

**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 line 3 and insert “316.085, 316.695,
3 317.061, 317.853, 318.074, 323.030, 323.455, 323.505 and 323.625; prescribing an
4 effective date; and providing for revenue raising that requires approval by
5 a three-fifths majority.”.

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

7 **“SECTION 1. The intent of the Legislative Assembly in enacting
8 sections 2, 6 and 11 to 14 of this 2013 Act and the amendments to
9 statutes by sections 3 to 5 and 7 to 10 of this 2013 Act is that the in-
10 creased revenues that result from the changes in tax law contained in
11 those sections and that are received during the 2013-2015 biennium
12 shall provide funding, through appropriation or otherwise, as follows:**

13 **“(1) \$100 million for the State School Fund.**

14 **“(2) \$40 million for the funding of community colleges and higher
15 education.**

16 **“(3) \$40 million for services to senior citizens.**

17 **“(4) \$20 million for mental health services.**

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

20 **“SECTION 2. (1)(a) In addition to the other modifications to federal
21 taxable income contained in this chapter, there shall be subtracted**

1 from federal taxable income the amount paid for medical care of the
2 taxpayer and not compensated for by insurance or otherwise, if the
3 taxpayer meets the age requirement for the tax year under subsection
4 (2) of this section. The amount subtracted under this section may not
5 exceed:

6 “(A) \$3,600 for a joint return if both spouses meet the age require-
7 ment for the tax year under subsection (2) of this section, with no
8 more than \$1,800 attributable to the medical care of either spouse;

9 “(B) \$1,800 for a joint return if only one spouse meets the age re-
10 quirement for the tax year under subsection (2) of this section; or

11 “(C) \$1,800 for each individual filing a return who meets the age
12 requirement for the tax year under subsection (2) of this section.

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

16 “(2) The subtraction under this section is available only if the tax-
17 payer has attained the following age before the close of the tax year:

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

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

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

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

30 “(e) For tax years beginning on or after January 1, 2020, a taxpayer

1 **must attain 66 years of age before the close of the tax year.**

2 **“(3) Notwithstanding the amount calculated under subsection (1)**
3 **of this section, the maximum amount allowed for a subtraction under**
4 **this section may not exceed:**

5 **“(a) \$1,400, if the federal adjusted gross income of the taxpayer for**
6 **the tax year is \$50,000 or more and less than \$100,000 for a taxpayer**
7 **who files a return jointly, as a head of household or as a surviving**
8 **spouse, or for all other taxpayers, \$25,000 or more and less than \$50,000.**

9 **“(b) \$1,000, if the federal adjusted gross income of the taxpayer for**
10 **the tax year is \$100,000 or more and less than \$200,000 for a taxpayer**
11 **who files a return jointly, as a head of household or as a surviving**
12 **spouse, or for all other taxpayers, \$50,000 or more and less than**
13 **\$100,000.**

14 **“(4) A subtraction may not be claimed under this section if the**
15 **federal adjusted gross income of the taxpayer for the tax year exceeds:**

16 **“(a) \$200,000 for joint return filers, a surviving spouse or a head of**
17 **household; or**

18 **“(b) \$100,000 for an individual who is not a married individual and**
19 **is not a surviving spouse, or is a married individual who files a sepa-**
20 **rate return.**

21 **“SECTION 3. ORS 316.695 is amended to read:**

22 **“316.695. (1) In addition to the modifications to federal taxable income**
23 **contained in this chapter, there shall be added to or subtracted from federal**
24 **taxable income:**

25 **“(a) If, in computing federal income tax for a [taxable] tax year, the tax-**
26 **payer deducted itemized deductions, as defined in section 63(d) of the Inter-**
27 **nal Revenue Code, the taxpayer shall add the amount of itemized deductions**
28 **deducted (the itemized deductions less an amount, if any, by which the**
29 **itemized deductions are reduced under section 68 of the Internal Revenue**
30 **Code).**

1 “(b) If, in computing federal income tax for a [taxable] tax year, the tax-
2 payer deducted the standard deduction, as defined in section 63(c) of the
3 Internal Revenue Code, the taxpayer shall add the amount of the standard
4 deduction deducted.

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

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

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

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

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

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

18 “(C)(i) For purposes of subparagraph (A) of this paragraph for tax years
19 beginning on or after January 1, 2003, the Department of Revenue shall an-
20 nually recompute the basic standard deduction for each category of return
21 filer listed under subparagraph (B) of this paragraph. The basic standard
22 deduction shall be computed by dividing the monthly averaged U.S. City
23 Average Consumer Price Index for the 12 consecutive months ending August
24 31 of the prior calendar year by the average U.S. City Average Consumer
25 Price Index for the second quarter of 2002, then multiplying that quotient
26 by the amount listed under subparagraph (B) of this paragraph for each
27 category of return filer.

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

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

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

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

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

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

15 “(ii) A nonresident alien individual;

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

18 “(iv) An estate or trust;

19 “(v) A common trust fund; or

20 “(vi) A partnership.

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

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

30 “[*(B)*] *The amount that may be taken into account under section 213(a) of*

1 *the Internal Revenue Code, not to exceed seven and one-half percent of the*
2 *federal adjusted gross income of the taxpayer, if the taxpayer has attained the*
3 *following age before the close of the taxable year, or, in the case of a joint*
4 *return, if either taxpayer has attained the following age before the close of the*
5 *taxable year:]*

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

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

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

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

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

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

27 **“(b)** Interest or other earnings on any excess contributions of a pension,
28 profit-sharing, stock bonus or other retirement plan not permitted to be de-
29 ducted under paragraph (a) of this subsection [*shall*] **may** not be added to
30 federal taxable income in the year earned by the plan and [*shall*] **may** not

1 be subtracted from federal taxable income in the year received by the tax-
2 payer.

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

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

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

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

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

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

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

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

29 “(d) In the case of a husband and wife filing separate tax returns, the
30 amount added shall be in the amount of any federal income taxes in excess

1 of **50 percent** of the amount provided for individual taxpayers under para-
2 graphs (a) to (c) of this subsection, less the amount of any refund of federal
3 taxes previously accrued for which a tax benefit was received.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

29 “(A) For the taxpayer if the taxpayer has attained age 65 before the close
30 of the taxpayer’s [*taxable*] **tax** year; and

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

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

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

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

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

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

24 “(8) In the case of an individual with respect to whom a deduction under
25 section 151 of the Internal Revenue Code is allowable for federal income tax
26 purposes to another taxpayer for a [taxable] **tax** year beginning in the cal-
27 endar year in which the individual’s [taxable] **tax** year begins, the basic
28 standard deduction (referred to in subsection (1)(c)(B) of this section) appli-
29 cable to such individual for such individual’s [taxable] **tax** year shall equal
30 the lesser of:

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

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

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

7 “317.061. The rate of the tax imposed by and computed under this chapter
8 is:

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

11 “(2) Seven and six-tenths percent of any amount of taxable income in ex-
12 cess of [*\$10 million*] **\$2.5 million.**

13 “**SECTION 5.** ORS 316.085 is amended to read:

14 “316.085. (1)(a) There shall be allowed a personal exemption credit against
15 taxes otherwise due under this chapter. The credit shall equal \$90 multiplied
16 by the number of personal exemptions allowed under section 151 of the
17 Internal Revenue Code.

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

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

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

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

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

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

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

14 **“(4) Notwithstanding subsections (1) to (3) of this section, the**
15 **maximum amount allowed as an exemption credit under this section**
16 **may not exceed the amount calculated under subsection (1) of this**
17 **section reduced by:**

18 **“(a) 20 percent, if the federal adjusted gross income of the taxpayer**
19 **for the tax year is \$100,000 or more and less than \$106,250.**

20 **“(b) 40 percent, if the federal adjusted gross income of the taxpayer**
21 **for the tax year is \$106,250 or more and less than \$112,500.**

22 **“(c) 60 percent, if the federal adjusted gross income of the taxpayer**
23 **for the tax year is \$112,500 or more and less than \$118,750.**

24 **“(d) 80 percent, if the federal adjusted gross income of the taxpayer**
25 **for the tax year is \$118,750 or more and less than \$125,000.**

26 **“(5) For purposes of subsections (3) and (4) of this section, the**
27 **amounts of the federal adjusted gross income of the taxpayer are**
28 **doubled for a taxpayer who files a return jointly, as a head of house-**
29 **hold or as a surviving spouse.**

30 **“(6) A taxpayer may not claim the exemption credit otherwise al-**

1 **lowed under this section if the federal adjusted gross income of the**
2 **taxpayer exceeds \$250,000, for joint return filers, a surviving spouse or**
3 **a head of household, or \$125,000, for all other taxpayers.**

4 “[(4)] (7) As used in this section, ‘U.S. City Average Consumer Price In-
5 dex’ means the U.S. City Average Consumer Price Index for All Urban Con-
6 sumers (All Items) as published by the Bureau of Labor Statistics of the
7 United States Department of Labor.

8 “[(5) *Notwithstanding subsections (1) to (3) of this section, if a taxpayer’s*
9 *federal adjusted gross income for the tax year exceeds the threshold amount,*
10 *the exemption amount shall be the greater of:]*

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

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

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

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

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

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

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

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

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

27 “[(7) *The Department of Revenue shall adjust the threshold amounts in*
28 *subsection (6) of this section according to the cost-of-living adjustment for the*
29 *calendar year. The department shall annually recompute the threshold amounts*
30 *for the current tax year by multiplying each dollar amount by the percentage*

1 *(if any) by which the monthly averaged U.S. City Average Consumer Price*
2 *Index for the 12 consecutive months ending August 31 of the prior calendar*
3 *year exceeds the monthly averaged U.S. City Average Consumer Price Index*
4 *for the 12 consecutive months ending August 31, 2006.]*

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

8 **“SECTION 6. Section 2 of this 2013 Act and the amendments to ORS**
9 **316.085, 316.695 and 317.061 by sections 3 to 5 of this 2013 Act apply to**
10 **tax years beginning on or after January 1, 2013.**

11 **“SECTION 7. ORS 323.030 is amended to read:**

12 “323.030. (1) Every distributor shall pay a tax upon distributions of ciga-
13 rettes at the rate of 29 mills for the distribution of each cigarette in this
14 state.

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

17 “(3) Any cigarette with respect to which a tax has been prepaid under
18 ORS 323.068 or has otherwise once been imposed under ORS 323.005 to
19 323.482 is not subject upon a subsequent distribution to the taxes imposed
20 by ORS 323.005 to 323.482.

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

25 **“SECTION 8. ORS 323.505 is amended to read:**

26 “323.505. (1) A tax is hereby imposed upon the distribution of all tobacco
27 products in this state. The tax imposed by this section is intended to be a
28 direct tax on the consumer, for which payment upon distribution is required
29 to achieve convenience and facility in the collection and administration of
30 the tax. The tax shall be imposed on a distributor at the time the distributor

1 distributes tobacco products.

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

3 “(a) [*Sixty-five*] **70** percent of the wholesale sales price of cigars, but not
4 to exceed [*50*] **56** cents per cigar;

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

9 “(c) [*Sixty-five*] **70** percent of the wholesale sales price of all tobacco
10 products that are not cigars or moist snuff.

11 “(3) For reporting periods beginning on or after July 1, 2019, the rates
12 of tax applicable to moist snuff under subsection (2)(b) of this section shall
13 be adjusted for each biennium according to the cost-of-living adjustment for
14 the calendar year. The Department of Revenue shall recompute the rates for
15 each biennium by adding to the rates in subsection (2)(b) of this section the
16 product obtained by multiplying the rates in subsection (2)(b) of this section
17 by a factor that is equal to 0.25 multiplied by the percentage (if any) by
18 which the monthly averaged U.S. City Average Consumer Price Index for the
19 12 consecutive months ending August 31 of the prior calendar year exceeds
20 the monthly averaged U.S. City Average Consumer Price Index for the 12
21 consecutive months ending August 31, 2017.

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

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

30 “**SECTION 9.** ORS 323.455 is amended to read:

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

14 “(2) The moneys [so] appropriated to cities and counties **under sub-**
15 **section (1) of this section** shall be paid on a monthly basis within 35 days
16 after the end of the month for which a distribution is made. Each city shall
17 receive such share of the money appropriated to all cities as its population,
18 as determined under ORS 190.510 to 190.590 last preceding such appor-
19 tionment, bears to the total population of the cities of the state, and each county
20 shall receive such share of the money as its population, determined under
21 ORS 190.510 to 190.590 last preceding such apportionment, bears to the total
22 population of the state.

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

28 “(4) Of the moneys credited to the General Fund under [*this*] **subsection**
29 **(1) of this** section, 51.92 percent shall be dedicated to funding the mainte-
30 nance and expansion of the number of persons eligible for the medical as-

1 sistance program under ORS chapter 414, or to funding the maintenance of
2 the benefits available under the program, or both, and 5.77 percent shall be
3 credited to the Tobacco Use Reduction Account established under ORS
4 431.832.

5 **“(5) All moneys received by the Department of Revenue from the**
6 **tax imposed by ORS 323.030 (4) shall be paid over to the State Treasury**
7 **to be held in a suspense account established under ORS 293.445. After**
8 **the payment of refunds, the balance shall be credited to the Oregon**
9 **Health Authority Fund established by ORS 413.101, for providing the**
10 **services described in ORS 430.630.**

11 **“SECTION 10.** ORS 323.625 is amended to read:

12 “323.625. All moneys received by the Department of Revenue under ORS
13 323.500 to 323.645 shall be deposited in the State Treasury and credited to a
14 suspense account established under ORS 293.445. The department may pay
15 expenses for administration of ORS 323.500 to 323.645 out of moneys received
16 from the taxes imposed under ORS 323.505 and 323.565. Amounts necessary
17 to pay administrative expenses are continuously appropriated to the depart-
18 ment from the suspense account. After the payment of administrative ex-
19 penses and refunds or credits arising from erroneous overpayments, the
20 balance of the money shall be credited to the General Fund. Of the amount
21 credited to the General Fund under this section, [41.54] **37.29** percent shall
22 be dedicated to funding the maintenance and expansion of the number of
23 persons eligible for the medical assistance program under ORS chapter 414,
24 or to funding the maintenance of the benefits available under the program,
25 or both, and [4.62] **4.16** percent shall be credited to the Tobacco Use Re-
26 duction Account established under ORS 431.832.

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

30 **“(2) The amendments to ORS 323.505 and 323.625 by sections 8 and**

1 10 of this 2013 Act apply to distributions of tobacco products occurring
2 on or after January 1, 2014.

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

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

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

20 **“SECTION 13. In addition to and not in lieu of any other tax, for**
21 **the privilege of distributing cigarettes as a distributor and for holding**
22 **or storing cigarettes for sale, use or consumption, a floor tax and**
23 **cigarette adjustment indicia tax is imposed upon every distributor in**
24 **the amount of 12.5 cents for each Oregon cigarette tax stamp bearing**
25 **the designation ‘25,’ in the amount of 10 cents for each Oregon ciga-**
26 **rette tax stamp bearing the designation ‘20’ and in the amount of five**
27 **cents for each Oregon cigarette tax stamp bearing the designation**
28 **‘10,’ that is affixed to any package of cigarettes in the possession of**
29 **or under the control of the distributor at 12:01 a.m. on January 1, 2014.**

30 **“SECTION 14. (1) Every distributor must take an inventory as of**

1 12:01 a.m. on January 1, 2014, of all packages of cigarettes to which
2 are affixed Oregon cigarette tax stamps and of all unaffixed Oregon
3 cigarette tax stamps in the possession of or under the control of the
4 distributor.

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

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

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

15 “(3) The amount of tax required to be paid with respect to the af-
16 fixed Oregon cigarette tax stamps shall be computed pursuant to sec-
17 tion 13 of this 2013 Act and remitted with the distributor’s report. Any
18 amount of tax not paid within the time specified for the filing of the
19 report shall bear interest at the rate established under ORS 305.220 per
20 month, or fraction of a month, from the due date of the report until
21 paid.

22 “**SECTION 15.** ORS 317.853 is amended to read:

23 “317.853. (1) For tax years beginning on or after January 1, 2013, any
24 revenue that is received as a result of a rate of tax above [*six and*
25 *six-tenths*] **7.15** percent imposed under this chapter and that is in excess of
26 the revenue that would be received under this chapter at a rate of [*six and*
27 *six-tenths*] **7.15** percent shall be deposited into the Oregon Rainy Day Fund
28 established by ORS 293.144.

29 “(2) Before the end of each biennium, beginning with the biennium ending
30 on June 30, 2015, the Department of Revenue shall estimate the revenue de-

1 scribed in subsection (1) of this section that is received during the biennium.
2 An amount equal to that estimate shall be transferred into the Oregon Rainy
3 Day Fund established by ORS 293.144 on or before June 30 of each odd-
4 numbered year.

5 **“SECTION 16.** ORS 318.074 is amended to read:

6 “318.074. (1) For tax years beginning on or after January 1, 2013, any
7 revenue that is received as a result of a rate of tax above [*six and*
8 *six-tenths*] **7.15** percent imposed under this chapter and that is in excess of
9 the revenue that would be received under this chapter at a rate of [*six and*
10 *six-tenths*] **7.15** percent shall be deposited into the Oregon Rainy Day Fund
11 established by ORS 293.144.

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

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

21
