

HOUSE AMENDMENTS TO HOUSE BILL 2456

By COMMITTEE ON REVENUE

April 22

1 On page 1 of the printed bill, line 2, after “amending” delete the rest of the line and line 3 and
2 insert “ORS 316.085, 316.362, 316.687, 316.690, 316.695, 317.061, 317.090, 317.267, 317.715, 317.853 and
3 318.074; prescribing an effective date; and providing for revenue raising that requires approval by
4 a three-fifths majority.”.

5 Delete lines 5 through 29 and delete pages 2 through 9 and insert:

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
18 section, for purposes of this subparagraph, ‘standard deduction’ means the sum of the basic standard
19 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
29 deduction shall be computed by dividing the monthly averaged U.S. City Average Consumer Price
30 Index for the 12 consecutive months ending August 31 of the prior calendar year by the average
31 U.S. City Average Consumer Price Index for the second quarter of 2002, then multiplying that quo-
32 tient by the amount listed under subparagraph (B) of this paragraph for each category of return
33 filer.

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

1 “(iii) As used in this subparagraph, ‘U.S. City Average Consumer Price Index’ means the U.S.
2 City Average Consumer Price Index for All Urban Consumers (All Items) as published by the Bureau
3 of Labor Statistics of the United States Department of Labor.

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

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

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

11 “(i) A husband or wife filing a separate return where the other spouse has claimed itemized
12 deductions under subparagraph (A) of this paragraph;

13 “(ii) A nonresident alien individual;

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

16 “(iv) An estate or trust;

17 “(v) A common trust fund; or

18 “(vi) A partnership.

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

22 “[*(A)*] (a) The taxpayer’s itemized deductions as defined in section 63(d) of the Internal Revenue
23 Code (reduced, if applicable, as described under section 68 of the Internal Revenue Code) minus the
24 deduction for Oregon income tax (reduced, if applicable, by the proportion that the reduction in
25 federal itemized deductions resulting from section 68 of the Internal Revenue Code bears to the
26 amount of federal itemized deductions as defined for purposes of section 68 of the Internal Revenue
27 Code); and

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

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

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

37 “[*(iii)* For taxable years beginning on or after January 1, 1995, and before January 1, 1997, a
38 taxpayer must attain 60 years of age before the close of the taxable year.]

39 “[*(iv)* For taxable years beginning on or after January 1, 1997, and before January 1, 1999, a
40 taxpayer must attain 61 years of age before the close of the taxable year.]

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

43 “(3)(a) **If for the tax year, a taxpayer has federal adjusted gross income in excess of the**
44 **applicable limits provided in paragraph (b) of this subsection, the amount of itemized de-**
45 **ductions otherwise allowable under subsection (2) of this section shall be reduced by 18 per-**

1 cent of the excess of adjusted gross income over the applicable limit. The reduction in this
2 paragraph does not apply to any deduction for charitable contributions under section 170 of
3 the Internal Revenue Code.

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

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

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

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

22 “(b) The limits applicable to this subsection are:

23 “(A) \$5,500, if the federal adjusted gross income of the taxpayer for the tax year is less than
24 \$125,000, or, if reported on a joint return, less than \$250,000.

25 “(B) \$4,400, if the federal adjusted gross income of the taxpayer for the tax year is \$125,000 or
26 more and less than \$130,000, or, if reported on a joint return, \$250,000 or more and less than
27 \$260,000.

28 “(C) \$3,300, if the federal adjusted gross income of the taxpayer for the tax year is \$130,000 or
29 more and less than \$135,000, or, if reported on a joint return, \$260,000 or more and less than
30 \$270,000.

31 “(D) \$2,200, if the federal adjusted gross income of the taxpayer for the tax year is \$135,000 or
32 more and less than \$140,000, or, if reported on a joint return, \$270,000 or more and less than
33 \$280,000.

34 “(E) \$1,100, if the federal adjusted gross income of the taxpayer for the tax year is \$140,000 or
35 more and less than \$145,000, or, if reported on a joint return, \$280,000 or more and less than
36 \$290,000.

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

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

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

1 “(f)(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 amounts described in
3 paragraphs (b) and (d) 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
12 of \$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)~~] **(6)(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 the amount provided in subsection [~~(3)~~] **(5)** of this section in the
18 proportion provided in ORS 316.117.

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

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

25 “[~~(6)(a)~~] **(8)(a)** For tax years beginning on or after January 1, 1981, and prior to January 1, 1983,
26 income or loss taken into account in determining federal taxable income by a shareholder of an S
27 corporation pursuant to sections 1373 to 1375 of the Internal Revenue Code shall be adjusted for
28 purposes of determining Oregon taxable income, to the extent that as income or loss of the S cor-
29 poration, they were required to be adjusted under the provisions of ORS chapter 317.

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

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

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

39 “[~~(7)(a)~~] **(9)(a)** The taxpayer shall be entitled to an additional amount, as referred to in sub-
40 section (1)(c)(A) and (D) of this section, of \$1,000:

41 “(A) For the taxpayer if the taxpayer has attained age 65 before the close of the taxpayer’s
42 taxable year; and

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

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

3 “(A) For the taxpayer if the taxpayer is blind at the close of the 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
10 (a) 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 the individual’s central visual
12 acuity does not exceed 20/200 in the better eye with correcting lenses, or if the individual’s visual
13 acuity is greater than 20/200 but is accompanied by a limitation in the fields of vision such that the
14 widest diameter of the visual field subtends an angle no greater than 20 degrees.

15 “[8] (10) In the case of an individual with respect to whom a deduction under section 151 of
16 the Internal Revenue Code is allowable for federal income tax purposes to another taxpayer for a
17 taxable 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
21 for 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 2.** ORS 317.090 is amended to read:

24 “317.090. (1) As used in this section:

25 “(a) ‘Oregon sales’ means:

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

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

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

35 “(b) If the corporation is an agricultural cooperative that is a cooperative organization de-
36 scribed in section 1381 of the Internal Revenue Code, ‘Oregon sales’ does not include sales repre-
37 senting business done with or for members of the agricultural cooperative.

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

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

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

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

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

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

1 “(E) \$3 million or more, but less than \$5 million, the minimum tax is \$2,000.
2 “(F) \$5 million or more, but less than \$7 million, the minimum tax is \$4,000.
3 “(G) \$7 million or more, but less than \$10 million, the minimum tax is \$7,500.
4 “(H) \$10 million or more, but less than \$25 million, the minimum tax is \$15,000.
5 “(I) \$25 million or more, but less than \$50 million, the minimum tax is \$30,000.
6 “(J) \$50 million or more, but less than \$75 million, the minimum tax is \$50,000.
7 “(K) \$75 million or more, but less than \$100 million, the minimum tax is \$75,000.
8 “(L) \$100 million [*or more*], the minimum tax is \$100,000.
9 “(M) **More than \$100 million, the minimum tax is \$100,000 plus 0.1 percent of the excess**
10 **over \$100 million.**

11 “(b) If a corporation is an S corporation, the minimum tax is \$150.
12 “(3) The minimum tax is not apportionable (except in the case of a change of accounting peri-
13 ods), and is payable in full for any part of the year during which a corporation is subject to tax.

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

16 “317.061. The rate of the tax imposed by and computed under this chapter is:
17 “(1) Six and six-tenths percent of the first [*\$10 million*] **\$2.5 million** of taxable income, or frac-
18 tion thereof; and
19 “(2) Seven and [*six-tenths*] **nine-tenths** percent of any amount of taxable income in excess of
20 [*\$10 million*] **\$2.5 million.**

21 “**SECTION 4.** ORS 316.085 is amended to read:
22 “316.085. (1)(a) There shall be allowed a personal exemption credit against taxes otherwise due
23 under this chapter. The credit shall equal \$90 multiplied by the number of personal exemptions al-
24 lowed under section 151 of the Internal Revenue Code.

25 “(b) In the case of an individual with respect to whom a credit under paragraph (a) of this
26 subsection is allowable to another taxpayer for a taxable year beginning in the calendar year in
27 which the individual’s taxable year begins, the credit amount applicable to such individual for such
28 individual’s taxable year is zero.

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

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

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

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

40 “(a) Divide the monthly averaged U.S. City Average Consumer Price Index for the 12 consec-
41 utive months ending August 31 of the prior calendar year by the monthly averaged index for the
42 first six months of 1986.

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

1 “(4) As used in this section, ‘U.S. City Average Consumer Price Index’ means the U.S. City Av-
2 erage Consumer Price Index for All Urban Consumers (All Items) as published by the Bureau of
3 Labor Statistics of the United States Department of Labor.

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

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

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

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

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

16 “[6] *As used in this section, ‘threshold amount’ means:*]

17 “[a] *\$234,600 in the case of a joint return or a surviving spouse.*]

18 “[b] *\$195,500 in the case of a head of a household.*]

19 “[c] *\$156,400 in the case of an individual who is not a married individual and is not a surviving
20 spouse.*]

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

22 “[7] *The Department of Revenue shall adjust the threshold amounts in subsection (6) of this section
23 according to the cost-of-living adjustment for the calendar year. The department shall annually recom-
24 pute the threshold amounts for the current tax year by multiplying each dollar amount by the percent-
25 age (if any) by which the monthly averaged U.S. City Average Consumer Price Index for the 12
26 consecutive months ending August 31 of the prior calendar year exceeds the monthly averaged U.S.
27 City Average Consumer Price Index for the 12 consecutive months ending August 31, 2006.*]

28 “[8] *If a threshold amount computed under subsections (6) and (7) of this section is not a multiple
29 of \$50, the amount shall be rounded to the next lower multiple of \$50.*]

30 “**SECTION 5.** ORS 316.362 is amended to read:

31 “316.362. (1) An income tax return with respect to the tax imposed by this chapter shall be made
32 by the following:

33 “(a) Every resident individual:

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

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

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

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

38 “(iii) An amount equal to the income equivalent of one personal exemption credit under ORS
39 316.085 (3)(b) if unmarried, or equal to the income equivalent of two personal exemption credits un-
40 der ORS 316.085 (3)(b) if married.

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

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

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

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

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

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

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

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

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

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

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

18 “(C) Divide the difference determined in subparagraph (B) of this paragraph by the rate appli-
19 cable to the income bracket that is the next succeeding the lowest income bracket under ORS
20 316.037.

21 “(D) Add the quotient determined in subparagraph (C) of this paragraph to the maximum amount
22 of income subject to the rate used in paragraph (a) of this subsection. The sum is the income
23 equivalent.

24 “**SECTION 6.** ORS 316.687 is amended to read:

25 “316.687. There shall be added to federal taxable income of a parent who makes an election
26 under section 1(g)(7)(B) of the Internal Revenue Code any amount in excess of the standard de-
27 duction allowed for a child under ORS 316.695 [(8)] (10) but not in excess of the amount described
28 in section 1(g)(7)(B)(i) of the Internal Revenue Code (twice the amount in effect for the taxable year
29 under section 63(c)(5)(A) of the Internal Revenue Code). The addition under this section shall be
30 made for each child whose income is included in the taxable income of the parent under section
31 1(g)(7)(B) of the Internal Revenue Code.

32 “**SECTION 7.** ORS 316.690 is amended to read:

33 “316.690. (1) Subject to subsection (2) of this section, in addition to other modifications provided
34 in this chapter, and if a taxpayer elects to take foreign income taxes imposed for the taxable year
35 by a foreign country as a credit on the federal income tax return or does not itemize personal de-
36 ductions on the federal income tax return, there shall be subtracted from federal taxable income in
37 the computation of state taxable income the amount of foreign income taxes imposed for the taxable
38 year by a foreign country.

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

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

44 “(b) In the case of a husband and wife filing separate tax returns, the sum described in para-
45 graph (a) of this subsection shall be limited to \$1,500.

1 “**SECTION 8.** ORS 317.715 is amended to read:

2 “317.715. (1) If a corporation required to make a return under this chapter is a member of an
3 affiliated group of corporations making a consolidated federal return under sections 1501 to 1505
4 of the Internal Revenue Code, the corporation’s Oregon taxable income shall be determined begin-
5 ning with federal consolidated taxable income of the affiliated group as provided in this section.

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

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

16 “[(2)] (3) If the affiliated group, of which the corporation subject to taxation under this chapter
17 is a member, consists of more than one unitary group, before the additions, subtractions, adjustments
18 and modifications to federal taxable income provided for in this chapter are made, and before allo-
19 cation and apportionment as provided in ORS 317.010 (10), if any, modified federal consolidated
20 taxable income shall be computed. Modified federal consolidated taxable income shall be determined
21 by eliminating from the federal consolidated taxable income of the affiliated group the separate
22 taxable income, as determined under Treasury Regulations adopted under section 1502 of the Inter-
23 nal Revenue Code, and any deductions or additions or items of income, expense, gain or loss for
24 which consolidated treatment is prescribed under Treasury Regulations adopted under section 1502
25 of the Internal Revenue Code, attributable to the member or members of any unitary group of which
26 the corporation is not a member.

27 “[(3)(a)] (4)(a) After modified federal consolidated taxable income is determined under subsection
28 [(2)] (3) of this section, the additions, subtractions, adjustments and modifications prescribed by this
29 chapter shall be made to the modified federal consolidated taxable income of the remaining members
30 of the affiliated group, where applicable, as if all such members were subject to taxation under this
31 chapter. After those modifications are made, Oregon taxable income or loss shall be determined as
32 provided in ORS 317.010 (10)(a) to (c), if necessary.

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

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

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

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

3 **“SECTION 9.** ORS 317.267 is amended to read:

4 **“317.267. (1)** To derive Oregon taxable income, there shall be added to federal taxable income
5 amounts received as dividends from corporations deducted for federal purposes pursuant to section
6 243 or 245 of the Internal Revenue Code, except section 245(c) of the Internal Revenue Code,
7 amounts paid as dividends by a public utility or telecommunications utility and deducted for federal
8 purposes pursuant to section 247 of the Internal Revenue Code or dividends eliminated under
9 Treasury Regulations adopted under section 1502 of the Internal Revenue Code that are paid by
10 members of an affiliated group that are eliminated from a consolidated federal return pursuant to
11 ORS 317.715 [(2)] **(3).**

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

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

21 **“(b)** In the case of any dividend received from a 20 percent owned corporation, as defined in
22 section 243(c) of the Internal Revenue Code, this subsection shall be applied by substituting ‘80
23 percent’ for ‘70 percent.’

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

26 **“(d)** If a dividends received deduction is not allowed for federal tax purposes because of section
27 246(a) or (c) of the Internal Revenue Code, a subtraction may not be made under this subsection for
28 received dividends that are described in section 246(a) or (c) of the Internal Revenue Code.

29 **“(3)** There shall be excluded from the sales factor of any apportionment formula employed to
30 attribute income to this state any amount subtracted from federal taxable income under subsection
31 (2) of this section.

32 **“SECTION 10.** On or before January 1 of each odd-numbered year, the Department of
33 Revenue shall submit a report to the Legislative Assembly in the manner provided by ORS
34 192.245. The report shall include recommendations for legislation related to jurisdictions
35 listed in ORS 317.715 (2)(b), including recommendations for additions to or subtractions from
36 the list of jurisdictions in ORS 317.715 (2)(b).

37 **“SECTION 11.** (1) The amendments to ORS 316.085, 316.362, 316.687, 316.690, 316.695,
38 317.061 and 317.090 by sections 1 to 7 of this 2013 Act apply to tax years beginning on or after
39 January 1, 2013.

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

42 **“SECTION 12.** ORS 317.853 is amended to read:

43 **“317.853. (1)** For tax years beginning on or after January 1, 2013, any revenue that is received
44 as a result of a rate of tax above [*six and six-tenths*] **seven and one-half** percent imposed under this
45 chapter and that is in excess of the revenue that would be received under this chapter at a rate of

1 [six and six-tenths] **seven and one-half** percent shall be deposited into the Oregon Rainy Day Fund
2 established by ORS 293.144.

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

8 “**SECTION 13.** ORS 318.074 is amended to read:

9 “318.074. (1) For tax years beginning on or after January 1, 2013, any revenue that is received
10 as a result of a rate of tax above [six and six-tenths] **seven and one-half** percent imposed under this
11 chapter and that is in excess of the revenue that would be received under this chapter at a rate of
12 [six and six-tenths] **seven and one-half** percent shall be deposited into the Oregon Rainy Day Fund
13 established by ORS 293.144.

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

19 “**SECTION 14. This 2013 Act takes effect on the 91st day after the date on which the 2013**
20 **regular session of the Seventy-seventh Legislative Assembly adjourns sine die.**”
21
