

House Bill 2158

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**.

Provides for increase in income and corporate excise tax rates if high school graduation rates fall below certain percentage. Provides for subsequent decrease in income and corporate excise tax rates to rates in current law if high school graduation rates are raised to certain percentage. Becomes operative when Superintendent of Public Instruction announces high school graduation rates that meet thresholds. Applies to tax years beginning on or after January 1 following announcement. Directs that revenues received due to imposition of income and excise tax rates above rates in current law are to be transferred to School Improvement Fund. Takes effect on 91st day following adjournment sine die.

A BILL FOR AN ACT

1
2 Relating to state finance; creating new provisions; amending ORS 316.037 and 317.061; and pre-
3 scribing an effective date.

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

5 **SECTION 1.** ORS 316.037 is amended to read:

6 316.037. (1)(a) A tax is imposed for each taxable year on the entire taxable income of every
7 resident of this state. The amount of the tax shall be determined in accordance with the following
8 table:
9

If taxable income is:	The tax is:
Not over \$2,000	5% of taxable income
Over \$2,000 but not over \$5,000	\$100 plus 7% of the excess over \$2,000
Over \$5,000 but not over \$125,000	\$310 plus 9% of the excess over \$5,000
Over \$125,000 but not	

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	over \$250,000	\$11,110 plus 9.9%
2		of the excess
3		over \$125,000
4		
5	Over \$250,000	\$24,610 plus 11%
6		of the excess
7		over \$250,000

9

10 (b) For tax years beginning in each calendar year, the Department of Revenue shall adopt a
 11 table that shall apply in lieu of the table contained in paragraph (a) of this subsection, as follows:

12 (A) Except as provided in subparagraph (D) of this paragraph, the minimum and maximum dollar
 13 amounts for each bracket for which a tax is imposed shall be increased by the cost-of-living adjust-
 14 ment for the calendar year.

15 (B) The rate applicable to any rate bracket as adjusted under subparagraph (A) of this para-
 16 graph shall not be changed.

17 (C) The amounts setting forth the tax, to the extent necessary to reflect the adjustments in the
 18 rate brackets, shall be adjusted.

19 (D) The rate brackets applicable to taxable income in excess of \$125,000 may not be adjusted.

20 (c) For purposes of paragraph (b) of this subsection, the cost-of-living adjustment for any calen-
 21 dar year is the percentage (if any) by which the monthly averaged U.S. City Average Consumer
 22 Price Index for the 12 consecutive months ending August 31 of the prior calendar year exceeds the
 23 monthly averaged index for the second quarter of the calendar year 1992.

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

27 (e) If any increase determined under paragraph (b) of this subsection is not a multiple of \$50,
 28 the increase shall be rounded to the next lower multiple of \$50.

29 (2) A tax is imposed for each taxable year upon the entire taxable income of every part-year
 30 resident of this state. The amount of the tax shall be computed under subsection (1) of this section
 31 as if the part-year resident were a full-year resident and shall be multiplied by the ratio provided
 32 under ORS 316.117 to determine the tax on income derived from sources within this state.

33 (3) A tax is imposed for each taxable year on the taxable income of every full-year nonresident
 34 that is derived from sources within this state. The amount of the tax shall be determined in ac-
 35 cordance with the table set forth in subsection (1) of this section.

36 **SECTION 2.** ORS 317.061 is amended to read:

37 317.061. The rate of the tax imposed by and computed under this chapter is:

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

40 (2) Seven and [*six-tenths*] **nine-tenths** percent of any amount of taxable income in excess of [*\$1*
 41 *million*] **\$250,000**.

42 **SECTION 3.** The amendments to ORS 316.037 and 317.061 by sections 1 and 2 of this 2015
 43 Act apply to tax years beginning on or after the January 1 immediately following the opera-
 44 tive date specified in section 4 of this 2015 Act.

45 **SECTION 4.** The amendments to ORS 316.037 and 317.061 by sections 1 and 2 of this 2015

1 **Act become operative on the date that the Superintendent of Public Instruction announces**
2 **a high school graduation rate of 65 percent or lower for students entering high school**
3 **_____ years earlier.**

4 **SECTION 5.** ORS 316.037, as amended by section 1 of this 2015 Act, is amended to read:

5 316.037. (1)(a) A tax is imposed for each taxable year on the entire taxable income of every
6 resident of this state. The amount of the tax shall be determined in accordance with the following
7 table:

8	9	10	11
		If taxable income is:	The tax is:
		12 Not over \$2,000	13 5% of 14 taxable 15 income
		16 Over \$2,000 but not 17 over \$5,000	18 \$100 plus 7% 19 of the excess 20 over \$2,000
		21 Over \$5,000 but not 22 over \$125,000	23 \$310 plus 9% 24 of the excess 25 over \$5,000
		26 Over \$125,000 [<i>but not</i> 27 <i>over \$250,000</i>]	28 \$11,110 plus 9.9% 29 of the excess 30 over \$125,000
		31 [<i>Over \$250,000</i>]	32 \$24,610 plus 11% 33 of the excess 34 over \$250,000]

35
36 (b) For tax years beginning in each calendar year, the Department of Revenue shall adopt a
37 table that shall apply in lieu of the table contained in paragraph (a) of this subsection, as follows:

38 (A) Except as provided in subparagraph (D) of this paragraph, the minimum and maximum dollar
39 amounts for each bracket for which a tax is imposed shall be increased by the cost-of-living adjust-
40 ment for the calendar year.

41 (B) The rate applicable to any rate bracket as adjusted under subparagraph (A) of this para-
42 graph shall not be changed.

43 (C) The amounts setting forth the tax, to the extent necessary to reflect the adjustments in the
44 rate brackets, shall be adjusted.

45 (D) The rate brackets applicable to taxable income in excess of \$125,000 may not be adjusted.

(c) For purposes of paragraph (b) of this subsection, the cost-of-living adjustment for any calendar year is the percentage (if any) by which the monthly averaged U.S. City Average Consumer Price Index for the 12 consecutive months ending August 31 of the prior calendar year exceeds the monthly averaged index for the second quarter of the calendar year 1992.

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

(e) If any increase determined under paragraph (b) of this subsection is not a multiple of \$50, the increase shall be rounded to the next lower multiple of \$50.

(2) A tax is imposed for each taxable year upon the entire taxable income of every part-year resident of this state. The amount of the tax shall be computed under subsection (1) of this section as if the part-year resident were a full-year resident and shall be multiplied by the ratio provided under ORS 316.117 to determine the tax on income derived from sources within this state.

(3) A tax is imposed for each taxable year on the taxable income of every full-year nonresident that is derived from sources within this state. The amount of the tax shall be determined in accordance with the table set forth in subsection (1) of this section.

SECTION 6. ORS 317.061, as amended by section 2 of this 2015 Act, is amended to read:

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

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

(2) Seven and [nine-tenths] **six-tenths** percent of any amount of taxable income in excess of [\$250,000] **\$1 million**.

SECTION 7. The amendments to ORS 316.037 and 317.061 by sections 5 and 6 of this 2015 Act apply to tax years beginning on or after the January 1 immediately following the operative date specified in section 8 of this 2015 Act.

SECTION 8. The amendments to ORS 316.037 and 317.061 by sections 5 and 6 of this 2015 Act become operative on the date that the Superintendent of Public Instruction announces a high school graduation rate of at least 90 percent for students entering high school _____ years earlier, if, on a date following the effective date of this 2015 Act, the Superintendent of Public Instruction has previously announced a high school graduation rate of 65 percent or lower.

SECTION 9. Section 10 of this 2015 Act is added to and made a part of ORS chapter 316.

SECTION 10. (1) For tax years beginning on or after January 1, 2017, any revenue that is received as a result of a rate of tax above 9.9 percent imposed under this chapter and that is in excess of the revenue that would be received under this chapter at a rate of 9.9 percent shall be deposited into the School Improvement Fund established in ORS 327.294.

(2) Before the end of each biennium beginning with the biennium ending on June 30, 2019, the Department of Revenue shall estimate the revenue described in subsection (1) of this section. An amount equal to that estimate shall be transferred into the School Improvement Fund established in ORS 327.294 on or before June 30 of each odd-numbered year.

SECTION 11. Section 12 of this 2015 Act is added to and made a part of ORS chapter 317.

SECTION 12. (1) For tax years beginning on or after January 1, 2017, any revenue that is received as a result of a rate of tax above seven and six-tenths percent imposed under this chapter and that is in excess of the revenue that would be received under this chapter at a rate of seven and six-tenths percent shall be deposited into the School Improvement Fund

1 established in ORS 327.294.

2 (2) Before the end of each biennium beginning with the biennium ending on June 30, 2019,
3 the Department of Revenue shall estimate the revenue described in subsection (1) of this
4 section. An amount equal to that estimate shall be transferred into the School Improvement
5 Fund established in ORS 327.294 on or before June 30 of each odd-numbered year.

6 SECTION 13. Section 14 of this 2015 Act is added to and made a part of ORS chapter 318.

7 SECTION 14. (1) For tax years beginning on or after January 1, 2017, any revenue that
8 is received as a result of a rate of tax above seven and six-tenths percent imposed under this
9 chapter and that is in excess of the revenue that would be received under this chapter at a
10 rate of seven and six-tenths percent shall be deposited into the School Improvement Fund
11 established in ORS 327.294.

12 (2) Before the end of each biennium beginning with the biennium ending on June 30, 2019,
13 the Department of Revenue shall estimate the revenue described in subsection (1) of this
14 section. An amount equal to that estimate shall be transferred into the School Improvement
15 Fund established in ORS 327.294 on or before June 30 of each odd-numbered year.

16 SECTION 15. 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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