

# House Bill 2101

Introduced and printed pursuant to House Rule 12.00. Pre-session filed (at the request of House Interim Committee on Revenue)

## 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 **as introduced**.

Creates or adjusts sunset for certain income and corporate excise tax expenditures not required under federal law or Oregon Constitution.

Takes effect on 91st day following adjournment sine die.

## A BILL FOR AN ACT

1  
2 Relating to tax expenditures; creating new provisions; amending ORS 171.072, 316.117, 316.130,  
3 316.362, 316.680, 316.687, 316.690 and 316.695 and section 3, chapter 747, Oregon Laws 1999,  
4 section 4, chapter 280, Oregon Laws 2003, section 15, chapter 906, Oregon Laws 2007, and sec-  
5 tion 4, chapter 66, Oregon Laws 2010; prescribing an effective date; and providing for revenue  
6 raising that requires approval by a three-fifths majority.

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

8 **SECTION 1.** ORS 316.695 is amended 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 item-*  
19 *ized deductions or (ii) a standard deduction. Except as provided in subsection (8) of this section, for*  
20 *purposes of this subparagraph, "standard deduction" means the sum of the basic standard deduction*  
21 *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 for*  
30 *each category of return filer listed under subparagraph (B) of this paragraph. The basic standard de-*

**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 *duction shall be computed by dividing the monthly averaged U.S. City Average Consumer Price Index*  
 2 *for the 12 consecutive months ending August 31 of the prior calendar year by the average U.S. City*  
 3 *Average Consumer Price Index for the second quarter of 2002, then multiplying that quotient by the*  
 4 *amount listed under subparagraph (B) of this paragraph for each category of return filer.]*

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

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

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

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

14 *[(F) In the case of the following, the standard deduction referred to in subparagraph (A) of this*  
 15 *paragraph shall be zero:]*

16 *[(i) A husband or wife filing a separate return where the other spouse has claimed itemized de-*  
 17 *ductions under subparagraph (A) of this paragraph;]*

18 *[(ii) A nonresident alien individual;]*

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

21 *[(iv) An estate or trust;]*

22 *[(v) A common trust fund; or]*

23 *[(vi) A partnership.]*

24 *[(d) For the purposes of paragraph (c)(A) of this subsection, the taxpayer's itemized deductions are*  
 25 *the amount of the taxpayer's itemized deductions as defined in section 63(d) of the Internal Revenue*  
 26 *Code (reduced, if applicable, as described under section 68 of the Internal Revenue Code) minus the*  
 27 *deduction for Oregon income tax (reduced, if applicable, by the proportion that the reduction in federal*  
 28 *itemized deductions resulting from section 68 of the Internal Revenue Code bears to the amount of*  
 29 *federal itemized deductions as defined for purposes of section 68 of the Internal Revenue Code).]*

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

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

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

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

1 (A) \$5,500, if the federal adjusted gross income of the taxpayer for the tax year is less than  
2 \$125,000, or, if reported on a joint return, less than \$250,000.

3 (B) \$4,400, if the federal adjusted gross income of the taxpayer for the tax year is \$125,000 or  
4 more and less than \$130,000, or, if reported on a joint return, \$250,000 or more and less than  
5 \$260,000.

6 (C) \$3,300, if the federal adjusted gross income of the taxpayer for the tax year is \$130,000 or  
7 more and less than \$135,000, or, if reported on a joint return, \$260,000 or more and less than  
8 \$270,000.

9 (D) \$2,200, if the federal adjusted gross income of the taxpayer for the tax year is \$135,000 or  
10 more and less than \$140,000, or, if reported on a joint return, \$270,000 or more and less than  
11 \$280,000.

12 (E) \$1,100, if the federal adjusted gross income of the taxpayer for the tax year is \$140,000 or  
13 more and less than \$145,000, or, if reported on a joint return, \$280,000 or more and less than  
14 \$290,000.

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

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

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

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

27 (B) The cost-of-living adjustment for a calendar year is the percentage by which the monthly  
28 averaged U.S. City Average Consumer Price Index for the 12 consecutive months ending August 31  
29 of the prior calendar year exceeds the monthly averaged index for the period beginning September  
30 1, 2005, and ending August 31, 2006.

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

34 (D) If any adjustment determined under subparagraph (B) of this paragraph is not a multiple of  
35 \$50, the adjustment shall be rounded to the next lower multiple of \$50.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

38 *[(8) In the case of an individual with respect to whom a deduction under section 151 of the Internal*  
39 *Revenue Code is allowable for federal income tax purposes to another taxpayer for a tax year begin-*  
40 *ning in the calendar year in which the individual's tax year begins, the basic standard deduction (re-*  
41 *ferred to in subsection (1)(c)(B) of this section) applicable to such individual for such individual's tax*  
42 *year shall equal the lesser of:]*

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

45 *[(b) The amount determined under subsection (1)(c)(B) of this section.]*

1       **SECTION 2.** ORS 316.680 is amended to read:

2       316.680. (1) There shall be subtracted from federal taxable income:

3       (a) The interest or dividends on obligations of the United States and its territories and pos-  
4 sessions or of any authority, commission or instrumentality of the United States to the extent  
5 includable in gross income for federal income tax purposes but exempt from state income taxes un-  
6 der the laws of the United States. However, the amount subtracted under this paragraph shall be  
7 reduced by any interest on indebtedness incurred to carry the obligations or securities described in  
8 this paragraph, and by any expenses incurred in the production of interest or dividend income de-  
9 scribed in this paragraph to the extent that such expenses, including amortizable bond premiums,  
10 are deductible in determining federal taxable income.

11       **[(b) The amount of any federal income taxes accrued by the taxpayer during the taxable year as**  
12 **described in ORS 316.685, less the amount of any refunds of federal taxes previously accrued for which**  
13 **a tax benefit was received.]**

14       **[(c) Amounts allowable under sections 2621(a)(2) and 2622(b) of the Internal Revenue Code to the**  
15 **extent that the taxpayer does not elect under section 642(g) of the Internal Revenue Code to reduce**  
16 **federal taxable income by those amounts.]**

17       **[(d) Any supplemental payments made to JOBS Plus Program participants under ORS 411.892.]**

18       **[(e)(A)] (b)(A)** Federal pension income that is attributable to federal employment occurring be-  
19 fore October 1, 1991. Federal pension income that is attributable to federal employment occurring  
20 before October 1, 1991, shall be determined by multiplying the total amount of federal pension in-  
21 come for the tax year by the ratio of the number of months of federal creditable service occurring  
22 before October 1, 1991, over the total number of months of federal creditable service.

23       (B) The subtraction allowed under this paragraph applies only to federal pension income re-  
24 ceived at a time when:

25       (i) Benefit increases provided under chapter 569, Oregon Laws 1995, are in effect; or

26       (ii) Public Employees Retirement System benefits received for service prior to October 1, 1991,  
27 are exempt from state income tax.

28       (C) As used in this paragraph:

29       (i) "Federal creditable service" means those periods of time for which a federal employee earned  
30 a federal pension.

31       (ii) "Federal pension" means any form of retirement allowance provided by the federal govern-  
32 ment, its agencies or its instrumentalities to retirees of the federal government or their benefici-  
33 aries.

34       **[(f)] (c)** Any amount included in federal taxable income for the tax year that is attributable to  
35 the conversion of a regular individual retirement account into a Roth individual retirement account  
36 described in section 408A of the Internal Revenue Code, to the extent that:

37       (A) The amount was subject to the income tax of another state or the District of Columbia in  
38 a prior tax year; and

39       (B) The taxpayer was a resident of the other state or the District of Columbia for that prior tax  
40 year.

41       **[(g)] (d)** Any amounts awarded to the taxpayer by the Public Safety Memorial Fund Board under  
42 ORS 243.954 to 243.974 to the extent that the taxpayer has not taken the amount as a deduction in  
43 determining the taxpayer's federal taxable income for the tax year.

44       **[(h)] (e)** If included in taxable income for federal tax purposes, the amount withdrawn during the  
45 tax year in qualified withdrawals from a college savings network account established under ORS

1 348.841 to 348.873.

2 (2) There shall be added to federal taxable income:

3 (a) Interest or dividends, exempt from federal income tax, on obligations or securities of any  
 4 foreign state or of a political subdivision or authority of any foreign state. However, the amount  
 5 added under this paragraph shall be reduced by any interest on indebtedness incurred to carry the  
 6 obligations or securities described in this paragraph and by any expenses incurred in the production  
 7 of interest or dividend income described in this paragraph.

8 (b) Interest or dividends on obligations of any authority, commission, instrumentality and terri-  
 9 torial possession of the United States that by the laws of the United States are exempt from federal  
 10 income tax but not from state income taxes. However, the amount added under this paragraph shall  
 11 be reduced by any interest on indebtedness incurred to carry the obligations or securities described  
 12 in this paragraph and by any expenses incurred in the production of interest or dividend income  
 13 described in this paragraph.

14 (c) The amount of any federal estate taxes allocable to income in respect of a decedent not  
 15 taxable by Oregon.

16 (d) The amount of any allowance for depletion in excess of the taxpayer's adjusted basis in the  
 17 property depleted, deducted on the taxpayer's federal income tax return for the taxable year, pur-  
 18 suant to sections 613, 613A, 614, 616 and 617 of the Internal Revenue Code.

19 (e) For taxable years beginning on or after January 1, 1985, the dollar amount deducted under  
 20 section 151 of the Internal Revenue Code for personal exemptions for the taxable year.

21 (f) The amount taken as a deduction on the taxpayer's federal return for unused qualified busi-  
 22 ness credits under section 196 of the Internal Revenue Code.

23 (g) The amount of any increased benefits paid to a taxpayer under chapter 569, Oregon Laws  
 24 1995, under the provisions of chapter 796, Oregon Laws 1991, and under section 26, chapter 815,  
 25 Oregon Laws 1991, that is not includable in the taxpayer's federal taxable income under the Internal  
 26 Revenue Code.

27 (h) The amount of any long term care insurance premiums paid or incurred by the taxpayer  
 28 during the tax year if:

29 (A) The amount is taken into account as a deduction on the taxpayer's federal return for the  
 30 tax year; and

31 (B) The taxpayer claims the credit allowed under ORS 315.610 for the tax year.

32 (i) Any amount taken as a deduction under section 1341 of the Internal Revenue Code in com-  
 33 puting federal taxable income for the tax year, if the taxpayer has claimed a credit for claim of right  
 34 income repayment adjustment under ORS 315.068.

35 (j) If the taxpayer makes a nonqualified withdrawal, as defined in ORS 348.841, from a college  
 36 savings network account established under ORS 348.841 to 348.873, the amount of the withdrawal  
 37 that is attributable to contributions that were subtracted from federal taxable income under ORS  
 38 316.699.

39 (3) Discount and gain or loss on retirement or disposition of obligations described under sub-  
 40 section (2)(a) of this section issued on or after January 1, 1985, shall be treated for purposes of this  
 41 chapter in the same manner as under sections 1271 to 1283 and other pertinent sections of the  
 42 Internal Revenue Code as if the obligations, although issued by a foreign state or a political subdivi-  
 43 sion of a foreign state, were not tax exempt under the Internal Revenue Code.

44 **SECTION 2a.** ORS 316.680, as amended by section 74, chapter 1, Oregon Laws 2015, is amended  
 45 to read:

1 316.680. (1) There shall be subtracted from federal taxable income:

2 (a) The interest or dividends on obligations of the United States and its territories and pos-  
3 sessions or of any authority, commission or instrumentality of the United States to the extent  
4 includable in gross income for federal income tax purposes but exempt from state income taxes un-  
5 der the laws of the United States. However, the amount subtracted under this paragraph shall be  
6 reduced by any interest on indebtedness incurred to carry the obligations or securities described in  
7 this paragraph, and by any expenses incurred in the production of interest or dividend income de-  
8 scribed in this paragraph to the extent that such expenses, including amortizable bond premiums,  
9 are deductible in determining federal taxable income.

10 *[(b) The amount of any federal income taxes accrued by the taxpayer during the taxable year as*  
11 *described in ORS 316.685, less the amount of any refunds of federal taxes previously accrued for which*  
12 *a tax benefit was received.]*

13 *[(c) Amounts allowable under sections 2621(a)(2) and 2622(b) of the Internal Revenue Code to the*  
14 *extent that the taxpayer does not elect under section 642(g) of the Internal Revenue Code to reduce*  
15 *federal taxable income by those amounts.]*

16 *[(d) Any supplemental payments made to JOBS Plus Program participants under ORS 411.892.]*

17 *[(e)(A)]* **(b)(A)** Federal pension income that is attributable to federal employment occurring be-  
18 fore October 1, 1991. Federal pension income that is attributable to federal employment occurring  
19 before October 1, 1991, shall be determined by multiplying the total amount of federal pension in-  
20 come for the tax year by the ratio of the number of months of federal creditable service occurring  
21 before October 1, 1991, over the total number of months of federal creditable service.

22 **(B)** The subtraction allowed under this paragraph applies only to federal pension income re-  
23 ceived at a time when:

24 (i) Benefit increases provided under chapter 569, Oregon Laws 1995, are in effect; or

25 (ii) Public Employees Retirement System benefits received for service prior to October 1, 1991,  
26 are exempt from state income tax.

27 **(C)** As used in this paragraph:

28 (i) "Federal creditable service" means those periods of time for which a federal employee earned  
29 a federal pension.

30 (ii) "Federal pension" means any form of retirement allowance provided by the federal govern-  
31 ment, its agencies or its instrumentalities to retirees of the federal government or their benefici-  
32 aries.

33 *[(f)]* **(c)** Any amount included in federal taxable income for the tax year that is attributable to  
34 the conversion of a regular individual retirement account into a Roth individual retirement account  
35 described in section 408A of the Internal Revenue Code, to the extent that:

36 **(A)** The amount was subject to the income tax of another state or the District of Columbia in  
37 a prior tax year; and

38 **(B)** The taxpayer was a resident of the other state or the District of Columbia for that prior tax  
39 year.

40 *[(g)]* **(d)** Any amounts awarded to the taxpayer by the Public Safety Memorial Fund Board under  
41 ORS 243.954 to 243.974 to the extent that the taxpayer has not taken the amount as a deduction in  
42 determining the taxpayer's federal taxable income for the tax year.

43 *[(h)]* **(e)** If included in taxable income for federal tax purposes, the amount withdrawn during the  
44 tax year in qualified withdrawals from a college savings network account established under ORS  
45 348.841 to 348.873.

1        *[(i)]* **(f)** For income tax years commencing on or after January 1, 2015, the amount of any de-  
2        ductions or credits that the taxpayer would have been allowed but for the provisions of section 280E  
3        of the Internal Revenue Code.

4        (2) There shall be added to federal taxable income:

5        (a) Interest or dividends, exempt from federal income tax, on obligations or securities of any  
6        foreign state or of a political subdivision or authority of any foreign state. However, the amount  
7        added under this paragraph shall be reduced by any interest on indebtedness incurred to carry the  
8        obligations or securities described in this paragraph and by any expenses incurred in the production  
9        of interest or dividend income described in this paragraph.

10       (b) Interest or dividends on obligations of any authority, commission, instrumentality and terri-  
11       torial possession of the United States that by the laws of the United States are exempt from federal  
12       income tax but not from state income taxes. However, the amount added under this paragraph shall  
13       be reduced by any interest on indebtedness incurred to carry the obligations or securities described  
14       in this paragraph and by any expenses incurred in the production of interest or dividend income  
15       described in this paragraph.

16       (c) The amount of any federal estate taxes allocable to income in respect of a decedent not  
17       taxable by Oregon.

18       (d) The amount of any allowance for depletion in excess of the taxpayer's adjusted basis in the  
19       property depleted, deducted on the taxpayer's federal income tax return for the taxable year, pur-  
20       suant to sections 613, 613A, 614, 616 and 617 of the Internal Revenue Code.

21       (e) For taxable years beginning on or after January 1, 1985, the dollar amount deducted under  
22       section 151 of the Internal Revenue Code for personal exemptions for the taxable year.

23       (f) The amount taken as a deduction on the taxpayer's federal return for unused qualified busi-  
24       ness credits under section 196 of the Internal Revenue Code.

25       (g) The amount of any increased benefits paid to a taxpayer under chapter 569, Oregon Laws  
26       1995, under the provisions of chapter 796, Oregon Laws 1991, and under section 26, chapter 815,  
27       Oregon Laws 1991, that is not includable in the taxpayer's federal taxable income under the Internal  
28       Revenue Code.

29       (h) The amount of any long term care insurance premiums paid or incurred by the taxpayer  
30       during the tax year if:

31       (A) The amount is taken into account as a deduction on the taxpayer's federal return for the  
32       tax year; and

33       (B) The taxpayer claims the credit allowed under ORS 315.610 for the tax year.

34       (i) Any amount taken as a deduction under section 1341 of the Internal Revenue Code in com-  
35       puting federal taxable income for the tax year, if the taxpayer has claimed a credit for claim of right  
36       income repayment adjustment under ORS 315.068.

37       (j) If the taxpayer makes a nonqualified withdrawal, as defined in ORS 348.841, from a college  
38       savings network account established under ORS 348.841 to 348.873, the amount of the withdrawal  
39       that is attributable to contributions that were subtracted from federal taxable income under ORS  
40       316.699.

41       (3) Discount and gain or loss on retirement or disposition of obligations described under sub-  
42       section (2)(a) of this section issued on or after January 1, 1985, shall be treated for purposes of this  
43       chapter in the same manner as under sections 1271 to 1283 and other pertinent sections of the  
44       Internal Revenue Code as if the obligations, although issued by a foreign state or a political subdi-  
45       vision of a foreign state, were not tax exempt under the Internal Revenue Code.



1       **SECTION 3.** ORS 316.690 is amended to read:

2       316.690. [(1) *Subject to subsection (2) of this section,*] In addition to other modifications provided  
3 in this chapter, and if a taxpayer elects to take foreign income taxes imposed for the taxable year  
4 by a foreign country as a credit on the federal income tax return or does not itemize personal de-  
5 ductions on the federal income tax return, there shall be subtracted from federal taxable income in  
6 the computation of state taxable income the amount of foreign income taxes imposed for the taxable  
7 year by a foreign country.

8       [(2) *The deduction for foreign country income taxes provided by this section shall be limited as*  
9 *follows:*]

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

13       [(b) *In the case of a husband and wife filing separate tax returns, the sum described in paragraph*  
14 *(a) of this subsection shall be limited to \$1,500.*]

15       **SECTION 4.** ORS 316.130 is amended to read:

16       316.130. (1) The taxable income for a full-year nonresident individual is adjusted gross income  
17 attributable to sources within this state determined under ORS 316.127, with the modifications (ex-  
18 cept those provided under subsection (2) of this section) as otherwise provided under this chapter  
19 and other laws of this state applicable to personal income taxation, less the deductions allowed un-  
20 der subsection (2) of this section.

21       [(2)(a) *A full-year nonresident individual shall be allowed the deduction for a standard deduction*  
22 *or itemized deductions allowable to a resident under ORS 316.695 (1) in the proportion provided in*  
23 *ORS 316.117.*]

24       [(b)] **(2)(a)** A full-year nonresident individual shall be allowed to deduct the amount of any ac-  
25 crued federal income taxes and foreign country income taxes as provided in ORS 316.690 in the  
26 proportion provided in ORS 316.117.

27       [(c)(A)] **(b)(A)** A full-year nonresident individual shall be allowed to deduct the amount of any  
28 alimony or separate maintenance payments paid during such individual's taxable year in the pro-  
29 portion provided in ORS 316.117 except that in determining the proportion the taxpayer's adjusted  
30 gross income shall not include a deduction for alimony. For purposes of this paragraph, "alimony  
31 or separate maintenance payment" has the meaning given the phrase in section 215 of the Internal  
32 Revenue Code.

33       **(B)** No deduction shall be allowed under this paragraph if the alimony or separate maintenance  
34 payment is not includable in the gross income of the nonresident individual for federal income tax  
35 purposes under section 682 of the Internal Revenue Code.

36       **(3)(a)** A full-year nonresident who is a self-employed individual shall be allowed to deduct that  
37 individual's contributions to a qualified plan, deductible on that individual's federal income tax re-  
38 turn pursuant to section 401 of the Internal Revenue Code, in the proportion that the individual's  
39 earned income from Oregon sources bears to the individual's earned income from all sources.  
40 "Earned income" has the meaning given in section 401(c)(2) of the Internal Revenue Code. If the  
41 numerator of the fraction described in this paragraph is greater than the denominator, the proration  
42 of 100 percent shall be used.

43       **(b)** A full-year nonresident shall be allowed to deduct that individual's qualified retirement con-  
44 tributions, deductible on that individual's federal income tax return pursuant to section 219 of the  
45 Internal Revenue Code, in the proportion that the individual's compensation from Oregon sources

bears to the individual's compensation from all sources. "Compensation" has the meaning given in section 219(f)(1) of the Internal Revenue Code.

(c) A full-year nonresident individual shall be allowed to deduct the aggregate amounts paid in cash to a medical savings account, deductible on the individual's federal income tax return pursuant to section 220 of the Internal Revenue Code, in the proportion that the individual's compensation from Oregon sources bears to the individual's compensation from all sources. Distributions from a medical savings account, if excluded from income for federal income tax purposes, shall be excluded for Oregon income tax purposes. Distributions from a medical savings account, if included in income for federal tax purposes, shall be included in income for Oregon tax purposes to the extent that an exclusion has been allowed for contributions to the medical savings account for Oregon tax purposes in a previous year.

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

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

(a) Every resident individual:

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

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

*[(i) The basic standard deduction allowed under ORS 316.695 (1)(c)(B);]*

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

**(i) 33 percent of the entire standard deduction allowed under section 63 of the Internal Revenue Code; and**

*[(iii)]* **(ii)** An amount equal to the income equivalent of one personal exemption credit under ORS 316.085 (3)(b) if unmarried, or equal to the income equivalent of two personal exemption credits under ORS 316.085 (3)(b) if married.

(b) Every nonresident individual who has federal gross income from sources in this state of more than *[the basic standard deduction allowed under ORS 316.695 (1)(c)(B)]* **33 percent of the basic standard deduction allowed under section 63 of the Internal Revenue Code.**

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

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

(e) Every nonresident trust that for the taxable year has from sources within this state any taxable income, or gross income of \$600 or more regardless of the amount of taxable income.

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

(3) For purposes of this section, the income equivalent of a personal exemption credit under ORS 316.085 (3)(b) shall be determined as follows:

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

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

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

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

1 (B) Determine the difference between the product calculated under subparagraph (A) of this  
 2 paragraph and the personal exemption credit amount.

3 (C) Divide the difference determined in subparagraph (B) of this paragraph by the rate applica-  
 4 ble to the income bracket that is the next succeeding the lowest income bracket under ORS 316.037.

5 (D) Add the quotient determined in subparagraph (C) of this paragraph to the maximum amount  
 6 of income subject to the rate used in paragraph (a) of this subsection. The sum is the income  
 7 equivalent.

8 **SECTION 6.** ORS 316.687 is amended to read:

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

16 **SECTION 7.** ORS 316.117 is amended to read:

17 316.117. (1) Except as provided under subsection (2) of this section, the proportion for making  
 18 a proration for nonresident taxpayers of [*the standard deduction or itemized deductions,*] the personal  
 19 exemption credits and any accrued federal or foreign income taxes, or for part-year resident tax-  
 20 payers of the amount of the tax, between Oregon source income and income from all other sources  
 21 is the federal adjusted gross income of the taxpayer from Oregon sources divided by the taxpayer's  
 22 federal adjusted gross income from all sources. If the numerator of the fraction described in this  
 23 subsection is greater than the denominator, the proportion of 100 percent shall be used in the pro-  
 24 ration required by this section. As used in this subsection, "federal adjusted gross income" means  
 25 the federal adjusted gross income of the taxpayer with the additions, subtractions and other mod-  
 26 ifications to federal taxable income that relate to adjusted gross income for personal income tax  
 27 purposes.

28 (2) For part-year resident trusts, the proration made under this section shall be made by refer-  
 29 ence to the taxable income of the fiduciary.

30 **SECTION 8.** ORS 171.072, as amended by section 1, chapter 578, Oregon Laws 2013, is amended  
 31 to read:

32 171.072. (1) A member of the Legislative Assembly shall receive for services an annual salary  
 33 determined as provided under ORS 292.907 to 292.930.

34 (2) The President of the Senate and the Speaker of the House of Representatives each shall re-  
 35 ceive for services, as additional salary, an amount equal to the salary allowed each of them as a  
 36 member under subsection (1) of this section.

37 (3) A member of the Legislative Assembly shall receive, as an allowance for expenses not oth-  
 38 erwise provided for, a per diem determined as provided in subsection [(9)] (8) of this section for each  
 39 day within the period that the Legislative Assembly is in session, to be paid with the salary provided  
 40 for in subsection (1) of this section. Pursuant to procedures determined by the Legislative Adminis-  
 41 tration Committee, a member may draw from an accrued allowance.

42 (4) A member of the Legislative Assembly shall receive, as an allowance for expenses incurred  
 43 in the performance of official duties during periods when the legislature is not in session, \$400 for  
 44 each calendar month or part of a calendar month during those periods, to be paid monthly, and  
 45 subject to approval of the President of the Senate or Speaker of the House of Representatives,

1 mileage expenses and a per diem determined as provided in subsection [(9)] (8) of this section for  
 2 each day a member is engaged in the business of legislative interim and statutory committees, in-  
 3 cluding advisory committees and subcommittees of advisory committees, and task forces and for each  
 4 day a member serves on interstate bodies, advisory committees and other entities on which the  
 5 member serves ex officio, whether or not the entity is a legislative one.

6 (5) In addition to the mileage and per diem expense payments provided by this section, a member  
 7 of the Legislative Assembly may receive reimbursement for actual and necessary expenses, subject  
 8 to approval by the President of the Senate or Speaker of the House of Representatives, for legisla-  
 9 tive business outside of the state.

10 (6) The President of the Senate and the Speaker of the House of Representatives may delegate  
 11 to the chairpersons of interim and statutory committees and task forces the approval authority  
 12 granted to the President and the Speaker by subsection (4) of this section, with respect to expenses  
 13 incurred in attending any meeting of a particular committee or task force.

14 *[(7) Amounts received under subsections (3) to (5) of this section are excluded from gross income*  
 15 *and expenditures of the amounts are excluded in computing deductions for purposes of ORS chapter*  
 16 *316. If there is attached to the personal income return a schedule of all ordinary and necessary busi-*  
 17 *ness expenses paid during the tax year as a member of the Legislative Assembly, a deduction may be*  
 18 *claimed on the return for legislative expenses paid in excess of the amounts received under subsections*  
 19 *(3) to (5) of this section. Expenses of members of the Legislative Assembly who are reimbursed by the*  
 20 *state for actual expenses for meals and lodging associated with state travel for the same period during*  
 21 *which a legislator receives per diem are subject to state income tax.]*

22 [(8)] (7) For periods when the Legislative Assembly is not in session, the Legislative Adminis-  
 23 tration Committee shall provide for a telephone and an expense allowance for members of the Leg-  
 24 islative Assembly that is in addition to the amount allowed under subsection (4) of this section. In  
 25 determining the amount of allowance for members, the committee shall consider the geographic area  
 26 of the member's district. The additional allowance shall reflect travel expenses necessary to com-  
 27 municate in districts of varying sizes.

28 [(9)] (8) The per diem allowance referred to in subsections (3) and (4) of this section shall be the  
 29 amount fixed for per diem allowance that is authorized by the United States Internal Revenue Ser-  
 30 vice to be excluded from gross income without itemization.

31 **SECTION 9. The amendments to ORS 171.072, 316.117, 316.130, 316.362, 316.680, 316.687,**  
 32 **316.690 and 316.695 by sections 1 to 8 of this 2015 Act apply to tax years beginning on or after**  
 33 **January 1, 2018.**

34 **SECTION 10.** Section 4, chapter 280, Oregon Laws 2003, is amended to read:

35 **Sec. 4.** *[Section 2 of this 2003 Act]* **ORS 316.699** and the amendments to ORS 316.680 by section  
 36 3 *[of this 2003 Act]*, **chapter 280, Oregon Laws 2003**, apply to contributions made to a college  
 37 savings network account for tax years beginning on or after January 1, 2004, **and before January**  
 38 **1, 2018.**

39 **SECTION 11.** Section 3, chapter 747, Oregon Laws 1999, is amended to read:

40 **Sec. 3.** *[Section 2 of this 1999 Act]* **ORS 316.846** applies to tax years beginning on or after Jan-  
 41 uary 1, 2000, **and before January 1, 2018.**

42 **SECTION 12.** **ORS 316.838 applies to charitable contributions made in tax years beginning**  
 43 **on or after January 1, 1989, and before January 1, 2018.**

44 **SECTION 13.** **ORS 316.056 applies to bonds issued in tax years beginning before January**  
 45 **1, 2018.**

1       **SECTION 14.** (1) **ORS 316.778 applies to tax years beginning before January 1, 2018.**

2       **(2) ORS 317.391 applies to tax years beginning before January 1, 2018.**

3       **SECTION 15.** Section 4, chapter 66, Oregon Laws 2010, is amended to read:

4       **Sec. 4.** [*Section 2 of this 2010 Act*] **ORS 316.856** applies to tax years beginning on or after Jan-  
5 uary 1, 2010, and before January 1, [2014] **2018.**

6       **SECTION 16.** **ORS 316.848 applies to deposits to or withdrawals from individual develop-**  
7 **ment accounts made in tax years beginning before January 1, 2018.**

8       **SECTION 17.** Section 15, chapter 906, Oregon Laws 2007, is amended to read:

9       **Sec. 15.** [*Sections 12 and 14 of this 2007 Act*] **ORS 316.795 and 317.092** apply to tax years be-  
10 ginning on or after January 1, 2007, **and before January 1, 2018.**

11       **SECTION 18.** **ORS 316.698 and 317.394 apply to tax years beginning before January 1, 2018.**

12       **SECTION 19.** **ORS 316.744 and 317.386 apply to tax years beginning before January 1, 2018.**

13       **SECTION 20.** **ORS 461.560 applies to lottery tickets sold and prizes awarded in tax years**  
14 **beginning before January 1, 2018.**

15       **SECTION 21.** **ORS 316.685 (1) and (2) apply to tax years beginning before January 1, 2018.**

16       **SECTION 22.** **This 2015 Act takes effect on the 91st day after the date on which the 2015**  
17 **regular session of the Seventy-eighth Legislative Assembly adjourns sine die.**

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