

**A-Engrossed**  
**House Bill 3601**

Ordered by the House October 1  
Including House Amendments dated October 1

Sponsored by JOINT COMMITTEE ON SPECIAL SESSION

**SUMMARY**

The following summary is not prepared by the sponsors of the measure and is not a part of the body thereof subject to consideration by the Legislative Assembly. It is an editor's brief statement of the essential features of the measure.

Increases corporate excise tax rate on taxable income between \$1 million and \$10 million. Eliminates personal exemption credit for taxpayer with federal adjusted gross income of \$100,000 or more for single return, or \$200,000 or more for joint return. Modifies income tax treatment of senior medical expenses. Converts itemized deduction to subtraction from federal taxable income. Phases out amount of subtraction based on income. Increases age restriction over time. **Applies to tax years beginning on or after January 1, 2013.** Increases percentage of federal earned income credit allowable as credit against Oregon personal income tax. **Applies to tax years beginning on or after January 1, 2014.** Exempts existing interest charge domestic international sales corporations from corporate minimum tax. **Imposes tax on commission received by domestic international sales corporation. Creates subtraction from federal taxable income for dividend received from domestic international sales corporation.** *[and provides reduced corporate excise tax rate.]* Applies to tax years beginning on or after January 1, 2013.

Allows for reduced rates of personal income tax imposed on nonpassive income attributable to partnership or S corporation if certain conditions are met. Applies to tax years beginning on or after January 1, 2015. Adjusts certain rates if revenue loss attributable to reduced rates departs from target percentage.

Incrementally increases tax on cigarettes over five years. Distributes tax revenues from increase on cigarette tax to Oregon Health Authority for mental health programs. First applies to distributions of cigarettes occurring on or after January 1, 2014.

Increases rate above which revenue from corporate excise tax for tax years beginning on or after January 1, 2013, and before January 1, 2017, is to be deposited in Oregon Rainy Day Fund.

Takes effect on 91st day following adjournment sine die.

**A BILL FOR AN ACT**

1  
2 Relating to taxation; creating new provisions; amending ORS 315.266, 316.085, 316.695, 317.061,  
3 317.283, 317.635, 317.853, 318.074, 323.030, 323.455 and 323.505; prescribing an effective date; and  
4 providing for revenue raising that requires approval by a three-fifths majority.

5 **Be It Enacted by the People of the State of Oregon:**

6 **SECTION 1.** ORS 317.061, as amended by section 9, chapter 745, Oregon Laws 2009, is amended  
7 to read:

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

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

11 (2) Seven and six-tenths percent of any amount of taxable income in excess of [*\$10 million*] **\$1**  
12 **million.**

13 **SECTION 2.** ORS 316.085 is amended to read:

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

**NOTE:** Matter in **boldfaced** type in an amended section is new; matter [*italic and bracketed*] is existing law to be omitted. New sections are in **boldfaced** type.

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

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

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

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

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

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

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

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

25 (5) Notwithstanding subsections (1) to (3) of this section, **a taxpayer may not claim the per-**  
 26 **sonal exemption credit otherwise allowed under this section** if [a] **the taxpayer's federal ad-**  
 27 **justed gross income for the tax year exceeds \$200,000 for joint return filers, a surviving spouse**  
 28 **or a head of household, or \$100,000 for an individual who is not a married individual and is**  
 29 **not a surviving spouse, or is a married individual who files a separate return.** [*the threshold*  
 30 *amount, the exemption amount shall be the greater of:*]

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

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

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

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

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

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

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

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

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

43 [(7) *The Department of Revenue shall adjust the threshold amounts in subsection (6) of this section*  
 44 *according to the cost-of-living adjustment for the calendar year. The department shall annually recom-*  
 45 *pute the threshold amounts for the current tax year by multiplying each dollar amount by the percent-*

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

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

6 **SECTION 3.** Section 4 of this 2013 special session Act is added to and made a part of ORS  
7 chapter 316.

8 **SECTION 4.** (1)(a) In addition to the other modifications to federal taxable income con-  
9 tained in this chapter, there shall be subtracted from federal taxable income the amount paid  
10 for medical care of an individual and not compensated for by insurance or otherwise, as de-  
11 scribed in section 213(a) of the Internal Revenue Code, if the individual meets the age re-  
12 quirement for the tax year under subsection (2) of this section. The amount subtracted under  
13 this section may not exceed:

14 (A) \$3,600 for a joint return if both spouses meet the age requirement for the tax year  
15 under subsection (2) of this section, with no more than \$1,800 attributable to the medical  
16 care of either spouse;

17 (B) \$1,800 for a joint return if only one spouse meets the age requirement for the tax  
18 year under subsection (2) of this section, with no more than \$1,800 attributable to the med-  
19 ical care of that spouse; or

20 (C) \$1,800 for each individual filing a return who meets the age requirement for the tax  
21 year under subsection (2) of this section, with no more than \$1,800 attributable to the med-  
22 ical care of that individual.

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

25 (2) The subtraction under this section is available only if the individual has attained the  
26 following age before the close of the tax year:

27 (a) For tax years beginning on or after January 1, 2013, and before January 1, 2014, an  
28 individual must attain 62 years of age before the close of the tax year.

29 (b) For tax years beginning on or after January 1, 2014, and before January 1, 2016, an  
30 individual must attain 63 years of age before the close of the tax year.

31 (c) For tax years beginning on or after January 1, 2016, and before January 1, 2018, an  
32 individual must attain 64 years of age before the close of the tax year.

33 (d) For tax years beginning on or after January 1, 2018, and before January 1, 2020, an  
34 individual must attain 65 years of age before the close of the tax year.

35 (e) For tax years beginning on or after January 1, 2020, an individual must attain 66 years  
36 of age before the close of the tax year.

37 (3) Notwithstanding the amount calculated under subsection (1) of this section, the  
38 maximum amount allowed for a subtraction under this section may not exceed:

39 (a) \$1,400 per individual, if the federal adjusted gross income of the taxpayer for the tax  
40 year is \$50,000 or more and less than \$100,000 for a taxpayer who files a return jointly, as a  
41 head of household or as a surviving spouse, or for all other taxpayers, \$25,000 or more and  
42 less than \$50,000.

43 (b) \$1,000 per individual, if the federal adjusted gross income of the taxpayer for the tax  
44 year is \$100,000 or more and less than \$200,000 for a taxpayer who files a return jointly, as  
45 a head of household or as a surviving spouse, or for all other taxpayers, \$50,000 or more and

1 less than \$100,000.

2 (4) A subtraction may not be claimed under this section if the federal adjusted gross in-  
3 come of the taxpayer for the tax year exceeds:

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

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

7 **SECTION 5.** ORS 316.695, as amended by section 4, chapter 750, Oregon Laws 2013, is amended  
8 to read:

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

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

15 (b) If, in computing federal income tax for a tax year, the taxpayer deducted the standard de-  
16 duction, as defined in section 63(c) of the Internal Revenue Code, the taxpayer shall add the amount  
17 of the standard deduction deducted.

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

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

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

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

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

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

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

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

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

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

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

45 (F) In the case of the following, the standard deduction referred to in subparagraph (A) of this

1 paragraph shall be zero:

2 (i) A husband or wife filing a separate return where the other spouse has claimed itemized de-  
3 ductions under subparagraph (A) of this paragraph;

4 (ii) A nonresident alien individual;

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

7 (iv) An estate or trust;

8 (v) A common trust fund; or

9 (vi) A partnership.

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

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

18 [(B) *The amount paid for medical care of the taxpayer during the tax year and not compensated*  
19 *for by insurance or otherwise, as described in section 213(a) of the Internal Revenue Code, not to ex-*  
20 *ceed seven and one-half percent of the federal adjusted gross income of the taxpayer, if the taxpayer*  
21 *or the taxpayer's spouse has attained 62 years of age before the close of the tax year and if the amount*  
22 *is attributable to medical care of a taxpayer who has attained 62 years of age before the close of the*  
23 *tax year.*]

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

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

34 (3)(a) Except as provided in subsection (4) of this section, there shall be added to federal taxable  
35 income the amount of any federal income taxes in excess of the amount provided in paragraphs (b)  
36 to (d) of this subsection, accrued by the taxpayer during the tax year as described in ORS 316.685,  
37 less the amount of any refund of federal taxes previously accrued for which a tax benefit was re-  
38 ceived.

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

40 (A) \$5,500, if the federal adjusted gross income of the taxpayer for the tax year is less than  
41 \$125,000, or, if reported on a joint return, less than \$250,000.

42 (B) \$4,400, if the federal adjusted gross income of the taxpayer for the tax year is \$125,000 or  
43 more and less than \$130,000, or, if reported on a joint return, \$250,000 or more and less than  
44 \$260,000.

45 (C) \$3,300, if the federal adjusted gross income of the taxpayer for the tax year is \$130,000 or

1 more and less than \$135,000, or, if reported on a joint return, \$260,000 or more and less than  
2 \$270,000.

3 (D) \$2,200, if the federal adjusted gross income of the taxpayer for the tax year is \$135,000 or  
4 more and less than \$140,000, or, if reported on a joint return, \$270,000 or more and less than  
5 \$280,000.

6 (E) \$1,100, if the federal adjusted gross income of the taxpayer for the tax year is \$140,000 or  
7 more and less than \$145,000, or, if reported on a joint return, \$280,000 or more and less than  
8 \$290,000.

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

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

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

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

21 (B) The cost-of-living adjustment for a calendar year is the percentage by which the monthly  
22 averaged U.S. City Average Consumer Price Index for the 12 consecutive months ending August 31  
23 of the prior calendar year exceeds the monthly averaged index for the period beginning September  
24 1, 2005, and ending August 31, 2006.

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

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

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

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

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

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

42 (6)(a) For tax years beginning on or after January 1, 1981, and prior to January 1, 1983, income  
43 or loss taken into account in determining federal taxable income by a shareholder of an S corpo-  
44 ration pursuant to sections 1373 to 1375 of the Internal Revenue Code shall be adjusted for purposes  
45 of determining Oregon taxable income, to the extent that as income or loss of the S corporation,

1 they were required to be adjusted under the provisions of ORS chapter 317.

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

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

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

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

13 (A) For the taxpayer if the taxpayer has attained age 65 before the close of the taxpayer's tax  
14 year; and

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

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

20 (A) For the taxpayer if the taxpayer is blind at the close of the tax year; and

21 (B) For the spouse of the taxpayer if the spouse is blind as of the close of the tax year and an  
22 additional exemption is allowable to the taxpayer for such spouse for federal income tax purposes  
23 under section 151(b) of the Internal Revenue Code. For purposes of this subparagraph, if the spouse  
24 dies during the tax year, the determination of whether such spouse is blind shall be made imme-  
25 diately prior to death.

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

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

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

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

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

40 **SECTION 6.** ORS 317.635 is amended to read:

41 317.635. (1) Except as provided in ORS 317.283, a domestic international sales corporation,  
42 commonly referred to as "DISC," as defined in section 992 of the Internal Revenue Code, shall be  
43 taxed in the manner provided for other corporations under this chapter and without regard to  
44 sections 991 to 996 of the Internal Revenue Code.

45 **(2) An interest charge DISC formed on or before the effective date of this 2013 special**

1 **session Act is exempt from the tax imposed under ORS 317.090.**

2 **SECTION 6a.** ORS 317.283 is amended to read:

3 317.283. (1) To derive Oregon taxable income, federal taxable income shall be modified to the  
4 extent necessary to not recognize for Oregon tax purposes any transaction between the taxpayer  
5 and a related domestic international sales corporation. The taxpayer shall be considered to have  
6 entered directly into any transactions with third parties that are treated for federal income tax  
7 purposes as having been entered into by a related domestic international sales corporation. To sat-  
8 isfy the requirements of this section:

9 (a) No deduction shall be allowed to any taxpayer for any payment to a related domestic inter-  
10 national sales corporation;

11 (b) No income or expense that would be attributed to a taxpayer but for the provisions of  
12 sections 991 to 996 of the Internal Revenue Code shall be treated as attributable to a related do-  
13 mestic international sales corporation; and

14 (c) No deduction shall be allowed to a taxpayer for interest on DISC-related deferred tax li-  
15 ability paid pursuant to section 995 (f) of the Internal Revenue Code.

16 **(2) Notwithstanding subsection (1) of this section:**

17 **(a) A tax shall be imposed under this chapter at a rate of 2.5 percent on any commission**  
18 **received by a domestic international sales corporation; and**

19 **(b) A deduction shall be allowed for commission payments to a domestic international**  
20 **sales corporation, if the domestic international sales corporation is formed on or before the**  
21 **effective date of this 2013 special session Act.**

22 [(2)] (3) As used in this section, “domestic international sales corporation” means a domestic  
23 international sales corporation as defined in section 992 of the Internal Revenue Code.

24 **SECTION 6b. Section 6c of this 2013 special session Act is added to and made a part of**  
25 **ORS chapter 316.**

26 **SECTION 6c. (1) In addition to the other modifications to federal taxable income con-**  
27 **tained in this chapter, there shall be subtracted from federal taxable income the amount of**  
28 **any dividend received by the taxpayer from a domestic international sales corporation.**

29 **(2) As used in this section, “domestic international sales corporation” means a domestic**  
30 **international sales corporation as defined in section 992 of the Internal Revenue Code.**

31 **SECTION 6d.** ORS 315.266 is amended to read:

32 315.266. (1) In addition to any other credit available for purposes of ORS chapter 316, an eligible  
33 resident individual shall be allowed a credit against the tax otherwise due under ORS chapter 316  
34 for the tax year in an amount equal to [six] **eight** percent of the earned income credit allowable to  
35 the individual for the same tax year under section 32 of the Internal Revenue Code.

36 (2) An eligible nonresident individual shall be allowed the credit computed in the same manner  
37 and subject to the same limitations as the credit allowed a resident by subsection (1) of this section.  
38 However, the credit shall be prorated using the proportion provided in ORS 316.117.

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

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

45 (5) If the amount allowable as a credit under this section, when added to the sum of the amounts



1 allowable as payment of tax under ORS 316.187 or 316.583, other tax prepayment amounts and other  
2 refundable credit amounts, exceeds the taxes imposed by ORS chapters 314 and 316 for the tax year  
3 after application of any nonrefundable credits allowable for purposes of ORS chapter 316 for the tax  
4 year, the amount of the excess shall be refunded to the taxpayer as provided in ORS 316.502.

5 (6) The Department of Revenue may adopt rules for purposes of this section, including but not  
6 limited to rules relating to proof of eligibility and the furnishing of information regarding the federal  
7 earned income credit claimed by the taxpayer for the tax year.

8 (7) Refunds attributable to the earned income credit allowed under this section shall not bear  
9 interest.

10 **SECTION 7. (1) Sections 4 and 6c of this 2013 special session Act and the amendments**  
11 **to ORS 316.085, 316.695, 317.061, 317.283 and 317.635 by sections 1, 2, 5, 6 and 6a of this 2013**  
12 **special session Act apply to tax years beginning on or after January 1, 2013.**

13 **(2) The amendments to ORS 315.266 by section 6d of this 2013 special session Act apply**  
14 **to tax years beginning on or after January 1, 2014.**

15 **SECTION 8.** ORS 317.853 is amended to read:

16 317.853. (1) For tax years beginning on or after January 1, 2013, **and before January 1, 2017,**  
17 any revenue that is received as a result of a rate of tax above [*six and six-tenths*] **7.5** percent im-  
18 posed under this chapter and that is in excess of the revenue that would be received under this  
19 chapter at a rate of [*six and six-tenths*] **7.5** percent shall be deposited into the Oregon Rainy Day  
20 Fund established by ORS 293.144.

21 **(2) For tax years beginning on or after January 1, 2017, any revenue that is received as**  
22 **a result of a rate of tax above 7.2 percent imposed under this chapter and that is in excess**  
23 **of the revenue that would be received under this chapter at a rate of 7.2 percent shall be**  
24 **deposited into the Oregon Rainy Day Fund established by ORS 293.144.**

25 [(2)] **(3)** Before the end of each biennium, beginning with the biennium ending on June 30, 2015,  
26 the Department of Revenue shall estimate the revenue described in [*subsection (1)*] **subsection (1)**  
27 **or (2)** of this section that is received during the biennium. An amount equal to that estimate shall  
28 be transferred into the Oregon Rainy Day Fund established by ORS 293.144 on or before June 30  
29 of each odd-numbered year.

30 **SECTION 9.** ORS 318.074 is amended to read:

31 318.074. (1) For tax years beginning on or after January 1, 2013, **and before January 1, 2017,**  
32 any revenue that is received as a result of a rate of tax above [*six and six-tenths*] **7.5** percent im-  
33 posed under this chapter and that is in excess of the revenue that would be received under this  
34 chapter at a rate of [*six and six-tenths*] **7.5** percent shall be deposited into the Oregon Rainy Day  
35 Fund established by ORS 293.144.

36 **(2) For tax years beginning on or after January 1, 2017, any revenue that is received as**  
37 **a result of a rate of tax above 7.2 percent imposed under this chapter and that is in excess**  
38 **of the revenue that would be received under this chapter at a rate of 7.2 percent shall be**  
39 **deposited into the Oregon Rainy Day Fund established by ORS 293.144.**

40 [(2)] **(3)** Before the end of each biennium, beginning with the biennium ending on June 30, 2015,  
41 the Department of Revenue shall estimate the revenue described in [*subsection (1)*] **subsection (1)**  
42 **or (2)** of this section that is received during the biennium. An amount equal to that estimate shall  
43 be transferred into the Oregon Rainy Day Fund established by ORS 293.144 on or before June 30  
44 of each odd-numbered year.

45 **SECTION 10. Sections 11 to 13 of this 2013 special session Act are added to and made a**

1 part of ORS chapter 316.

2 **SECTION 11.** (1) As used in this section:

3 (a) "Nonpassive income" means income other than income from passive activity as de-  
4 termined under section 469 of the Internal Revenue Code. "Nonpassive income" does not in-  
5 clude wages, interest, dividends or capital gains.

6 (b) "Nonpassive loss" means loss other than loss from passive activity as determined  
7 under section 469 of the Internal Revenue Code.

8 (2) If a taxpayer that meets the conditions of subsection (6) of this section has nonpas-  
9 sive income attributable to any partnership or S corporation after reduction for nonpassive  
10 losses, that portion of the taxpayer's income that meets the conditions of subsection (6) of  
11 this section shall be taxed at a rate of:

12 (a)(A) Seven percent of the first \$250,000 of taxable income, or fraction thereof;

13 (B) Seven and two-tenths percent of taxable income exceeding \$250,000 but not exceeding  
14 \$500,000;

15 (C) Seven and six-tenths percent of taxable income exceeding \$500,000 but not exceeding  
16 \$1 million;

17 (D) Eight percent of taxable income exceeding \$1 million but not exceeding \$2.5 million;

18 (E) Nine percent of taxable income exceeding \$2.5 million but not exceeding \$5 million;

19 and

20 (F) Nine and nine-tenths percent of taxable income exceeding \$5 million; or

21 (b) At the election of the taxpayer, the rate otherwise applicable under ORS 316.037.

22 (3) The reduced rates allowed under subsection (2) of this section may be adjusted as  
23 provided in section 13 of this 2013 special session Act.

24 (4) A taxpayer shall use the subtractions, deductions or additions otherwise allowed un-  
25 der this chapter in the calculation of income that is taxed at the rates otherwise applicable  
26 under ORS 316.037. The only addition or subtraction allowed in the calculation of nonpassive  
27 income for which the taxpayer uses the reduced rates allowed under subsection (2) of this  
28 section shall be any depreciation adjustment directly related to the partnership or S corpo-  
29 ration.

30 (5) The election under subsection (2)(b) of this section shall be irrevocable and shall be  
31 made on the taxpayer's original return. If the taxpayer uses the reduced rates allowed under  
32 subsection (2) of this section, the calculation of income shall be substantiated on a form  
33 prescribed by the Department of Revenue and filed with the taxpayer's tax return for the tax  
34 year or at such other time and manner as the department may prescribe by rule. A taxpayer  
35 who uses the reduced rates available under subsection (2) of this section may not join in the  
36 filing of a composite return under ORS 314.778.

37 (6) The rates listed in subsection (2) of this section apply to nonpassive income attribut-  
38 able to a partnership or S corporation only if:

39 (a) The taxpayer materially participates in the day-to-day operations of the trade or  
40 business;

41 (b) The partnership or S corporation employs at least one person who is not an owner,  
42 member or limited partner of the partnership or S corporation; and

43 (c) At least 1,200 aggregate hours of work in Oregon are performed, by the close of the  
44 tax year for which the reduced rate is allowed, by employees who meet the requirements of  
45 paragraph (b) of this subsection and who are employed by the partnership or S corporation.

1 In determining whether this requirement is met, only hours worked in a week in which a  
2 worker works at least 30 hours may be considered.

3 (7)(a) A nonresident may apply the reduced rates allowed under subsection (2) of this  
4 section only to income earned in Oregon.

5 (b) A part-year resident shall calculate the tax due using the reduced rates allowed under  
6 subsection (2) of this section by first applying those rates to the taxpayer's nonpassive in-  
7 come that meets the requirements of subsection (6) of this section, and then multiplying that  
8 amount by the ratio of the taxpayer's nonpassive income in Oregon divided by nonpassive  
9 income from all sources.

10 **SECTION 12.** Section 11 of this 2013 special session Act applies to tax years beginning  
11 on or after January 1, 2015.

12 **SECTION 13.** (1)(a) As soon as practicable, the Legislative Revenue Officer, after con-  
13 sultation with the Department of Revenue, shall prepare estimates of projected use by tax-  
14 payers of the reduced rates provided in section 11 (2) of this 2013 special session Act. The  
15 estimates shall include the projected use of the reduced rates in tax years beginning on or  
16 after January 1, 2015, and before January 1, 2017, and in tax years beginning on or after  
17 January 1, 2019, and before January 1, 2021. The estimates shall express as a ratio the re-  
18 venue loss anticipated as a result of the reduced rates of taxation in section 11 (2) of this  
19 2013 special session Act, divided by projected total income in this state, for those tax years.

20 (b) Not later than July 1, 2018, the Legislative Revenue Officer shall report to an interim  
21 committee of the Legislative Assembly related to revenue regarding the use of the reduced  
22 rates provided in section 11 (2) of this 2013 special session Act. The report shall express as  
23 a ratio, for tax years beginning on or after January 1, 2015, and before January 1, 2017, the  
24 actual revenue loss resulting from the allowance of reduced rates of taxation provided in  
25 section 11 (2) of this 2013 special session Act divided by actual total income in this state for  
26 those tax years. If the ratio exceeds the ratio calculated under paragraph (a) of this sub-  
27 section by more than 15 percent, the rates listed in section 11 (2) of this 2013 special session  
28 Act shall be proportionately adjusted to achieve a ratio of approximately 105 percent of the  
29 ratio calculated in subsection (1)(a) of this section for tax years beginning on or after Janu-  
30 ary 1, 2015, and before January 1, 2017, but may in no event exceed 9.9 percent of taxable  
31 income or be reduced to less than the original rate provided in section 11 (2) of this 2013  
32 special session Act.

33 (c) The adjusted rates provided under paragraph (b) of this subsection shall apply to tax  
34 years beginning on or after January 1, 2019.

35 (2)(a) Not later than July 1, 2022, the Legislative Revenue Officer shall report to an in-  
36 terim committee of the Legislative Assembly related to revenue regarding the use of the  
37 reduced rates provided in section 11 (2) of this 2013 special session Act. The report shall ex-  
38 press as a ratio, for tax years beginning on or after January 1, 2019, and before January 1,  
39 2021, the actual revenue loss resulting from the allowance of reduced rates of taxation pro-  
40 vided in section 11 (2) of this 2013 special session Act divided by actual total income in this  
41 state for those tax years. If the ratio exceeds the ratio included in the estimate required  
42 under subsection (1)(a) of this section for tax years beginning on or after January 1, 2019,  
43 and before January 1, 2021, by more than 25 percent, the rates listed in section 11 (2) of this  
44 2013 special session Act shall be proportionately adjusted to achieve a ratio of approximately  
45 115 percent of the ratio calculated in subsection (1)(a) of this section for tax years beginning

1 on or after January 1, 2019, and before January 1, 2021. If the ratio is less than 75 percent  
2 of the ratio included in the estimate required under subsection (1)(a) of this section for tax  
3 years beginning on or after January 1, 2019, and before January 1, 2021, the rates listed in  
4 section 11 (2) of this 2013 special session Act shall be proportionately adjusted to achieve a  
5 ratio of approximately 85 percent of the ratio calculated in subsection (1)(a) of this section  
6 for tax years beginning on or after January 1, 2019, and before January 1, 2021. The adjusted  
7 rates under this subsection may in no event exceed 9.9 percent of taxable income or be re-  
8 duced to lower than the original rate provided in section 11 (2) of this 2013 special session  
9 Act.

10 (b) The adjusted rates provided under paragraph (a) of this subsection shall apply to tax  
11 years beginning on or after January 1, 2023.

12 **SECTION 14.** ORS 323.030 is amended to read:

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

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

17 (3) Any cigarette with respect to which a tax has been prepaid under ORS 323.068 or has oth-  
18 erwise once been imposed under ORS 323.005 to 323.482 is not subject upon a subsequent distrib-  
19 ution to the taxes imposed by ORS 323.005 to 323.482.

20 (4) **In addition to and not in lieu of any other tax imposed under ORS 323.005 to 323.482,**  
21 **every distributor shall pay a tax upon distributions of cigarettes at the rate of 6.5 mills for**  
22 **the distribution of each cigarette in this state.**

23 **SECTION 15.** ORS 323.030, as amended by section 14 of this 2013 special session Act, is  
24 amended to read:

25 323.030. (1) Every distributor shall pay a tax upon distributions of cigarettes at the rate of 29  
26 mills for the distribution of each cigarette in this state.

27 (2) The taxes imposed by ORS 323.005 to 323.482 are in lieu of all other state, county or mu-  
28 nicipal taxes on the sale or use of cigarettes.

29 (3) Any cigarette with respect to which a tax has been prepaid under ORS 323.068 or has oth-  
30 erwise once been imposed under ORS 323.005 to 323.482 is not subject upon a subsequent distrib-  
31 ution to the taxes imposed by ORS 323.005 to 323.482.

32 (4) In addition to and not in lieu of any other tax imposed under ORS 323.005 to 323.482, every  
33 distributor shall pay a tax upon distributions of cigarettes at the rate of [6.5] **seven** mills for the  
34 distribution of each cigarette in this state.

35 **SECTION 16.** ORS 323.030, as amended by sections 14 and 15 of this 2013 special session Act,  
36 is amended to read:

37 323.030. (1) Every distributor shall pay a tax upon distributions of cigarettes at the rate of 29  
38 mills for the distribution of each cigarette in this state.

39 (2) The taxes imposed by ORS 323.005 to 323.482 are in lieu of all other state, county or mu-  
40 nicipal taxes on the sale or use of cigarettes.

41 (3) Any cigarette with respect to which a tax has been prepaid under ORS 323.068 or has oth-  
42 erwise once been imposed under ORS 323.005 to 323.482 is not subject upon a subsequent distrib-  
43 ution to the taxes imposed by ORS 323.005 to 323.482.

44 (4) In addition to and not in lieu of any other tax imposed under ORS 323.005 to 323.482, every  
45 distributor shall pay a tax upon distributions of cigarettes at the rate of [seven] **7.5** mills for the

1 distribution of each cigarette in this state.

2 **SECTION 17.** ORS 323.455, as amended by section 2, chapter 722, Oregon Laws 2013, is  
3 amended to read:

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

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

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

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

31 **(5) All moneys received by the Department of Revenue from the tax imposed by ORS**  
32 **323.030 (4) shall be paid over to the State Treasurer to be held in a suspense account estab-**  
33 **lished under ORS 293.445. After the payment of refunds, the balance shall be credited as**  
34 **follows:**

35 **(a) 76.92 percent to the Oregon Health Authority Fund established by ORS 413.101, for the**  
36 **purpose of providing the services described in ORS 430.630.**

37 **(b) 23.08 percent according to the distribution formula provided in subsection (4) of this**  
38 **section.**

39 **SECTION 18.** ORS 323.455, as amended by section 2, chapter 722, Oregon Laws 2013, and sec-  
40 tion 17 of this 2013 special session Act, is amended to read:

41 323.455. (1) All moneys received by the Department of Revenue from the tax imposed by ORS  
42 323.030 (1) shall be paid over to the State Treasurer to be held in a suspense account established  
43 under ORS 293.445. The department may pay expenses for administration and enforcement of ORS  
44 323.005 to 323.482 out of moneys received from the tax imposed under ORS 323.030 (1). Amounts  
45 necessary to pay administrative and enforcement expenses are continuously appropriated to the de-

1 partment from the suspense account. After the payment of administrative and enforcement expenses  
 2 and refunds, 89.65 percent shall be credited to the General Fund, 3.45 percent is appropriated to the  
 3 cities of this state, 3.45 percent is appropriated to the counties of this state and 3.45 percent is  
 4 continuously appropriated to the Department of Transportation for the purpose of financing and  
 5 improving transportation services for elderly individuals and individuals with disabilities as provided  
 6 in ORS 391.800 to 391.830.

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

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

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

23 (5) All moneys received by the Department of Revenue from the tax imposed by ORS 323.030 (4)  
 24 shall be paid over to the State Treasurer to be held in a suspense account established under ORS  
 25 293.445. After the payment of refunds, the balance shall be credited *[as follows:]*

26 *[(a) 76.92 percent to the Oregon Health Authority Fund established by ORS 413.101, for the pur-*  
 27 *pose of providing the services described in ORS 430.630.]*

28 *[(b) 23.08 percent according to the distribution formula provided in subsection (4) of this section.]*  
 29 **to the Oregon Health Authority Fund established by ORS 413.101 and shall be used to provide**  
 30 **the services described in ORS 430.630.**

31 **SECTION 18a.** ORS 323.505 is amended to read:

32 323.505. (1) A tax is hereby imposed upon the distribution of all tobacco products in this state.  
 33 The tax imposed by this section is intended to be a direct tax on the consumer, for which payment  
 34 upon distribution is required to achieve convenience and facility in the collection and administration  
 35 of the tax. The tax shall be imposed on a distributor at the time the distributor distributes tobacco  
 36 products.

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

38 (a) Sixty-five percent of the wholesale sales price of cigars, but not to exceed 50 cents per cigar;

39 (b) One dollar and seventy-eight cents per ounce based on the net weight determined by the  
 40 manufacturer, in the case of moist snuff, except that the minimum tax under this paragraph is \$2.14  
 41 per retail container; or

42 (c) Sixty-five percent of the wholesale sales price of all tobacco products that are not cigars or  
 43 moist snuff.

44 (3) For reporting periods beginning on or after July 1, [2019] **2022**, the rates of tax applicable  
 45 to moist snuff under subsection (2)(b) of this section shall be adjusted for each biennium according

1 to the cost-of-living adjustment for the calendar year. The Department of Revenue shall recompute  
 2 the rates for each biennium by adding to the rates in subsection (2)(b) of this section the product  
 3 obtained by multiplying the rates in subsection (2)(b) of this section by a factor that is equal to 0.25  
 4 multiplied by the percentage (if any) by which the monthly averaged U.S. City Average Consumer  
 5 Price Index for the 12 consecutive months ending August 31 of the prior calendar year exceeds the  
 6 monthly averaged U.S. City Average Consumer Price Index for the 12 consecutive months ending  
 7 August 31, [2017] **2020**.

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

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

14 **SECTION 19.** (1) **The amendments to ORS 323.030 and 323.455 by sections 14 and 17 of this**  
 15 **2013 special session Act apply to distributions of cigarettes occurring on or after January 1,**  
 16 **2014, and before January 1, 2016.**

17 (2) **The amendments to ORS 323.030 by section 15 of this 2013 special session Act apply**  
 18 **to distributions of cigarettes occurring on or after January 1, 2016, and before January 1,**  
 19 **2018.**

20 (3) **The amendments to ORS 323.030 by section 16 of this 2013 special session Act apply**  
 21 **to distributions of cigarettes occurring on or after January 1, 2018.**

22 (4) **The amendments to ORS 323.455 by section 18 of this 2013 special session Act apply**  
 23 **to distributions of cigarettes occurring on or after January 1, 2016.**

24 **SECTION 20.** (1) **In addition to and not in lieu of any other tax, for the privilege of**  
 25 **holding or storing cigarettes for sale, use or consumption, a floor tax is imposed upon every**  
 26 **dealer at the rate of 6.5 mills for each cigarette in the possession of or under the control of**  
 27 **the dealer in this state at 12:01 a.m. on January 1, 2014.**

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

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

37 **SECTION 21.** **In addition to and not in lieu of any other tax, for the privilege of distrib-**  
 38 **uting cigarettes as a distributor and for holding or storing cigarettes for sale, use or con-**  
 39 **sumption, a floor tax and cigarette adjustment indicia tax is imposed upon every distributor**  
 40 **in the amount of 16.25 cents for each Oregon cigarette tax stamp bearing the designation**  
 41 **“25,” and in the amount of 13 cents for each Oregon cigarette tax stamp bearing the desig-**  
 42 **nation “20,” that is affixed to any package of cigarettes in the possession of or under the**  
 43 **control of the distributor at 12:01 a.m. on January 1, 2014.**

44 **SECTION 22.** (1) **Every distributor must take an inventory as of 12:01 a.m. on January**  
 45 **1, 2014, of all packages of cigarettes to which are affixed Oregon cigarette tax stamps and**

1 of all unaffixed Oregon cigarette tax stamps in the possession of or under the control of the  
2 distributor.

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

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

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

11 (3) The amount of tax required to be paid with respect to the affixed Oregon cigarette  
12 tax stamps shall be computed pursuant to section 21 of this 2013 special session Act and  
13 remitted with the distributor's report. Any amount of tax not paid within the time specified  
14 for the filing of the report shall bear interest at the rate established under ORS 305.220 per  
15 month, or fraction of a month, from the due date of the report until paid.

16 SECTION 23. All moneys received by the Department of Revenue from the taxes imposed  
17 by sections 20 and 21 of this 2013 special session Act shall be paid over to the State Treasurer  
18 to be held in a suspense account established under ORS 293.445. After the payment of re-  
19 funds, the balance shall be credited to the Oregon Health Authority Fund established by ORS  
20 413.101, for providing the services described in ORS 430.630.

21 SECTION 23a. (1) All Oregon cigarette tax stamps in the possession of or under the  
22 control of any dealer or distributor as of December 31, 2015, bearing the indicia of \$1.64 for  
23 each Oregon cigarette tax stamp bearing the designation "25," or of \$1.31 for each Oregon  
24 cigarette tax stamp bearing the designation "20," shall expire on January 31, 2016.

25 (2) All Oregon cigarette tax stamps in the possession of or under the control of any  
26 dealer or distributor as of December 31, 2017, bearing the indicia of \$1.65 for each Oregon  
27 cigarette tax stamp bearing the designation "25," or of \$1.32 for each Oregon cigarette tax  
28 stamp bearing the designation "20," shall expire on January 31, 2018.

29 SECTION 24. The Department of Revenue shall waive any penalty or interest that would  
30 otherwise apply to taxes due if the penalty or interest is based on underpayment or  
31 underreporting that results solely from the operation of section 4 of this 2013 special session  
32 Act or from the amendments to ORS 316.085, 316.695, 317.061 and 317.283 by sections 1, 2, 5  
33 and 6a of this 2013 special session Act.

34 SECTION 25. The Department of Revenue may adopt rules or take any other action be-  
35 fore the effective date of this 2013 special session Act that is necessary to enable the de-  
36 partment to exercise, on or after the effective date of this 2013 special session Act, all the  
37 duties, functions and powers conferred on the department by sections 4, 6c, 11, 13 and 20 to  
38 23 of this 2013 special session Act and the amendments to ORS 315.266, 316.085, 316.695,  
39 317.061, 317.283, 317.635, 317.853, 318.074, 323.030, 323.455 and 323.505 by sections 1, 2, 5, 6, 6a,  
40 6d, 8, 9 and 14 to 18a of this 2013 special session Act.

41 SECTION 26. This 2013 special session Act takes effect on the 91st day after the date on  
42 which the 2013 special session of the Seventy-seventh Legislative Assembly adjourns sine die.

43