

**PROPOSED AMENDMENTS TO
MINORITY REPORT A-ENGROSSED HOUSE BILL 2456**

1 On page 1 of the printed minority report A-engrossed bill, line 2, after
2 “ORS” delete the rest of the line and delete line 3 and insert “291.201,
3 316.695, 317.061, 317.267, 317.635, 317.715, 323.030, 323.455, 323.505 and 323.625;
4 prescribing an effective date; and providing for revenue raising that requires
5 approval by a three-fifths majority.”.

6 Delete lines 5 through 21 and delete pages 2 and 3 and insert:
7

8 **“SMALL AND FAMILY BUSINESS TAX RELIEF**
9

10 **“SECTION 1. Section 3 of this 2013 Act shall be known and may be**
11 **cited as the Small and Family Business Tax Relief Act.**

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

14 **“SECTION 3. (1) As used in this section, ‘pass-through entity’**
15 **means any entity that is recognized as a separate entity for federal**
16 **income tax purposes and for which the owners are required to report**
17 **income, gains, losses, deductions or credits from the entity for federal**
18 **income tax purposes.**

19 **“(2) If a taxpayer has nonpassive income attributable to a pass-**
20 **through entity, that income shall be taxed at a rate of:**

21 **“(a)(A) Seven percent of the first \$10 million of taxable income, or**
22 **fraction thereof; and**

1 **“(B) Nine and nine-tenths percent of any amount of taxable income**
2 **in excess of \$10 million; or**

3 **“(b) At the election of the taxpayer, the rate otherwise applicable**
4 **under ORS 316.037.**

5 **“SECTION 4. Section 3 of this 2013 Act applies to tax years begin-**
6 **ning on or after January 1, 2014.**

7
8 **“OREGON EXPORT ECONOMY INCENTIVES**

9
10 **“SECTION 5. ORS 317.635 is amended to read:**

11 **“317.635. (1) Except as provided in subsection (2) of this section and**
12 **ORS 317.283, a domestic international sales corporation, commonly referred**
13 **to as ‘DISC,’ as defined in section 992 of the Internal Revenue Code, shall**
14 **be taxed in the manner provided for other corporations under this chapter**
15 **and without regard to sections 991 to 996 of the Internal Revenue Code.**

16 **“(2) An interest charge DISC that was formed on or before June 30,**
17 **2013:**

18 **“(a) Is exempt from the tax imposed under ORS 317.090; and**

19 **“(b) Notwithstanding ORS 317.061, shall be taxed under this chapter**
20 **at a rate of 2.5 percent.**

21 **“SECTION 6. ORS 317.635, as amended by section 5 of this 2013 Act, is**
22 **amended to read:**

23 **“317.635. (1) Except as provided in subsection (2) of this section and ORS**
24 **317.283, a domestic international sales corporation, commonly referred to as**
25 **‘DISC,’ as defined in section 992 of the Internal Revenue Code, shall be taxed**
26 **in the manner provided for other corporations under this chapter and with-**
27 **out regard to sections 991 to 996 of the Internal Revenue Code.**

28 **“(2) An interest charge DISC [*that was formed on or before June 30,***
29 ***2013*]:**

30 **“(a) Is exempt from the tax imposed under ORS 317.090; and**

1 “(b) Notwithstanding ORS 317.061, shall be taxed under this chapter at a
2 rate of 2.5 percent.

3 “**SECTION 7. (1) The amendments to ORS 317.635 by section 5 of this**
4 **2013 Act apply to tax years beginning on or after January 1, 2013, and**
5 **before January 1, 2018.**

6 “(2) The amendments to ORS 317.635 by section 6 of this 2013 Act
7 apply to tax years beginning on or after January 1, 2018.

8

9 “**ADDITIONAL MEDICAL SUBTRACTION FOR LOWER INCOME**
10 **SENIORS AND CAP ON OREGON ITEMIZED DEDUCTIONS**

11

12 “**SECTION 8.** ORS 316.695 is amended to read:

13 “316.695. (1) In addition to the modifications to federal taxable income
14 contained in this chapter, there shall be added to or subtracted from federal
15 taxable income:

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

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

26 “(c)(A) From federal taxable income there shall be subtracted the larger
27 of (i) the taxpayer’s itemized deductions or (ii) a standard deduction. Except
28 as provided in subsection (8) of this section, for purposes of this subpara-
29 graph, ‘standard deduction’ means the sum of the basic standard deduction
30 and the additional standard deduction.

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

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

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

6 “(iii) \$1,640, in the case of a married individual who files a separate re-
7 turn; 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
10 beginning on or after January 1, 2003, the Department of Revenue shall an-
11 nually recompute the basic standard deduction for each category of return
12 filer listed under subparagraph (B) of this paragraph. The basic standard
13 deduction shall be computed by dividing the monthly averaged U.S. City
14 Average Consumer Price Index for the 12 consecutive months ending August
15 31 of the prior calendar year by the average U.S. City Average Consumer
16 Price Index for the second quarter of 2002, then multiplying that quotient
17 by the amount listed under subparagraph (B) of this paragraph for each
18 category of return filer.

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

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

26 “(D) For purposes of subparagraph (A) of this paragraph, the additional
27 standard deduction is the sum of each additional amount to which the tax-
28 payer is entitled under subsection (7) of this section.

29 “(E) As used in subparagraph (B) of this paragraph, ‘surviving spouse’ and
30 ‘head of household’ have the meaning given those terms in section 2 of the

1 Internal Revenue Code.

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

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

6 “(ii) A nonresident alien individual;

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

9 “(iv) An estate or trust;

10 “(v) A common trust fund; or

11 “(vi) A partnership.

12 “(d) For the purposes of paragraph (c)(A) of this subsection, the taxpayer’s
13 itemized deductions [*are the sum of:*]

14 “[*(A) The*] **shall be limited as provided in paragraph (e) of this sub-**
15 **section and shall be the amount of the** taxpayer’s itemized deductions as
16 defined in section 63(d) of the Internal Revenue Code (reduced, if applicable,
17 as described under section 68 of the Internal Revenue Code) minus the de-
18 duction for Oregon income tax (reduced, if applicable, by the proportion that
19 the reduction in federal itemized deductions resulting from section 68 of the
20 Internal Revenue Code bears to the amount of federal itemized deductions
21 as defined for purposes of section 68 of the Internal Revenue Code).[; and]

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

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

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

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

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

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

12 “(e)(A) **A taxpayer’s itemized deductions as computed under para-**
13 **graph (d) of this subsection may not exceed \$100,000 for joint return**
14 **filers, a surviving spouse or a head of household, or \$60,000 for an in-**
15 **dividual who is not a married individual and is not a surviving spouse,**
16 **or who is a married individual who files a separate return.**

17 “(B) **For tax years beginning on or after January 1, 2015, the De-**
18 **partment of Revenue shall annually recompute the maximum amounts**
19 **of itemized deductions under subparagraph (A) of this paragraph based**
20 **on changes in the U.S. City Average Consumer Price Index for All**
21 **Urban Consumers (All Items) as published by the Bureau of Labor**
22 **Statistics of the United States Department of Labor.**

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

30 “(b) Interest or other earnings on any excess contributions of a pension,

1 profit-sharing, stock bonus or other retirement plan not permitted to be de-
2 ducted under paragraph (a) of this subsection shall not be added to federal
3 taxable income in the year earned by the plan and shall not be subtracted
4 from federal taxable income in the year received by the taxpayer.

5 “(3)(a) Except as provided in subsection (4) of this section, there shall be
6 added to federal taxable income the amount of any federal income taxes in
7 excess of the amount provided in paragraphs (b) to (d) of this subsection,
8 accrued by the taxpayer during the taxable year as described in ORS 316.685,
9 less the amount of any refund of federal taxes previously accrued for which
10 a tax benefit was received.

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

12 “(A) \$5,500, if the federal adjusted gross income of the taxpayer for the
13 tax year is less than \$125,000, or, if reported on a joint return, less than
14 \$250,000.

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

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

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

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

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

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

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

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

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

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

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

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

27 “(4)(a) In addition to the adjustments required by ORS 316.130, a full-year
28 nonresident individual shall add to taxable income a proportion of any ac-
29 crued federal income taxes as computed under ORS 316.685 in excess of the
30 amount provided in subsection (3) of this section in the proportion provided

1 in ORS 316.117.

2 “(b) In the case of a husband and wife filing separate tax returns, the
3 amount added under this subsection shall be computed in a manner consist-
4 ent with the computation of the amount to be added in the case of a husband
5 and wife filing separate returns under subsection (3) of this section. The
6 method of computation shall be determined by the Department of Revenue
7 by rule.

8 “(5) Subsections (3)(d) and (4)(b) of this section shall not apply to married
9 individuals living apart as defined in section 7703(b) of the Internal Revenue
10 Code.

11 “(6)(a) For tax years beginning on or after January 1, 1981, and prior to
12 January 1, 1983, income or loss taken into account in determining federal
13 taxable income by a shareholder of an S corporation pursuant to sections
14 1373 to 1375 of the Internal Revenue Code shall be adjusted for purposes of
15 determining Oregon taxable income, to the extent that as income or loss of
16 the S corporation, they were required to be adjusted under the provisions
17 of ORS chapter 317.

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

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

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

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

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

3 “(B) For the spouse of the taxpayer if the spouse has attained age 65 be-
4 fore the close of the taxable year and an additional exemption is allowable
5 to the taxpayer for such spouse for federal income tax purposes under section
6 151(b) of the Internal Revenue Code.

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

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

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

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

20 “(d) For purposes of this subsection, an individual is blind only if the
21 individual’s central visual acuity does not exceed 20/200 in the better eye
22 with correcting lenses, or if the individual’s visual acuity is greater than
23 20/200 but is accompanied by a limitation in the fields of vision such that
24 the widest diameter of the visual field subtends an angle no greater than 20
25 degrees.

26 “(8) In the case of an individual with respect to whom a deduction under
27 section 151 of the Internal Revenue Code is allowable for federal income tax
28 purposes to another taxpayer for a taxable year beginning in the calendar
29 year in which the individual’s taxable year begins, the basic standard de-
30 duction (referred to in subsection (1)(c)(B) of this section) applicable to such

1 individual for such individual's taxable year shall equal the lesser of:

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

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

6 “**SECTION 9.** ORS 316.695, as amended by section 8 of this 2013 Act, is
7 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
23 as provided in subsection (8) of this section, for purposes of this subpara-
24 graph, ‘standard deduction’ means the sum of the basic standard deduction
25 and the additional standard deduction.

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

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

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

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

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

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

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

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

21 “(D) For purposes of subparagraph (A) of this paragraph, the additional
22 standard deduction is the sum of each additional amount to which the tax-
23 payer is entitled under subsection (7) of this section.

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

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

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

- 1 “(ii) A nonresident alien individual;
- 2 “(iii) An individual making a return for a period of less than 12 months
- 3 on account of a change in the individual’s annual accounting period;
- 4 “(iv) An estate or trust;
- 5 “(v) A common trust fund; or
- 6 “(vi) A partnership.

7 “(d) For the purposes of paragraph (c)(A) of this subsection, the taxpayer’s

8 itemized deductions [*shall be limited as provided in paragraph (e) of this*

9 *subsection and shall be*] **are** the amount of the taxpayer’s itemized deductions

10 as defined in section 63(d) of the Internal Revenue Code (reduced, if appli-

11 cable, as described under section 68 of the Internal Revenue Code) minus the

12 deduction for Oregon income tax (reduced, if applicable, by the proportion

13 that the reduction in federal itemized deductions resulting from section 68

14 of the Internal Revenue Code bears to the amount of federal itemized de-

15 ductions as defined for purposes of section 68 of the Internal Revenue Code).

16 “[(e)(A) *A taxpayer’s itemized deductions as computed under paragraph (d)*

17 *of this subsection may not exceed \$100,000 for joint return filers, a surviving*

18 *spouse or a head of household, or \$60,000 for an individual who is not a*

19 *married individual and is not a surviving spouse, or who is a married indi-*

20 *vidual who files a separate return.]*

21 “[(B) *For tax years beginning on or after January 1, 2015, the Department*

22 *of Revenue shall annually recompute the maximum amounts of itemized de-*

23 *ductions under subparagraph (A) of this paragraph based on changes in the*

24 *U.S. City Average Consumer Price Index for All Urban Consumers (All Items)*

25 *as published by the Bureau of Labor Statistics of the United States Depart-*

26 *ment of Labor.]*

27 “(2)(a) There shall be subtracted from federal taxable income any portion

28 of the distribution of a pension, profit-sharing, stock bonus or other retire-

29 ment plan, representing that portion of contributions which were taxed by

30 the State of Oregon but not taxed by the federal government under laws in

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

30 “(8) In the case of an individual with respect to whom a deduction under

1 section 151 of the Internal Revenue Code is allowable for federal income tax
2 purposes to another taxpayer for a taxable year beginning in the calendar
3 year in which the individual's taxable year begins, the basic standard de-
4 duction (referred to in subsection (1)(c)(B) of this section) applicable to such
5 individual for such individual's taxable year shall equal the lesser of:

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

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

10 **“SECTION 10. Section 11 of this 2013 Act is added to and made a**
11 **part of ORS chapter 316.**

12 **“SECTION 11. (1)(a) In addition to the other modifications to fed-**
13 **eral taxable income contained in this chapter, there shall be sub-**
14 **tracted from federal taxable income the amount paid for medical care**
15 **of the taxpayer and not compensated for by insurance or otherwise,**
16 **if the taxpayer meets the age requirement for the tax year under**
17 **subsection (2) of this section. The amount subtracted under this sec-**
18 **tion may not exceed:**

19 **“(A) \$2,000 for a joint return if both spouses meet the age require-**
20 **ment for the tax year under subsection (2) of this section, with no**
21 **more than \$1,000 attributable to the medical care of either spouse;**

22 **“(B) \$1,000 for a joint return if only one spouse meets the age re-**
23 **quirement for the tax year under subsection (2) of this section; or**

24 **“(C) \$1,000 for each individual filing a return who meets the age**
25 **requirement for the tax year under subsection (2) of this section.**

26 **“(b) The subtraction under this section may not include amounts**
27 **that have previously been deducted in the calculation of Oregon taxa-**
28 **ble income.**

29 **“(2) The subtraction under this section is available only if the tax-**
30 **payer has attained the following age before the close of the taxable**

1 year:

2 “(a) For taxable years beginning on or after January 1, 2013, and
3 before January 1, 2014, a taxpayer must attain 63 years of age before
4 the close of the taxable year.

5 “(b) For taxable years beginning on or after January 1, 2014, and
6 before January 1, 2015, a taxpayer must attain 64 years of age before
7 the close of the taxable year.

8 “(c) For taxable years beginning on or after January 1, 2015, a tax-
9 payer must attain 65 years of age before the close of the taxable year.

10 “(3) Notwithstanding the amount calculated under subsection (1)
11 of this section, a subtraction may not be claimed under this section
12 if the federal adjusted gross income of the taxpayer is \$200,000 or more
13 for joint return filers, a surviving spouse or a head of household, or
14 \$100,000 or more for an individual who is not a married individual and
15 is not a surviving spouse, or who is a married individual who files a
16 separate return.

17 “SECTION 12. (1) Section 11 of this 2013 Act and the amendments
18 to ORS 316.695 by section 8 of this 2013 Act apply to tax years begin-
19 ning on or after January 1, 2013, and before the operative date set
20 forth in section 32 of this 2013 Act.

21 “(2) The amendments to ORS 316.695 by section 9 of this 2013 Act
22 apply to tax years beginning on or after the operative date set forth
23 in section 32 of this 2013 Act.

24

25 “**TOBACCO TAX DEDICATED TO MENTAL HEALTH PROGRAMS**

26

27 “SECTION 13. ORS 323.030 is amended to read:

28 “323.030. (1) Every distributor shall pay a tax upon distributions of ciga-
29 rettes at the rate of 29 mills for the distribution of each cigarette in this
30 state.

1 “(2) The taxes imposed by ORS 323.005 to 323.482 are in lieu of all other
2 state, county or municipal taxes on the sale or use of cigarettes.

3 “(3) Any cigarette with respect to which a tax has been prepaid under
4 ORS 323.068 or has otherwise once been imposed under ORS 323.005 to
5 323.482 is not subject upon a subsequent distribution to the taxes imposed
6 by ORS 323.005 to 323.482.

7 “(4) **In addition to and not in lieu of any other tax imposed under**
8 **ORS 323.005 to 323.482, every distributor shall pay a tax upon distrib-**
9 **utions of cigarettes at the rate of five mills for the distribution of each**
10 **cigarette in this state.**

11 “SECTION 14. ORS 323.505 is amended to read:

12 “323.505. (1) A tax is hereby imposed upon the distribution of all tobacco
13 products in this state. The tax imposed by this section is intended to be a
14 direct tax on the consumer, for which payment upon distribution is required
15 to achieve convenience and facility in the collection and administration of
16 the tax. The tax shall be imposed on a distributor at the time the distributor
17 distributes tobacco products.

18 “(2) The tax imposed under this section shall be imposed at the rate of:

19 “(a) [*Sixty-five*] **Seventy** percent of the wholesale sales price of cigars,
20 but not to exceed 50 cents per cigar;

21 “(b) One dollar and [*seventy-eight*] **ninety-six** cents per ounce based on
22 the net weight determined by the manufacturer, in the case of moist snuff,
23 except that the minimum tax under this paragraph is [*\$2.14*] **\$2.35** per retail
24 container; or

25 “(c) [*Sixty-five*] **Seventy** percent of the wholesale sales price of all to-
26 bacco products that are not cigars or moist snuff.

27 “(3) For reporting periods beginning on or after July 1, 2019, the rates
28 of tax applicable to moist snuff under subsection (2)(b) of this section shall
29 be adjusted for each biennium according to the cost-of-living adjustment for
30 the calendar year. The Department of Revenue shall recompute the rates for

1 each biennium by adding to the rates in subsection (2)(b) of this section the
2 product obtained by multiplying the rates in subsection (2)(b) of this section
3 by a factor that is equal to 0.25 multiplied by the percentage (if any) by
4 which the monthly averaged U.S. City Average Consumer Price Index for the
5 12 consecutive months ending August 31 of the prior calendar year exceeds
6 the monthly averaged U.S. City Average Consumer Price Index for the 12
7 consecutive months ending August 31, 2017.

8 “(4) If the tax imposed under this section does not equal an amount cal-
9 culable to a whole cent, the tax shall be equal to the next higher whole cent.
10 However, the amount remitted to the Department of Revenue by the taxpayer
11 for each quarter shall be equal only to 98.5 percent of the total taxes due
12 and payable by the taxpayer for the quarter.

13 “(5) No tobacco product shall be subject to the tax if the base product
14 or other intermediate form thereof has previously been taxed under this
15 section.

16 **“SECTION 15. (1) The amendments to ORS 323.030 by section 13 of
17 this 2013 Act apply to distributions of cigarettes occurring on or after
18 January 1, 2014.**

19 **“(2) The amendments to ORS 323.505 and 323.625 by sections 14 and
20 17 of this 2013 Act apply to distributions of tobacco products occurring
21 on or after January 1, 2014.**

22 **“SECTION 16.** ORS 323.455 is amended to read:

23 “323.455. (1) All moneys received by the Department of Revenue from the
24 tax imposed by ORS 323.030 (1) shall be paid over to the State Treasurer to
25 be held in a suspense account established under ORS 293.445. The department
26 may pay expenses for administration of ORS 323.005 to 323.482 out of moneys
27 received from the tax imposed under ORS 323.030 (1). Amounts necessary to
28 pay administrative expenses are continuously appropriated to the department
29 from the suspense account. After the payment of administrative expenses and
30 refunds, 89.65 percent shall be credited to the General Fund, 3.45 percent is

1 appropriated to the cities of this state, 3.45 percent is appropriated to the
2 counties of this state and 3.45 percent is continuously appropriated to the
3 Department of Transportation for the purpose of financing and improving
4 transportation services for elderly individuals and individuals with disabili-
5 ties as provided in ORS 391.800 to 391.830.

6 “(2) The moneys [so] appropriated to cities and counties **under sub-**
7 **section (1) of this section** shall be paid on a monthly basis within 35 days
8 after the end of the month for which a distribution is made. Each city shall
9 receive such share of the money appropriated to all cities as its population,
10 as determined under ORS 190.510 to 190.590 last preceding such apportion-
11 ment, bears to the total population of the cities of the state, and each county
12 shall receive such share of the money as its population, determined under
13 ORS 190.510 to 190.590 last preceding such apportionment, bears to the total
14 population of the state.

15 “(3) The moneys appropriated to the Department of Transportation under
16 subsection (1) of this section shall be distributed and transferred to the El-
17 derly and Disabled Special Transportation Fund established by ORS 391.800
18 at the same time as the cigarette tax moneys are distributed to cities and
19 counties under this section.

20 “(4) Of the moneys credited to the General Fund under [*this*] **subsection**
21 **(1) of this** section, 51.92 percent shall be dedicated to funding the mainte-
22 nance and expansion of the number of persons eligible for the medical as-
23 sistance program under ORS chapter 414, or to funding the maintenance of
24 the benefits available under the program, or both, and 5.77 percent shall be
25 credited to the Tobacco Use Reduction Account established under ORS
26 431.832.

27 “(5) **All moneys received by the Department of Revenue from the**
28 **tax imposed by ORS 323.030 (4) shall be paid over to the State Treasury**
29 **to be held in a suspense account established under ORS 293.445. After**
30 **the payment of refunds, the balance shall be credited to the Oregon**

1 **Health Authority Fund established by ORS 413.101, for providing the**
2 **services described in ORS 430.630.**

3 **“SECTION 17.** ORS 323.625 is amended to read:

4 “323.625. All moneys received by the Department of Revenue under ORS
5 323.500 to 323.645 shall be deposited in the State Treasury and credited to a
6 suspense account established under ORS 293.445. The department may pay
7 expenses for administration of ORS 323.500 to 323.645 out of moneys received
8 from the taxes imposed under ORS 323.505 and 323.565. Amounts necessary
9 to pay administrative expenses are continuously appropriated to the depart-
10 ment from the suspense account. After the payment of administrative ex-
11 penses and refunds or credits arising from erroneous overpayments, the
12 balance of the money shall be credited to the General Fund. Of the amount
13 credited to the General Fund under this section, [41.54] **37.76** percent shall
14 be dedicated to funding the maintenance and expansion of the number of
15 persons eligible for the medical assistance program under ORS chapter 414,
16 or to funding the maintenance of the benefits available under the program,
17 or both, **10 percent shall be credited to the Oregon Health Authority**
18 **Fund established by ORS 413.101, for providing the services described**
19 **in ORS 430.630** and [4.62] **4.2** percent shall be credited to the Tobacco Use
20 Reduction Account established under ORS 431.832.

21 **“SECTION 18. (1) In addition to and not in lieu of any other tax,**
22 **for the privilege of holding or storing cigarettes for sale, use or con-**
23 **sumption, a floor tax is imposed upon every dealer at the rate of five**
24 **mills for each cigarette in the possession of or under the control of the**
25 **dealer in this state at 12:01 a.m. on January 1, 2014.**

26 **“(2) The tax imposed by this section is due and payable on or before**
27 **January 20, 2014. Any amount of tax that is not paid within the time**
28 **required shall bear interest at the rate established under ORS 305.220**
29 **per month, or fraction of a month, from the date on which the tax is**
30 **due to be paid, until paid.**

1 **“(3) On or before January 20, 2014, every dealer must file a report**
2 **with the Department of Revenue in such form as the department may**
3 **prescribe. The report must state the number of cigarettes in the pos-**
4 **session of or under the control of the dealer in this state at 12:01 a.m.**
5 **on January 1, 2014, and the amount of tax due. Each report must be**
6 **accompanied by a remittance payable to the department for the**
7 **amount of tax due.**

8 **“SECTION 19. In addition to and not in lieu of any other tax, for**
9 **the privilege of distributing cigarettes as a distributor and for holding**
10 **or storing cigarettes for sale, use or consumption, a floor tax and**
11 **cigarette adjustment indicia tax is imposed upon every distributor in**
12 **the amount of 12.5 cents for each Oregon cigarette tax stamp bearing**
13 **the designation ‘25,’ in the amount of 10 cents for each Oregon ciga-**
14 **rette tax stamp bearing the designation ‘20’ and in the amount of five**
15 **cents for each Oregon cigarette tax stamp bearing the designation**
16 **‘10,’ that is affixed to any package of cigarettes in the possession of**
17 **or under the control of the distributor at 12:01 a.m. on January 1, 2014.**

18 **“SECTION 20. (1) Every distributor must take an inventory as of**
19 **12:01 a.m. on January 1, 2014, of all packages of cigarettes to which**
20 **are affixed Oregon cigarette tax stamps and of all unaffixed Oregon**
21 **cigarette tax stamps in the possession of or under the control of the**
22 **distributor.**

23 **“(2) Every distributor must file a report with the Department of**
24 **Revenue on or before January 20, 2014, in such form as the department**
25 **may prescribe, showing:**

26 **“(a) The number of Oregon cigarette tax stamps, with the desig-**
27 **nations of the stamps, that were affixed to packages of cigarettes in**
28 **the possession of or under the control of the distributor at 12:01 a.m.**
29 **on January 1, 2014; and**

30 **“(b) The number of unaffixed Oregon cigarette tax stamps, with the**

1 designations of the stamps, that were in the possession of or under the
2 control of the distributor at 12:01 a.m. on January 1, 2014.

3 “(3) The amount of tax required to be paid with respect to the af-
4 fixed Oregon cigarette tax stamps shall be computed pursuant to sec-
5 tion 19 of this 2013 Act and remitted with the distributor’s report. Any
6 amount of tax not paid within the time specified for the filing of the
7 report shall bear interest at the rate established under ORS 305.220 per
8 month, or fraction of a month, from the due date of the report until
9 paid.

10 “SECTION 21. All moneys received by the Department of Revenue
11 from the taxes imposed by sections 18 and 19 of this 2013 Act shall be
12 paid over to the State Treasury to be held in a suspense account es-
13 tablished under ORS 293.445. After the payment of refunds, the balance
14 shall be credited to the Oregon Health Authority Fund established by
15 ORS 413.101, for providing the services described in ORS 430.630.

16
17 “TAXATION OF CORPORATIONS
18

19 “SECTION 22. ORS 317.061, as amended by section 9, chapter 745, Oregon
20 Laws 2009, is amended to read:

21 “317.061. The rate of the tax imposed by and computed under this chapter
22 is:

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

25 “(2) Seven and six-tenths percent of any amount of taxable income in ex-
26 cess of [*\$10 million*] **\$250,000 but less than \$10 million; and**

27 “(3) **Seven and seven-tenths percent of any amount of taxable in-**
28 **come of \$10 million or more.**

29 “SECTION 23. ORS 317.061, as amended by section 9, chapter 745, Oregon
30 Laws 2009, and section 22 of this 2013 Act, is amended to read:

1 “317.061. The rate of the tax imposed by and computed under this chapter
2 is:

3 “(1) Six and six-tenths percent of the first [\$250,000] **\$10 million** of taxa-
4 ble income, or fraction thereof; **and**

5 “(2) Seven and six-tenths percent of any amount of taxable income in ex-
6 cess of **\$10 million**. [*\$250,000 but less than \$10 million; and*]

7 “[*(3) Seven and seven-tenths percent of any amount of taxable income of \$10*
8 *million or more.*]

9 **“SECTION 24. (1) The amendments to ORS 317.061 by section 22 of**
10 **this 2013 Act apply to tax years beginning on or after January 1, 2013,**
11 **and before the operative date set forth in section 32 of this 2013 Act.**

12 **“(2) The amendments to ORS 317.061 by section 23 of this 2013 Act**
13 **apply to tax years beginning on or after the operative date set forth**
14 **in section 32 of this 2013 Act.**

15

16 “DEFINITION OF TAX EXPENDITURE

17

18 **“SECTION 25.** ORS 291.201 is amended to read:

19 “291.201. As used in ORS 291.201 to 291.222, ‘tax expenditure’ means any
20 law of the federal government or this state that exempts, in whole or in part,
21 certain persons, income, goods, services or property from the impact of es-
22 tablished taxes, including but not limited to tax deductions, tax exclusions,
23 tax subtractions, tax exemptions, tax deferrals, preferential tax rates and tax
24 credits. **‘Tax expenditure’ does not include:**

25 **“(1) A rate of tax imposed on income by operation of section 3 (2)(a)**
26 **of this 2013 Act; or**

27 **“(2) The provisions applicable to interest charge DISCs under ORS**
28 **317.635 (2).**

29

30 **“INCLUSION OF TAX HAVENS IN CORPORATE TAX COLLECTIONS**

1 **“SECTION 26. No later than February 1, 2014, the Department of**
2 **Revenue shall make a report on the use of out-of-state tax shelters to**
3 **the Seventy-seventh Legislative Assembly. The department shall use**
4 **all data available to the department to prepare the report, which shall:**

5 **“(1) Describe methods by which taxpayers shift income otherwise**
6 **taxable by this state to outside the state; and**

7 **“(2) Make recommendations for addressing noncompliance attrib-**
8 **utable to out-of-state tax shelters.**

9 **“SECTION 27. ORS 317.715 is amended to read:**

10 **“317.715. (1) If a corporation required to make a return under this chapter**
11 **is a member of an affiliated group of corporations making a consolidated**
12 **federal return under sections 1501 to 1505 of the Internal Revenue Code, the**
13 **corporation’s Oregon taxable income shall be determined beginning with**
14 **federal consolidated taxable income of the affiliated group as provided in this**
15 **section.**

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

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

29 **“[(2)] (3) If the affiliated group, of which the corporation subject to tax-**
30 **ation under this chapter is a member, consists of more than one unitary**

1 group, before the additions, subtractions, adjustments and modifications to
2 federal taxable income provided for in this chapter are made, and before al-
3 location and apportionment as provided in ORS 317.010 (10), if any, modified
4 federal consolidated taxable income shall be computed. Modified federal
5 consolidated taxable income shall be determined by eliminating from the
6 federal consolidated taxable income of the affiliated group the separate tax-
7 able income, as determined under Treasury Regulations adopted under sec-
8 tion 1502 of the Internal Revenue Code, and any deductions or additions or
9 items of income, expense, gain or loss for which consolidated treatment is
10 prescribed under Treasury Regulations adopted under section 1502 of the
11 Internal Revenue Code, attributable to the member or members of any
12 unitary group of which the corporation is not a member.

13 “[~~(3)(a)~~] **(4)(a)** After modified federal consolidated taxable income is de-
14 termined under subsection [~~(2)~~] **(3)** of this section, the additions, sub-
15 tractions, adjustments and modifications prescribed by this chapter shall be
16 made to the modified federal consolidated taxable income of the remaining
17 members of the affiliated group, where applicable, as if all such members
18 were subject to taxation under this chapter. After those modifications are
19 made, Oregon taxable income or loss shall be determined as provided in ORS
20 317.010 (10)(a) to (c), if necessary.

21 “(b) In the computation of the Oregon apportionment percentage for a
22 corporation that is a member of an affiliated group filing a consolidated
23 federal return, there shall be taken into consideration only the property,
24 payroll, sales or other factors of those members of the affiliated group, **and**
25 **of those corporations described in subsection (2) of this section**, whose
26 items of income, expense, gain or loss remain in modified federal consol-
27 idated taxable income after the eliminations required under subsection [~~(2)~~]
28 **(3)** of this section. Those members of an affiliated group making a consol-
29 idated federal return or a consolidated state return [*shall*] **may** not be
30 treated as one taxpayer for purposes of determining whether any member of

1 the group is taxable in this state or any other state with respect to questions
2 of jurisdiction to tax or the composition of the apportionment factors used
3 to attribute income to this state under ORS 314.280 or 314.605 to 314.675.

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

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

8 **“(b) To prevent double taxation or double deduction of any amount**
9 **included in the computation of income under this section.**

10 **“SECTION 28.** ORS 317.267 is amended to read:

11 **“317.267. (1) To derive Oregon taxable income, there shall be added to**
12 **federal taxable income amounts received as dividends from corporations de-**
13 **ducted for federal purposes pursuant to section 243 or 245 of the Internal**
14 **Revenue Code, except section 245(c) of the Internal Revenue Code, amounts**
15 **paid as dividends by a public utility or telecommunications utility and de-**
16 **ducted for federal purposes pursuant to section 247 of the Internal Revenue**
17 **Code or dividends eliminated under Treasury Regulations adopted under**
18 **section 1502 of the Internal Revenue Code that are paid by members of an**
19 **affiliated group that are eliminated from a consolidated federal return pur-**
20 **suant to ORS 317.715 [(2)] (3).**

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

27 **“(a) In the case of any dividend on debt-financed portfolio stock as de-**
28 **scribed in section 246A of the Internal Revenue Code, the subtraction al-**
29 **lowed under this subsection shall be reduced under the same conditions and**
30 **in same amount as the dividends received deduction otherwise allowable for**

1 federal income tax purposes is reduced under section 246A of the Internal
2 Revenue Code.

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

6 “(c) A dividend that is not treated as a dividend under section 243(d) or
7 965(c)(3) of the Internal Revenue Code may not be treated as a dividend for
8 purposes of this subsection.

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

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

16 **“SECTION 29. On or before January 1 of each odd-numbered year,**
17 **the Department of Revenue shall submit a report to the Legislative**
18 **Assembly in the manner provided by ORS 192.245. The report shall in-**
19 **clude recommendations for legislation related to jurisdictions listed in**
20 **ORS 317.715 (2)(b), including recommendations for additions to or**
21 **subtractions from the list of jurisdictions in ORS 317.715 (2)(b).**

22 **“SECTION 30. The amendments to ORS 317.267 and 317.715 by**
23 **sections 27 and 28 of this 2013 Act apply to tax years beginning on or**
24 **after January 1, 2014.**

25

26

“CAPTIONS

27

28 **“SECTION 31. The unit captions used in this 2013 Act are provided**
29 **only for the convenience of the reader and do not become part of the**
30 **statutory law of this state or express any legislative intent in the**

1 enactment of this 2013 Act.

2

3

“OPERABILITY

4

5 **“SECTION 32. The amendments to ORS 316.695 and 317.061 by**
6 **sections 9 and 23 of this 2013 Act become operative on January 1, 2016,**
7 **if, on January 1, 2016, the unfunded actuarial liability of the Public**
8 **Employees Retirement System, as reported by the Public Employees**
9 **Retirement Board, is less than \$5 billion lower than the unfunded**
10 **actuarial liability reported on July 1, 2013.**

11

12

“EFFECTIVE DATE

13

14 **“SECTION 33. This 2013 Act takes effect on the 91st day after the**
15 **date on which the 2013 regular session of the Seventy-seventh Legis-**
16 **lative Assembly adjourns sine die.”.**

17
