

House Bill 2751

Sponsored by Representative READ (Pre-session filed.)

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**.

Reduces rate of tax on capital gains of personal income and corporate income and excise tax-payers if amount equal to gain is invested in Oregon business during tax year.

Applies to tax years beginning on or after January 1, 2015.

Takes effect on 91st day following adjournment sine die.

A BILL FOR AN ACT

Relating to rate of tax on capital gains; creating new provisions; amending ORS 316.037, 316.122 and 317.061; and prescribing an effective date.

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

SECTION 1. ORS 316.037 is amended to read:

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

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	\$11,110 plus 9.9% of the excess over \$125,000

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.

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

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

(B) The rate applicable to any rate bracket as adjusted under subparagraph (A) of this paragraph shall not be changed.

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

(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) As used in this subsection, "Oregon business" means a corporation, partnership, proprietorship, firm, enterprise, joint venture, cooperative, franchise, association, organization, self-employed individual, group of individuals, nonprofit entity or other entity that is or will be operating or doing business in Oregon.

(b) Notwithstanding subsection (1) of this section, any gain that is treated as net capital gain for federal tax purposes and that is included in taxable income in this state shall be taxed at the rate of _____ percent, if an amount equal to the gain is invested in an Oregon business during the tax year.

[(2)] (3) 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)] **subsections (1) and (2)** 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)] (4) A tax is imposed for each taxable year on the taxable income of every full-year non-resident 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)] **subsections (1) and (2)** of this section.

SECTION 2. ORS 316.122 is amended to read:

316.122. (1) If the federal taxable income of husband and wife (one being a part-year resident and the other a nonresident) is determined on a joint federal return, their taxable income in this state shall be separately determined, unless they elect to file a joint return, in which case their tax on their joint income shall be determined in this state pursuant to ORS 316.037 [(3)] (4).

(2) If the federal taxable income of husband and wife (one being a full-year resident and the other a part-year resident) is determined on a joint federal return, their taxable income in this state shall be separately determined, unless they elect to file a joint return, in which case their tax on their joint income shall be determined in this state pursuant to ORS 316.037 [(2)] (3).

1 (3) If the federal taxable income of husband and wife (one being a full-year resident and the
 2 other a nonresident) is determined on a joint federal return, their taxable income in the state shall
 3 be separately determined, unless they elect to file a joint return, in which case their tax on their
 4 joint income shall be determined in this state pursuant to ORS 316.037 [(3)] (4).

5 (4) For purposes of computing the tax of a husband and wife under this section, if one of the
 6 spouses is a full-year resident individual, then as used in ORS 316.037 [(2) or] (3) **or (4)**, that spouse's
 7 taxable income derived from Oregon sources is that spouse's entire federal taxable income, defined
 8 in the laws of the United States, with the modifications, additions and subtractions provided in this
 9 chapter and other laws of this state applicable to personal income taxation.

10 (5) The provisions of ORS 316.367 with respect to joint returns apply if both husband and wife
 11 are part-year residents or full-year nonresidents.

12 **SECTION 3.** ORS 317.061 is amended to read:

13 317.061. (1) The rate of the tax imposed by and computed under this chapter is:

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

16 [(2)] (b) Seven and six-tenths percent of any amount of taxable income in excess of \$1 million.

17 (2)(a) **As used in this subsection, "Oregon business" means a corporation, partnership,**
 18 **proprietorship, firm, enterprise, joint venture, cooperative, franchise, association, organiza-**
 19 **tion, self-employed individual, group of individuals, nonprofit entity or other entity that is**
 20 **or will be operating or doing business in Oregon.**

21 (b) **Notwithstanding subsection (1) of this section, any gain that is treated as net capital**
 22 **gain for federal tax purposes and that is included in taxable income in this state shall be**
 23 **taxed at the rate of _____ percent, if an amount equal to the gain is invested in an Oregon**
 24 **business during the tax year.**

25 **SECTION 4.** The amendments to ORS 316.037, 316.122 and 317.061 by sections 1 to 3 of this
 26 2015 Act apply to tax years beginning on or after January 1, 2015.

27 **SECTION 5.** This 2015 Act takes effect on the 91st day after the date on which the 2015
 28 regular session of the Seventy-eighth Legislative Assembly adjourns sine die.