

**PROPOSED AMENDMENTS TO
HOUSE BILL 2456**

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

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

7 **“SECTION 1.** ORS 316.695 is amended to read:

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

11 “(a) If, in computing federal income tax for a taxable year, the taxpayer
12 deducted itemized deductions, as defined in section 63(d) of the Internal
13 Revenue Code, the taxpayer shall add the amount of itemized deductions
14 deducted (the itemized deductions less an amount, if any, by which the
15 itemized deductions are reduced under section 68 of the Internal Revenue
16 Code).

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

21 “(c)(A) From federal taxable income there shall be subtracted the larger
22 of (i) the taxpayer’s itemized deductions or (ii) a standard deduction. Except

1 as provided in subsection [(8)] (10) of this section, for purposes of this sub-
2 paragraph, 'standard deduction' means the sum of the basic standard de-
3 duction and the additional standard deduction.

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

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

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

9 "(iii) \$1,640, in the case of a married individual who files a separate re-
10 turn; or

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

12 "(C)(i) For purposes of subparagraph (A) of this paragraph for tax years
13 beginning on or after January 1, 2003, the Department of Revenue shall an-
14 nually recompute the basic standard deduction for each category of return
15 filer listed under subparagraph (B) of this paragraph. The basic standard
16 deduction shall be computed by dividing the monthly averaged U.S. City
17 Average Consumer Price Index for the 12 consecutive months ending August
18 31 of the prior calendar year by the average U.S. City Average Consumer
19 Price Index for the second quarter of 2002, then multiplying that quotient
20 by the amount listed under subparagraph (B) of this paragraph for each
21 category of return filer.

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

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

29 "(D) For purposes of subparagraph (A) of this paragraph, the additional
30 standard deduction is the sum of each additional amount to which the tax-

1 payer is entitled under subsection [(7)] **(9)** of this section.

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

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

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

9 “(ii) A nonresident alien individual;

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

12 “(iv) An estate or trust;

13 “(v) A common trust fund; or

14 “(vi) A partnership.

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

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

26 “[*(B)*] **(b)** The amount that may be taken into account under section
27 213(a) of the Internal Revenue Code, not to exceed seven and one-half percent
28 of the federal adjusted gross income of the taxpayer, if the taxpayer has at-
29 tained the following age before the close of the taxable year, or, in the case
30 of a joint return, if either taxpayer has attained [*the following age before the*

1 *close of the taxable year:]*

2 *“[(i) For taxable years beginning on or after January 1, 1991, and before*
3 *January 1, 1993, a taxpayer must attain 58 years of age before the close of the*
4 *taxable year.]*

5 *“[(ii) For taxable years beginning on or after January 1, 1993, and before*
6 *January 1, 1995, a taxpayer must attain 59 years of age before the close of the*
7 *taxable year.]*

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

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

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

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

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

27 *“[(2)(a)] (4)(a) There shall be subtracted from federal taxable income any*
28 *portion of the distribution of a pension, profit-sharing, stock bonus or other*
29 *retirement plan, representing that portion of contributions which were taxed*
30 *by the State of Oregon but not taxed by the federal government under laws*

1 in effect for tax years beginning prior to January 1, 1969, or for any subse-
2 quent year in which the amount that was contributed to the plan under the
3 Internal Revenue Code was greater than the amount allowed under this
4 chapter.

5 “(b) Interest or other earnings on any excess contributions of a pension,
6 profit-sharing, stock bonus or other retirement plan not permitted to be de-
7 ducted under paragraph (a) of this subsection shall not be added to federal
8 taxable income in the year earned by the plan and shall not be subtracted
9 from federal taxable income in the year received by the taxpayer.

10 “[~~(3)(a)~~] **(5)(a)** Except as provided in subsection [~~(4)~~] **(6)** of this section,
11 there shall be added to federal taxable income the amount of any federal
12 income taxes in excess of the amount provided in paragraphs (b) to (d) of this
13 subsection, accrued by the taxpayer during the taxable year as described in
14 ORS 316.685, less the amount of any refund of federal taxes previously ac-
15 crued for which a tax benefit was received.

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

17 “(A) \$5,500, if the federal adjusted gross income of the taxpayer for the
18 tax year is less than \$125,000, or, if reported on a joint return, less than
19 \$250,000.

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

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

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

29 “(E) \$1,100, if the federal adjusted gross income of the taxpayer for the
30 tax year is \$140,000 or more and less than \$145,000, or, if reported on a joint

1 return, \$280,000 or more and less than \$290,000.

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

6 “(d) In the case of a husband and wife filing separate tax returns, the
7 amount added shall be in the amount of any federal income taxes in excess
8 of the amount provided for individual taxpayers under paragraphs (a) to (c)
9 of this subsection, less the amount of any refund of federal taxes previously
10 accrued for which a tax benefit was received.

11 “(e) For purposes of this subsection, the limits applicable to a joint return
12 shall apply to a head of household or a surviving spouse, as defined in sec-
13 tion 2(a) and (b) of the Internal Revenue Code.

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

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

23 “(C) As used in this paragraph, ‘U.S. City Average Consumer Price
24 Index’ means the U.S. City Average Consumer Price Index for All Urban
25 Consumers (All Items) as published by the Bureau of Labor Statistics of the
26 United States Department of Labor.

27 “(D) If any adjustment determined under subparagraph (B) of this para-
28 graph is not a multiple of \$50, the adjustment shall be rounded to the next
29 lower multiple of \$50.

30 “(E) The adjustment shall apply to all tax years beginning in the calendar

1 year for which the adjustment is made.

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

7 “(b) In the case of a husband and wife filing separate tax returns, the
8 amount added under this subsection shall be computed in a manner consist-
9 ent with the computation of the amount to be added in the case of a husband
10 and wife filing separate returns under subsection [~~(3)~~] **(5)** of this section. The
11 method of computation shall be determined by the Department of Revenue
12 by rule.

13 “[~~(5)~~] **(7)** Subsections [~~(3)(d) and (4)(b)~~] **(5)(d) and (6)(b)** of this section
14 shall not apply to married individuals living apart as defined in section
15 7703(b) of the Internal Revenue Code.

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

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

30 “(c) The tax years referred to in paragraphs (a) and (b) of this subsection

1 are those of the S corporation.

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

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

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

8 “(B) For the spouse of the taxpayer if the spouse has attained age 65 be-
9 fore the close of the taxable year and an additional exemption is allowable
10 to the taxpayer for such spouse for federal income tax purposes under section
11 151(b) of the Internal Revenue Code.

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

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

16 “(B) For the spouse of the taxpayer if the spouse is blind as of the close
17 of the taxable year and an additional exemption is allowable to the taxpayer
18 for such spouse for federal income tax purposes under section 151(b) of the
19 Internal Revenue Code. For purposes of this subparagraph, if the spouse dies
20 during the taxable year, the determination of whether such spouse is blind
21 shall be made immediately prior to death.

22 “(c) In the case of an individual who is not married and is not a surviving
23 spouse, paragraphs (a) and (b) of this subsection shall be applied by substi-
24 tuting ‘\$1,200’ for ‘\$1,000.’

25 “(d) For purposes of this subsection, an individual is blind only if the
26 individual’s central visual acuity does not exceed 20/200 in the better eye
27 with correcting lenses, or if the individual’s visual acuity is greater than
28 20/200 but is accompanied by a limitation in the fields of vision such that
29 the widest diameter of the visual field subtends an angle no greater than 20
30 degrees.

1 “[8] (10) In the case of an individual with respect to whom a deduction
2 under section 151 of the Internal Revenue Code is allowable for federal in-
3 come tax purposes to another taxpayer for a taxable year beginning in the
4 calendar year in which the individual’s taxable year begins, the basic
5 standard deduction (referred to in subsection (1)(c)(B) of this section) appli-
6 cable to such individual for such individual’s taxable year shall equal the
7 lesser of:

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

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

12 **“SECTION 2.** ORS 317.090 is amended to read:

13 “317.090. (1) As used in this section:

14 “(a) ‘Oregon sales’ means:

15 “(A) If the corporation apportions business income under ORS 314.650 to
16 314.665 for Oregon tax purposes, the total sales of the taxpayer in this state
17 during the tax year, as determined for purposes of ORS 314.665;

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

22 “(C) If the corporation apportions business income using a method dif-
23 ferent from the method prescribed by ORS 314.650 to 314.665, Oregon sales
24 as defined by the Department of Revenue by rule.

25 “(b) If the corporation is an agricultural cooperative that is a cooperative
26 organization described in section 1381 of the Internal Revenue Code, ‘Oregon
27 sales’ does not include sales representing business done with or for members
28 of the agricultural cooperative.

29 “(2) Each corporation or affiliated group of corporations filing a return
30 under ORS 317.710 shall pay annually to the state, for the privilege of car-

1 rying on or doing business by it within this state, a minimum tax as follows:

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

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

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

5 “(C) \$1 million or more, but less than \$2 million, the minimum tax is
6 \$1,000.

7 “(D) \$2 million or more, but less than \$3 million, the minimum tax is
8 \$1,500.

9 “(E) \$3 million or more, but less than \$5 million, the minimum tax is
10 \$2,000.

11 “(F) \$5 million or more, but less than \$7 million, the minimum tax is
12 \$4,000.

13 “(G) \$7 million or more, but less than \$10 million, the minimum tax is
14 \$7,500.

15 “(H) \$10 million or more, but less than \$25 million, the minimum tax is
16 \$15,000.

17 “(I) \$25 million or more, but less than \$50 million, the minimum tax is
18 \$30,000.

19 “(J) \$50 million or more, but less than \$75 million, the minimum tax is
20 \$50,000.

21 “(K) \$75 million or more, but less than \$100 million, the minimum tax is
22 \$75,000.

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

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

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

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

30 “**SECTION 3.** ORS 317.061, as amended by section 9, chapter 745, Oregon

1 Laws 2009, is amended to read:

2 “317.061. The rate of the tax imposed by and computed under this chapter
3 is:

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

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

8 **“SECTION 4.** ORS 316.085 is amended to read:

9 “316.085. (1)(a) There shall be allowed a personal exemption credit against
10 taxes otherwise due under this chapter. The credit shall equal \$90 multiplied
11 by the number of personal exemptions allowed under section 151 of the
12 Internal Revenue Code.

13 “(b) In the case of an individual with respect to whom a credit under
14 paragraph (a) of this subsection is allowable to another taxpayer for a tax-
15 able year beginning in the calendar year in which the individual’s taxable
16 year begins, the credit amount applicable to such individual for such
17 individual’s taxable year is zero.

18 “(2)(a) A nonresident shall be allowed the credit provided under sub-
19 section (1) of this section computed in the same manner and subject to the
20 same limitations as the credit allowed to a resident of this state. However,
21 the credit shall be prorated using the proportion provided in ORS 316.117.

22 “(b) If a change in the taxable year of a taxpayer occurs as described in
23 ORS 314.085, or if the Department of Revenue terminates the taxpayer’s
24 taxable year under ORS 314.440, the credit allowed by this section shall be
25 prorated or computed in a manner consistent with ORS 314.085.

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

29 “(3) The Department of Revenue shall recompute the dollar amount of the
30 personal exemption credit allowed for state personal income tax purposes.

1 The computation shall be as follows:

2 “(a) Divide the monthly averaged U.S. City Average Consumer Price In-
3 dex for the 12 consecutive months ending August 31 of the prior calendar
4 year by the monthly averaged index for the first six months of 1986.

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

9 “(4) As used in this section, ‘U.S. City Average Consumer Price Index’
10 means the U.S. City Average Consumer Price Index for All Urban Consumers
11 (All Items) as published by the Bureau of Labor Statistics of the United
12 States Department of Labor.

13 “(5) Notwithstanding subsections (1) to (3) of this section, **a taxpayer**
14 **may not claim the exemption credit otherwise allowed under this sec-**
15 **tion** if [a] **the taxpayer’s federal adjusted gross income for the tax year ex-**
16 **ceeds \$250,000, for joint return filers, a surviving spouse or a head of**
17 **household, or \$125,000, for an individual who is not a married individ-**
18 **ual and is not a surviving spouse, or is a married individual who files**
19 **a separate return.** [*the threshold amount, the exemption amount shall be the*
20 *greater of:*]

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

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

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

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

30 “[6] *As used in this section, ‘threshold amount’ means:]*

1 “(a) \$234,600 in the case of a joint return or a surviving spouse.]

2 “(b) \$195,500 in the case of a head of a household.]

3 “(c) \$156,400 in the case of an individual who is not a married individual
4 and is not a surviving spouse.]

5 “(d) \$117,300 in the case of a married individual filing a separate
6 return.]

7 “(7) The Department of Revenue shall adjust the threshold amounts in
8 subsection (6) of this section according to the cost-of-living adjustment for the
9 calendar year. The department shall annually recompute the threshold amounts
10 for the current tax year by multiplying each dollar amount by the percentage
11 (if any) by which the monthly averaged U.S. City Average Consumer Price
12 Index for the 12 consecutive months ending August 31 of the prior calendar
13 year exceeds the monthly averaged U.S. City Average Consumer Price Index
14 for the 12 consecutive months ending August 31, 2006.]

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

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

19 “316.362. (1) An income tax return with respect to the tax imposed by this
20 chapter shall be made by the following:

21 “(a) Every resident individual:

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

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

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

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

28 “(iii) An amount equal to the income equivalent of one personal ex-
29 emption credit under ORS 316.085 (3)(b) if unmarried, or equal to the income
30 equivalent of two personal exemption credits under ORS 316.085 (3)(b) if

1 married.

2 “(b) Every nonresident individual who has federal gross income from
3 sources in this state of more than the basic standard deduction allowed un-
4 der ORS 316.695 (1)(c)(B).

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

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

9 “(e) Every nonresident trust that for the taxable year has from sources
10 within this state any taxable income, or gross income of \$600 or more re-
11 gardless of the amount of taxable income.

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

15 “(3) For purposes of this section, the income equivalent of a personal ex-
16 emption credit under ORS 316.085 (3)(b) shall be determined as follows:

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

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

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

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

27 “(B) Determine the difference between the product calculated under sub-
28 paragraph (A) of this paragraph and the personal exemption credit amount.

29 “(C) Divide the difference determined in subparagraph (B) of this para-
30 graph by the rate applicable to the income bracket that is the next suc-

1 ceeding the lowest income bracket under ORS 316.037.

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

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

6 “316.687. There shall be added to federal taxable income of a parent who
7 makes an election under section 1(g)(7)(B) of the Internal Revenue Code any
8 amount in excess of the standard deduction allowed for a child under ORS
9 316.695 [(8)] **(10)** but not in excess of the amount described in section
10 1(g)(7)(B)(i) of the Internal Revenue Code (twice the amount in effect for the
11 taxable year under section 63(c)(5)(A) of the Internal Revenue Code). The
12 addition under this section shall be made for each child whose income is
13 included in the taxable income of the parent under section 1(g)(7)(B) of the
14 Internal Revenue Code.

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

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

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

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

30 “(b) In the case of a husband and wife filing separate tax returns, the sum

1 described in paragraph (a) of this subsection shall be limited to \$1,500.

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

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

9 **“(2)(a) For purposes of determining Oregon taxable income, the**
10 **taxable income or loss of any corporation that is a member of a**
11 **unitary group and that is incorporated in any of the following juris-**
12 **dictions shall be added to federal consolidated taxable income:**

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

22 “[2)] (3) If the affiliated group, of which the corporation subject to tax-
23 ation under this chapter is a member, consists of more than one unitary
24 group, before the additions, subtractions, adjustments and modifications to
25 federal taxable income provided for in this chapter are made, and before al-
26 location and apportionment as provided in ORS 317.010 (10), if any, modified
27 federal consolidated taxable income shall be computed. Modified federal
28 consolidated taxable income shall be determined by eliminating from the
29 federal consolidated taxable income of the affiliated group the separate tax-
30 able income, as determined under Treasury Regulations adopted under sec-

1 tion 1502 of the Internal Revenue Code, and any deductions or additions or
2 items of income, expense, gain or loss for which consolidated treatment is
3 prescribed under Treasury Regulations adopted under section 1502 of the
4 Internal Revenue Code, attributable to the member or members of any
5 unitary group of which the corporation is not a member.

6 “[~~(3)(a)~~] **(4)(a)** After modified federal consolidated taxable income is de-
7 termined under subsection [~~(2)~~] **(3)** of this section, the additions, sub-
8 tractions, adjustments and modifications prescribed by this chapter shall be
9 made to the modified federal consolidated taxable income of the remaining
10 members of the affiliated group, where applicable, as if all such members
11 were subject to taxation under this chapter. After those modifications are
12 made, Oregon taxable income or loss shall be determined as provided in ORS
13 317.010 (10)(a) to (c), if necessary.

14 “(b) In the computation of the Oregon apportionment percentage for a
15 corporation that is a member of an affiliated group filing a consolidated
16 federal return, there shall be taken into consideration only the property,
17 payroll, sales or other factors of those members of the affiliated group, **and**
18 **of those corporations described in subsection (2) of this section**, whose
19 items of income, expense, gain or loss remain in modified federal consol-
20 idated taxable income after the eliminations required under subsection [~~(2)~~]
21 **(3)** of this section. Those members of an affiliated group making a consol-
22 idated federal return or a consolidated state return [*shall*] **may** not be
23 treated as one taxpayer for purposes of determining whether any member of
24 the group is taxable in this state or any other state with respect to questions
25 of jurisdiction to tax or the composition of the apportionment factors used
26 to attribute income to this state under ORS 314.280 or 314.605 to 314.675.

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

28 “**(a) To determine the computation of income or loss for a corpo-**
29 **ration that is a member of a unitary group and that is not otherwise**
30 **required to file a consolidated federal return.**

1 **“(b) To prevent double taxation or double deduction of any amount**
2 **included in the computation 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
5 federal taxable income amounts received as dividends from corporations de-
6 ducted for federal purposes pursuant to section 243 or 245 of the Internal
7 Revenue Code, except section 245(c) of the Internal Revenue Code, amounts
8 paid as dividends by a public utility or telecommunications utility and de-
9 ducted for federal purposes pursuant to section 247 of the Internal Revenue
10 Code or dividends eliminated under Treasury Regulations adopted under
11 section 1502 of the Internal Revenue Code that are paid by members of an
12 affiliated group that are eliminated from a consolidated federal return pur-
13 suant to ORS 317.715 [(2)] **(3)**.

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

20 “(a) In the case of any dividend on debt-financed portfolio stock as de-
21 scribed in section 246A of the Internal Revenue Code, the subtraction al-
22 lowed under this subsection shall be reduced under the same conditions and
23 in same amount as the dividends received deduction otherwise allowable for
24 federal income tax purposes is reduced under section 246A of the Internal
25 Revenue Code.

26 “(b) In the case of any dividend received from a 20 percent owned corpo-
27 ration, as defined in section 243(c) of the Internal Revenue Code, this sub-
28 section shall be applied by substituting ‘80 percent’ for ‘70 percent.’

29 “(c) A dividend that is not treated as a dividend under section 243(d) or
30 965(c)(3) of the Internal Revenue Code may not be treated as a dividend for

1 purposes of this subsection.

2 “(d) If a dividends received deduction is not allowed for federal tax pur-
3 poses because of section 246(a) or (c) of the Internal Revenue Code, a sub-
4 traction may not be made under this subsection for received dividends that
5 are described in section 246(a) or (c) of the Internal Revenue Code.

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

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

15 **“SECTION 11. (1) The amendments to ORS 316.085, 316.362, 316.687,**
16 **316.690, 316.695, 317.061 and 317.090 by sections 1 to 7 of this 2013 Act**
17 **apply to tax years beginning on or after January 1, 2013.**

18 **“(2) The amendments to ORS 317.267 and 317.715 by sections 8 and**
19 **9 of this 2013 Act apply to tax years beginning on or after January 1,**
20 **2014.**

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

22 **“317.853. (1) For tax years beginning on or after January 1, 2013, any**
23 **revenue that is received as a result of a rate of tax above [six and**
24 **six-tenths] **seven and one-half** percent imposed under this chapter and that**
25 **is in excess of the revenue that would be received under this chapter at a**
26 **rate of [six and six-tenths] **seven and one-half** percent shall be deposited**
27 **into the Oregon Rainy Day Fund established by ORS 293.144.**

28 **“(2) Before the end of each biennium, beginning with the biennium ending**
29 **on June 30, 2015, the Department of Revenue shall estimate the revenue de-**
30 **scribed in subsection (1) of this section that is received during the biennium.**

1 An amount equal to that estimate shall be transferred into the Oregon Rainy
2 Day Fund established by ORS 293.144 on or before June 30 of each odd-
3 numbered year.

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

5 “318.074. (1) For tax years beginning on or after January 1, 2013, any
6 revenue that is received as a result of a rate of tax above [*six and*
7 *six-tenths*] **seven and one-half** percent imposed under this chapter and that
8 is in excess of the revenue that would be received under this chapter at a
9 rate of [*six and six-tenths*] **seven and one-half** percent shall be deposited
10 into the Oregon Rainy Day Fund established by ORS 293.144.

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

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

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