HB 2456-A24
(LC 1222)
6/20/13 (CMT/ps)

PROPOSED AMENDMENTS TO
MINORITY REPORT
A-ENGROSSED HOUSE BILL 2456

On page 1 of the printed minority report A-engrossed bill, line 2, after "ORS" delete the rest of the line and delete line 3 and insert "316.085, 316.695, 317.061, 323.030, 323.455, 323.505 and 323.625; prescribing an effective date; and providing for revenue raising that requires approval by a three-fifths majority.".

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

"**SECTION 1. Section 2 of this 2013 Act is added to and made a part of ORS chapter 316.**

"**SECTION 2. (1)(a) In addition to the other modifications to federal taxable income contained in this chapter, there shall be subtracted from federal taxable income the amount paid for medical care of the taxpayer and not compensated for by insurance or otherwise, if the taxpayer meets the age requirement for the tax year under subsection (2) of this section. The amount subtracted under this section may not exceed:**

"(A) $3,000 for a joint return if both spouses meet the age requirement for the tax year under subsection (2) of this section, with no more than $1,500 attributable to the medical care of either spouse;

"(B) $1,500 for a joint return if only one spouse meets the age requirement for the tax year under subsection (2) of this section; or

"(C) $1,500 for each individual filing a return who meets the age

requirement for the tax year under subsection (2) of this section.

"**(b) The subtraction under this section may not include amounts that have previously been deducted in the calculation of Oregon taxable income.**

"**(2) The subtraction under this section is available only if the taxpayer has attained the following age before the close of the tax year:**

"**(a) For tax years beginning on or after January 1, 2013, and before January 1, 2014, a taxpayer must attain 62 years of age before the close of the tax year.**

"**(b) For tax years beginning on or after January 1, 2014, and before January 1, 2016, a taxpayer must attain 63 years of age before the close of the tax year.**

"**(c) For tax years beginning on or after January 1, 2016, and before January 1, 2018, a taxpayer must attain 64 years of age before the close of the tax year.**

"**(d) For tax years beginning on or after January 1, 2018, and before January 1, 2020, a taxpayer must attain 65 years of age before the close of the tax year.**

"**(e) For tax years beginning on or after January 1, 2020, a taxpayer must attain 66 years of age before the close of the tax year.**

"**(3) Notwithstanding the amount calculated under subsection (1) of this section, a subtraction may not be claimed under this section if the federal adjusted gross income of the taxpayer for the tax year exceeds:**

"**(a) $200,000 for joint return filers, a surviving spouse or a head of household; or**

"**(b) $100,000 for an individual who is not a married individual and is not a surviving spouse, or is a married individual who files a separate return.**

"**SECTION 3.** ORS 316.695 is amended to read:

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

"(a) If, in computing federal income tax for a [*taxable*] **tax** year, the taxpayer deducted itemized deductions, as defined in section 63(d) of the Internal Revenue Code, the taxpayer shall add the amount of itemized deductions deducted (the itemized deductions less an amount, if any, by which the itemized deductions are reduced under section 68 of the Internal Revenue Code).

"(b) If, in computing federal income tax for a [*taxable*] **tax** year, the taxpayer deducted the standard deduction, as defined in section 63(c) of the Internal Revenue Code, the taxpayer shall add the amount of the standard deduction deducted.

"(c)(A) From federal taxable income there shall be subtracted the larger of (i) the taxpayer's itemized deductions or (ii) a standard deduction. Except as provided in subsection (8) of this section, for purposes of this subparagraph, 'standard deduction' means the sum of the basic standard deduction and the additional standard deduction.

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

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

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

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

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

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

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

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

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

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

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

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

"(ii) A nonresident alien individual;

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

"(iv) An estate or trust;

"(v) A common trust fund; or

"(vi) A partnership.

"(d) For the purposes of paragraph (c)(A) of this subsection, the taxpayer's itemized deductions are the [*sum of:*]

"[*(A)*] **amount of** the taxpayer's itemized deductions as defined in section 63(d) of the Internal Revenue Code (reduced, if applicable, as described under section 68 of the Internal Revenue Code) minus the deduction for Oregon income tax (reduced, if applicable, by the proportion that the reduction in federal itemized deductions resulting from section 68 of the Internal Revenue Code bears to the amount of federal itemized deductions as defined for purposes of section 68 of the Internal Revenue Code)**.**[*; and*]

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

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

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

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

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

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

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

"(b) Interest or other earnings on any excess contributions of a pension, profit-sharing, stock bonus or other retirement plan not permitted to be deducted under paragraph (a) of this subsection [*shall*] **may** not be added to federal taxable income in the year earned by the plan and [*shall*] **may** not be subtracted from federal taxable income in the year received by the taxpayer.

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

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

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

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

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

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

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

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

"(d) In the case of a husband and wife filing separate tax returns, the amount added shall be in the amount of any federal income taxes in excess of **50 percent of** the amount provided for individual taxpayers under paragraphs (a) to (c) of this subsection, less the amount of any refund of federal taxes previously accrued for which a tax benefit was received.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

"(A) For the taxpayer if the taxpayer has attained age 65 before the close of the taxpayer's [*taxable*] **tax** year; and

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

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

"(A) For the taxpayer if the taxpayer is blind at the close of the [*taxable*] **tax** year; and

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

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

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

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

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

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

"SECTION 4. ORS 317.061, as amended by section 9, chapter 745, Oregon Laws 2009, is amended to read:

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

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

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

"SECTION 5. ORS 316.085 is amended to read:

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

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

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

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

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

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

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

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

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

"(5) Notwithstanding subsections (1) to (3) of this section, **a taxpayer may not claim the exemption credit otherwise allowed under this section** if [*a*] **the** taxpayer's federal adjusted gross income for the tax year exceeds **$250,000, for joint return filers, a surviving spouse or a head of**

household, or $125,000, for an individual who is not a married individual and is not a surviving spouse, or is a married individual who files a separate return. [*the threshold amount, the exemption amount shall be the greater of:*]

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

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

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

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

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

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

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

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

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

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

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

"SECTION 6. Section 2 of this 2013 Act and the amendments to ORS 316.085, 316.695 and 317.061 by sections 3 to 5 of this 2013 Act apply to tax years beginning on or after January 1, 2013.

"**SECTION 7.** ORS 323.030 is amended to read:

"323.030. (1) Every distributor shall pay a tax upon distributions of cigarettes at the rate of 29 mills for the distribution of each cigarette in this state.

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

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

"**(4) In addition to and not in lieu of any other tax imposed under ORS 323.005 to 323.482, every distributor shall pay a tax upon distributions of cigarettes at the rate of 12.5 mills for the distribution of each cigarette in this state.**

"**SECTION 8.** ORS 323.505 is amended to read:

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

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

"(a) [*Sixty-five*] **77.5** percent of the wholesale sales price of cigars, but not to exceed [*50*] **56** cents per cigar;

"(b) [*One dollar and seventy-eight cents*] **Two dollars** per ounce based on the net weight determined by the manufacturer, in the case of moist snuff, except that the minimum tax under this paragraph is [*$2.14*] **$2.40** per retail container; or

"(c) [*Sixty-five*] **77.5** percent of the wholesale sales price of all tobacco products that are not cigars or moist snuff.

"(3) For reporting periods beginning on or after July 1, 2019, the rates of tax applicable to moist snuff under subsection (2)(b) of this section shall be adjusted for each biennium according to the cost-of-living adjustment for the calendar year. The Department of Revenue shall recompute the rates for each biennium by adding to the rates in subsection (2)(b) of this section the product obtained by multiplying the rates in subsection (2)(b) of this section by a factor that is equal to 0.25 multiplied by the percentage (if any) by which the monthly averaged U.S. City Average Consumer Price Index for the 12 consecutive months ending August 31 of the prior calendar year exceeds the monthly averaged U.S. City Average Consumer Price Index for the 12 consecutive months ending August 31, 2017.

"(4) If the tax imposed under this section does not equal an amount calculable to a whole cent, the tax shall be equal to the next higher whole cent. However, the amount remitted to the Department of Revenue by the taxpayer for each quarter shall be equal only to 98.5 percent of the total taxes due and payable by the taxpayer for the quarter.

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

"SECTION 9. ORS 323.455 is amended to read:

"323.455. (1) All moneys received by the Department of Revenue from the tax imposed by ORS 323.030 (1) shall be paid over to the State Treasurer to be held in a suspense account established under ORS 293.445. The department may pay expenses for administration of ORS 323.005 to 323.482 out of moneys received from the tax imposed under ORS 323.030 (1). Amounts necessary to pay administrative expenses are continuously appropriated to the department from the suspense account. After the payment of administrative expenses and refunds, 89.65 percent shall be credited to the General Fund, 3.45 percent is appropriated to the cities of this state, 3.45 percent is appropriated to the counties of this state and 3.45 percent is continuously appropriated to the Department of Transportation for the purpose of financing and improving transportation services for elderly individuals and individuals with disabilities as provided in ORS 391.800 to 391.830.

"(2) The moneys [*so*] appropriated to cities and counties **under subsection (1) of this section** shall be paid on a monthly basis within 35 days after the end of the month for which a distribution is made. Each city shall receive such share of the money appropriated to all cities as its population, as determined under ORS 190.510 to 190.590 last preceding such apportionment, bears to the total population of the cities of the state, and each county shall receive such share of the money as its population, determined under ORS 190.510 to 190.590 last preceding such apportionment, bears to the total population of the state.

"(3) The moneys appropriated to the Department of Transportation under subsection (1) of this section shall be distributed and transferred to the Elderly and Disabled Special Transportation Fund established by ORS 391.800 at the same time as the cigarette tax moneys are distributed to cities and counties under this section.

"(4) Of the moneys credited to the General Fund under [*this*] **subsection (1) of this** section**,** 51.92 percent shall be dedicated to funding the maintenance and expansion of the number of persons eligible for the medical assistance program under ORS chapter 414, or to funding the maintenance of the benefits available under the program, or both, and 5.77 percent shall be credited to the Tobacco Use Reduction Account established under ORS 431.832.

"**(5) All moneys received by the Department of Revenue from the tax imposed by ORS 323.030 (4) shall be paid over to the State Treasury**

to be held in a suspense account established under ORS 293.445. After the payment of refunds, the balance shall be credited to the Oregon Health Authority Fund established by ORS 413.101, for providing the services described in ORS 430.630.

"**SECTION 10.** ORS 323.625 is amended to read:

"323.625. All moneys received by the Department of Revenue under ORS 323.500 to 323.645 shall be deposited in the State Treasury and credited to a suspense account established under ORS 293.445. The department may pay expenses for administration of ORS 323.500 to 323.645 out of moneys received from the taxes imposed under ORS 323.505 and 323.565. Amounts necessary to pay administrative expenses are continuously appropriated to the department from the suspense account. After the payment of administrative expenses and refunds or credits arising from erroneous overpayments, the balance of the money shall be credited to the General Fund. Of the amount credited to the General Fund under this section**,** 41.54 percent shall be dedicated to funding the maintenance and expansion of the number of persons eligible for the medical assistance program under ORS chapter 414, or to funding the maintenance of the benefits available under the program, or both, **16 percent shall be credited to the Oregon Health Authority Fund established by ORS 413.101, for providing the services described in ORS 430.630** and 4.62 percent shall be credited to the Tobacco Use Reduction Account established under ORS 431.832.

"**SECTION 11. (1) The amendments to ORS 323.030 and 323.455 by sections 7 and 9 of this 2013 Act apply to distributions of cigarettes occurring on or after January 1, 2014.**

"**(2) The amendments to ORS 323.505 and 323.625 by sections 8 and 10 of this 2013 Act apply to distributions of tobacco products occurring on or after January 1, 2014.**

"**SECTION 12. (1) In addition to and not in lieu of any other tax, for the privilege of holding or storing cigarettes for sale, use or con-**

sumption, a floor tax is imposed upon every dealer at the rate of 12.5 mills for each cigarette in the possession of or under the control of the dealer in this state at 12:01 a.m. on January 1, 2014.

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

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

"<u>SECTION 13.</u> In addition to and not in lieu of any other tax, for the privilege of distributing cigarettes as a distributor and for holding or storing cigarettes for sale, use or consumption, a floor tax and cigarette adjustment indicia tax is imposed upon every distributor in the amount of 31.25 cents for each Oregon cigarette tax stamp bearing the designation '25,' in the amount of 25 cents for each Oregon cigarette tax stamp bearing the designation '20' and in the amount of 12.5 cents for each Oregon cigarette tax stamp bearing the designation '10,' that is affixed to any package of cigarettes in the possession of or under the control of the distributor at 12:01 a.m. on January 1, 2014.

"<u>SECTION 14.</u> (1) Every distributor must take an inventory as of 12:01 a.m. on January 1, 2014, of all packages of cigarettes to which are affixed Oregon cigarette tax stamps and of all unaffixed Oregon cigarette tax stamps in the possession of or under the control of the distributor.

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

"(a) The number of Oregon cigarette tax stamps, with the designations of the stamps, that were affixed to packages of cigarettes in the possession of or under the control of the distributor at 12:01 a.m. on January 1, 2014; and

"(b) The number of unaffixed Oregon cigarette tax stamps, with the designations of the stamps, that were in the possession of or under the control of the distributor at 12:01 a.m. on January 1, 2014.

"(3) The amount of tax required to be paid with respect to the affixed Oregon cigarette tax stamps shall be computed pursuant to section 13 of this 2013 Act and remitted with the distributor's report. Any amount of tax not paid within the time specified for the filing of the report shall bear interest at the rate established under ORS 305.220 per month, or fraction of a month, from the due date of the report until paid.

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

"SECTION 16. This 2013 Act takes effect on the 91st day after the date on which the 2013 regular session of the Seventy-seventh Legislative Assembly adjourns sine die.".