that is incorporated in any of the**
 25 **following jurisdictions shall be added to federal consolidated taxable income:**

26 **(b) Andorra, Anguilla, Antigua and Barbuda, Aruba, the Bahamas, Bahrain, Barbados,**
 27 **Belize, Bermuda, the British Virgin Islands, the Cayman Islands, the Cook Islands, Cyprus,**
 28 **Dominica, Gibraltar, Grenada, Guernsey-Sark-Alderney, the Isle of Man, Jersey, Liberia,**
 29 **Liechtenstein, Luxembourg, Malta, the Marshall Islands, Mauritius, Monaco, Montserrat,**
 30 **Nauru, the Netherlands Antilles, Niue, Panama, Samoa, San Marino, Seychelles, St. Kitts and**
 31 **Nevis, St. Lucia, St. Vincent and the Grenadines, the Turks and Caicos Islands, the**
 32 **U.S. Virgin Islands and Vanuatu.**

33 [(2)] (3) If the affiliated group, of which the corporation subject to taxation under this chapter
 34 is a member, consists of more than one unitary group, before the additions, subtractions, adjustments
 35 and modifications to federal taxable income provided for in this chapter are made, and before allo-
 36 cation and apportionment as provided in ORS 317.010 (10), if any, modified federal consolidated
 37 taxable income shall be computed. Modified federal consolidated taxable income shall be determined
 38 by eliminating from the federal consolidated taxable income of the affiliated group the separate
 39 taxable income, as determined under Treasury Regulations adopted under section 1502 of the Inter-
 40 nal Revenue Code, and any deductions or additions or items of income, expense, gain or loss for
 41 which consolidated treatment is prescribed under Treasury Regulations adopted under section 1502
 42 of the Internal Revenue Code, attributable to the member or members of any unitary group of which
 43 the corporation is not a member.

44 [(3)(a)] (4)(a) After modified federal consolidated taxable income is determined under subsection
 45 [(2)] (3) of this section, the additions, subtractions, adjustments and modifications prescribed by this

1 chapter shall be made to the modified federal consolidated taxable income of the remaining members
 2 of the affiliated group, where applicable, as if all such members were subject to taxation under this
 3 chapter. After those modifications are made, Oregon taxable income or loss shall be determined as
 4 provided in ORS 317.010 (10)(a) to (c), if necessary.

5 (b) In the computation of the Oregon apportionment percentage for a corporation that is a
 6 member of an affiliated group filing a consolidated federal return, there shall be taken into consid-
 7 eration only the property, payroll, sales or other factors of those members of the affiliated group,
 8 **and of those corporations described in subsection (2) of this section**, whose items of income,
 9 expense, gain or loss remain in modified federal consolidated taxable income after the eliminations
 10 required under subsection [(2)] (3) of this section. Those members of an affiliated group making a
 11 consolidated federal return or a consolidated state return [shall] **may** not be treated as one taxpayer
 12 for purposes of determining whether any member of the group is taxable in this state or any other
 13 state with respect to questions of jurisdiction to tax or the composition of the apportionment factors
 14 used to attribute income to this state under ORS 314.280 or 314.605 to 314.675.

15 **(5) The Department of Revenue shall adopt rules:**

16 **(a) To determine the computation of income or loss for a corporation that is a member**
 17 **of a unitary group and that is not otherwise required to file a consolidated federal return.**

18 **(b) To prevent double taxation or double deduction of any amount included in the com-**
 19 **putation of income under this section.**

20 **SECTION 9.** ORS 317.267 is amended to read:

21 317.267. (1) To derive Oregon taxable income, there shall be added to federal taxable income
 22 amounts received as dividends from corporations deducted for federal purposes pursuant to section
 23 243 or 245 of the Internal Revenue Code, except section 245(c) of the Internal Revenue Code,
 24 amounts paid as dividends by a public utility or telecommunications utility and deducted for federal
 25 purposes pursuant to section 247 of the Internal Revenue Code or dividends eliminated under
 26 Treasury Regulations adopted under section 1502 of the Internal Revenue Code that are paid by
 27 members of an affiliated group that are eliminated from a consolidated federal return pursuant to
 28 ORS 317.715 [(2)] (3).

29 (2) To derive Oregon taxable income, after the modification prescribed under subsection (1) of
 30 this section, there shall be subtracted from federal taxable income an amount equal to 70 percent
 31 of dividends (determined without regard to section 78 of the Internal Revenue Code) received or
 32 deemed received from corporations if such dividends are included in federal taxable income. How-
 33 ever:

34 (a) In the case of any dividend on debt-financed portfolio stock as described in section 246A of
 35 the Internal Revenue Code, the subtraction allowed under this subsection shall be reduced under the
 36 same conditions and in same amount as the dividends received deduction otherwise allowable for
 37 federal income tax purposes is reduced under section 246A of the Internal Revenue Code.

38 (b) In the case of any dividend received from a 20 percent owned corporation, as defined in
 39 section 243(c) of the Internal Revenue Code, this subsection shall be applied by substituting “80
 40 percent” for “70 percent.”

41 (c) A dividend that is not treated as a dividend under section 243(d) or 965(c)(3) of the Internal
 42 Revenue Code may not be treated as a dividend for purposes of this subsection.

43 (d) If a dividends received deduction is not allowed for federal tax purposes because of section
 44 246(a) or (c) of the Internal Revenue Code, a subtraction may not be made under this subsection for
 45 received dividends that are described in section 246(a) or (c) of the Internal Revenue Code.

1 (3) There shall be excluded from the sales factor of any apportionment formula employed to at-
2 tribute income to this state any amount subtracted from federal taxable income under subsection (2)
3 of this section.

4 **SECTION 10. On or before January 1 of each odd-numbered year, the Department of**
5 **Revenue shall submit a report to the Legislative Assembly in the manner provided by ORS**
6 **192.245. The report shall include recommendations for legislation related to jurisdictions**
7 **listed in ORS 317.715 (2)(b), including recommendations for additions to or subtractions from**
8 **the list of jurisdictions in ORS 317.715 (2)(b).**

9 **SECTION 11. (1) The amendments to ORS 316.085, 316.362, 316.687, 316.690, 316.695, 317.061**
10 **and 317.090 by sections 1 to 7 of this 2013 Act apply to tax years beginning on or after Jan-**
11 **uary 1, 2013.**

12 **(2) The amendments to ORS 317.267 and 317.715 by sections 8 and 9 of this 2013 Act apply**
13 **to tax years beginning on or after January 1, 2014.**

14 **SECTION 12.** ORS 317.853 is amended to read:

15 317.853. (1) For tax years beginning on or after January 1, 2013, any revenue that is received
16 as a result of a rate of tax above [*six and six-tenths*] **seven and one-half** percent imposed under this
17 chapter and that is in excess of the revenue that would be received under this chapter at a rate of
18 [*six and six-tenths*] **seven and one-half** percent shall be deposited into the Oregon Rainy Day Fund
19 established by ORS 293.144.

20 (2) Before the end of each biennium, beginning with the biennium ending on June 30, 2015, the
21 Department of Revenue shall estimate the revenue described in subsection (1) of this section that
22 is received during the biennium. An amount equal to that estimate shall be transferred into the
23 Oregon Rainy Day Fund established by ORS 293.144 on or before June 30 of each odd-numbered
24 year.

25 **SECTION 13.** ORS 318.074 is amended to read:

26 318.074. (1) For tax years beginning on or after January 1, 2013, any revenue that is received
27 as a result of a rate of tax above [*six and six-tenths*] **seven and one-half** percent imposed under this
28 chapter and that is in excess of the revenue that would be received under this chapter at a rate of
29 [*six and six-tenths*] **seven and one-half** percent shall be deposited into the Oregon Rainy Day Fund
30 established by ORS 293.144.

31 (2) Before the end of each biennium, beginning with the biennium ending on June 30, 2015, the
32 Department of Revenue shall estimate the revenue described in subsection (1) of this section that
33 is received during the biennium. An amount equal to that estimate shall be transferred into the
34 Oregon Rainy Day Fund established by ORS 293.144 on or before June 30 of each odd-numbered
35 year.

36 **SECTION 14. This 2013 Act takes effect on the 91st day after the date on which the 2013**
37 **regular session of the Seventy-seventh Legislative Assembly adjourns sine die.**

38