

**PROPOSED AMENDMENTS TO
A-ENGROSSED SENATE BILL 925**

1 On page 1 of the printed A-engrossed bill, line 2, after the semicolon in-
2 sert “creating new provisions; amending ORS 314.752, 315.266, 315.271,
3 315.521, 316.099, 316.116, 316.502, 316.695, 316.699, 316.758, 317.090, 317.267,
4 317.715, 317.717, 323.505, 323.625, 329A.700, 329A.703, 329A.706, 329A.712,
5 351.692, 351.697, 353.445, 458.685, 458.700, 469B.100, 469B.103, 469B.106,
6 469B.112, 469B.115, 469B.118 and 469B.991 and section 13, chapter 674, Oregon
7 Laws 2001, section 77, chapter 736, Oregon Laws 2003, section 9, chapter 765,
8 Oregon Laws 2007, section 9, chapter 843, Oregon Laws 2007, and sections
9 25, 27, 38, 39, 42, 49 and 50, chapter 913, Oregon Laws 2009; repealing ORS
10 317.115, 329A.709, 329A.715, 329A.718 and 469B.109 and section 11, chapter
11 765, Oregon Laws 2007;”.

12 Delete lines 4 through 25 and delete page 2 and insert:

13 **“SECTION 1. Section 2 of this 2015 Act is added to and made a part**
14 **of ORS chapter 315.**

15 **“SECTION 2. (1)(a) A credit against the tax otherwise due under**
16 **ORS chapter 316 shall be allowed a taxpayer in an amount equal to a**
17 **percentage of employment-related expenses of a type allowable as a**
18 **credit pursuant to section 21 of the Internal Revenue Code, notwith-**
19 **standing the limitation imposed by section 21(c) of the Internal Reve-**
20 **nue Code, and limited as provided in paragraph (b) of this subsection.**

21 **“(b) The employment-related expenses for which a credit is claimed**
22 **under this section may not exceed \$12,000 for a taxpayer for which**

1 **there is one qualifying individual, or \$24,000 for a taxpayer for which**
 2 **there are two or more qualifying individuals.**

3 **“(2) The applicable percentage described in subsection (1) of this**
 4 **section shall be determined in accordance with the following table:**

5 **“** _____
 6 **Greater of Federal**
 7 **or Oregon Adjusted**
 8 **Gross Income, as Applicable percentage based on age of youngest child**
 9 **Percentage of Federal at close of tax year**
 10 **Poverty Level**
 11 **“** _____

					At least 6 years but less than	
			At least	At least	13, or at least	
			3 years	3 years	13 but less	18 years or
Greater	Less than	Under 3	but less	than 6	than 18 if	older if
than	or equal to	years	than 6	disabled	disabled	disabled
0%	10%	10%	8%	5%	5%	
10%	20%	20%	18%	15%	5%	
20%	30%	30%	28%	25%	10%	
30%	40%	40%	38%	35%	20%	
40%	50%	50%	48%	45%	30%	
50%	60%	55%	53%	50%	35%	
60%	70%	60%	58%	55%	40%	
70%	80%	65%	63%	60%	45%	
80%	90%	70%	68%	65%	50%	
90%	110%	75%	73%	70%	55%	
110%	120%	71%	69%	66%	50%	
120%	130%	66%	64%	61%	45%	
130%	140%	61%	59%	56%	39%	

1	140%	150%	55%	53%	50%	33%
2	150%	160%	50%	48%	45%	28%
3	160%	200%	47%	45%	42%	25%
4	200%	210%	45%	43%	40%	22%
5	210%	220%	40%	38%	35%	20%
6	220%	230%	35%	33%	30%	15%
7	230%	240%	30%	28%	25%	10%
8	240%	250%	20%	18%	15%	5%
9	250%	260%	10%	8%	5%	5%
10	260%	280%	6%	6%	4%	4%
11	280%	300%	4%	4%	4%	4%
12	300%	-	0%	0%	0%	0%

13 “ _____

14 “(3) The applicable percentage for a household in excess of eight
15 members shall be calculated as if for a household size of eight mem-
16 bers.

17 “(4) The credit under this section is not allowed to a taxpayer with
18 federal adjusted gross income or Oregon adjusted gross income,
19 whichever is greater, in excess of 300 percent of the federal poverty
20 level.

21 “(5) In order to ensure compliance with the eligibility requirements
22 of the credit allowed under this section, the Department of Revenue
23 shall be afforded access to utilization data maintained by the Depart-
24 ment of Human Services in its administration of the Employment Re-
25 lated Day Care program.

26 “(6) The Director of the Department of Revenue may assess a pen-
27 alty in an amount not to exceed 25 percent of the amount of credit
28 claimed by the taxpayer against any taxpayer who knowingly claims
29 or attempts to claim any amount of credit under this section for which
30 the taxpayer is ineligible, or against any individual who knowingly

1 assists another individual in claiming any amount of credit for which
2 the individual is ineligible.

3 “(7) The Department of Revenue may adopt rules for carrying out
4 the provisions of this section and prescribe the form used to claim a
5 credit and the information required on the form.

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

10 “(9) If a change in the taxable year of a taxpayer occurs as de-
11 scribed in ORS 314.085, or if the Department of Revenue terminates the
12 taxpayer’s taxable year under ORS 314.440, the credit allowed by this
13 section shall be prorated or computed in a manner consistent with
14 ORS 314.085.

15 “(10) If a change in the status of a taxpayer from resident to non-
16 resident or from nonresident to resident occurs, the credit allowed by
17 this section shall be determined in a manner consistent with ORS
18 316.117.

19 “(11) If the amount allowable as a credit under this section, when
20 added to the sum of the amounts allowable as payment of tax under
21 ORS 316.187 or 316.583, other tax prepayment amounts and other
22 refundable credit amounts, exceeds the taxes imposed by ORS chapters
23 314 and 316 for the tax year after application of any nonrefundable
24 credits allowable for purposes of ORS chapter 316 for the tax year, the
25 amount of the excess shall be refunded to the taxpayer as provided in
26 ORS 316.502.

27 **“SECTION 3.** ORS 316.502 is amended to read:

28 “316.502. (1) The net revenue from the tax imposed by this chapter, after
29 deducting refunds and amounts described in ORS 285B.630 and 285C.635, shall
30 be paid over to the State Treasurer and held in the General Fund as mis-

1 cellaneous receipts available generally to meet any expense or obligation of
2 the State of Oregon lawfully incurred.

3 “(2) A working balance of unreceipted revenue from the tax imposed by
4 this chapter may be retained for the payment of refunds, but such working
5 balance shall not at the close of any fiscal year exceed the sum of \$1 million.

6 “(3) Moneys are continuously appropriated to the Department of Revenue
7 to make:

8 “(a) The refunds authorized under subsection (2) of this section; and

9 “(b) The refund payments in excess of tax liability authorized under ORS
10 315.174, 315.262 and 315.266 and section 17, chapter 906, Oregon Laws 2007,
11 **and section 2 of this 2015 Act.**

12 **“SECTION 4. Section 2 of this 2015 Act applies to tax years begin-**
13 **ning on or after January 1, 2016, and before January 1, 2022.**

14 **“SECTION 5.** ORS 458.685 is amended to read:

15 “458.685. (1) A person may establish an individual development account
16 only for a purpose approved by a fiduciary organization. Purposes that the
17 fiduciary organization may approve are:

18 “(a) The acquisition of post-secondary education or job training.

19 “(b) If the account holder has established the account for the benefit of
20 a household member who is under the age of 18 years, the payment of ex-
21 tracurricular nontuition expenses designed to prepare the member for post-
22 secondary education or job training.

23 “(c) If the account holder has established a college savings network ac-
24 count under ORS 348.841 to 348.873 on behalf of a designated beneficiary, the
25 establishment of an additional college savings network account on behalf of
26 the same designated beneficiary.

27 “(d) The purchase of a primary residence. In addition to payment on the
28 purchase price of the residence, account moneys may be used to pay any
29 usual or reasonable settlement, financing or other closing costs. The account
30 holder must not have owned or held any interest in a residence during the

1 three years prior to making the purchase. However, this three-year period
2 shall not apply to displaced homemakers, [*or other*] individuals who have lost
3 home ownership as a result of divorce **or owners of manufactured**
4 **homes.**

5 “(e) **The rental of a primary residence when housing stability is**
6 **essential to achieve state policy goals. Account moneys may be used**
7 **for security deposits, first and last months’ rent, application fees and**
8 **other expenses necessary to move into the primary residence, as**
9 **specified in the account holder’s personal development plan for in-**
10 **creasing the independence of the person.**

11 “[*e*] (f) The capitalization of a small business. Account moneys may be
12 used for capital, plant, equipment and inventory expenses **and to hire em-**
13 **ployees upon capitalization of the small business,** or for working capital
14 pursuant to a business plan. The business plan must have been developed by
15 a financial institution, nonprofit microenterprise program or other qualified
16 agent demonstrating business expertise and have been approved by the
17 fiduciary organization. The business plan must include a description of the
18 services or goods to be sold, a marketing plan and projected financial state-
19 ments.

20 “[*f*] (g) Improvements, repairs or modifications necessary to make or
21 keep the account holder’s primary dwelling habitable, accessible or visitable
22 for the account holder or a household member. This paragraph does not apply
23 to improvements, repairs or modifications made to a rented primary dwelling
24 to achieve or maintain a habitable condition for which ORS 90.320 (1) places
25 responsibility on the landlord. As used in this paragraph, ‘accessible’ and
26 ‘visitable’ have the meanings given those terms in ORS 456.508.

27 “[*g*] (h) The purchase of equipment, technology or specialized training
28 required to become competitive in obtaining or maintaining employment or
29 to start or maintain a business, as specified in the account holder’s personal
30 development plan for increasing the independence of the person.

1 “(i) The purchase or repair of a vehicle, as specified in the account
2 holder’s personal development plan for increasing the independence
3 of the person.

4 “(j) The saving of funds for retirement, as specified in the account
5 holder’s personal development plan for increasing the independence
6 of the person.

7 “(k) The payment of debts owed for educational or medical purposes
8 when the account holder is saving for another allowable purpose, as
9 specified in the account holder’s personal development plan for in-
10 creasing the independence of the person.

11 “(L) The creation or improvement of a credit score by obtaining a
12 secured loan or a financial product that is designed to improve credit,
13 as specified in the account holder’s personal development plan for in-
14 creasing the independence of the person.

15 “(m) The replacement of a primary residence when replacement
16 offers significant opportunity to improve habitability or energy effi-
17 ciency.

18 “(2)(a) If an emergency occurs, an account holder may withdraw all or
19 part of the account holder’s deposits to an individual development account
20 for a purpose not described in subsection (1) of this section. As used in this
21 paragraph, [*an*] ‘emergency’ includes making payments for necessary medical
22 expenses, to avoid eviction of the account holder from the account holder’s
23 residence and for necessary living expenses following a loss of employment.

24 “(b) The account holder must reimburse the account for the amount
25 withdrawn under this subsection within 12 months after the date of the
26 withdrawal. Failure of an account holder to make a timely reimbursement
27 to the account is grounds for removing the account holder from the individ-
28 ual development account program. Until the reimbursement has been made
29 in full, an account holder may not withdraw any matching deposits or ac-
30 cued interest on matching deposits from the account.

1 “(3) If an account holder withdraws moneys from an individual develop-
2 ment account for other than an approved purpose, the fiduciary organization
3 may remove the account holder from the program.

4 **“(4)(a) If the account holder of an account established for the pur-
5 pose set forth in subsection (1)(c) or (j) of this section has achieved
6 the account’s approved purpose in accordance with the personal de-
7 velopment plan developed by the account holder under ORS 458.680, the
8 account holder may withdraw, or authorize the withdrawal of, the re-
9 maining amount of all deposits, including matching deposits, and in-
10 terest in the account as follows:**

11 **“(A) For an account established for the purpose set forth in sub-
12 section (1)(c) of this section, by rolling over the entire withdrawal
13 amount, not to exceed the limit established pursuant to ORS 348.857,
14 into one or more of the college savings network accounts under ORS
15 348.841 to 348.873, the establishment of which is the purpose of the in-
16 dividual development account; or**

17 **“(B) For an account established for the purpose set forth in sub-
18 section (1)(j) of this section, by rolling over the entire withdrawal
19 amount into an individual retirement account, a retirement plan or a
20 similar account or plan established under the Internal Revenue Code.**

21 **“(b) Upon withdrawal of all moneys in the individual development
22 account as provided in paragraph (a) of this subsection, the account
23 relationship shall terminate.**

24 **“(c) The rollover of moneys into a college savings network account
25 under this subsection may not cause the amount in the college savings
26 network account to exceed the limit on total contributions established
27 pursuant to ORS 348.857.**

28 **“(d) Any amount of the rollover that has been subtracted on the
29 taxpayer’s federal return pursuant to section 219 of the Internal Rev-
30 enue Code shall be added back in the determination of taxable income.**

1 “[4] (5) If an account holder moves from the area where the program is
2 conducted or is otherwise unable to continue in the program, the fiduciary
3 organization may remove the account holder from the program.

4 “[5] (6) If an account holder is removed from the program under sub-
5 section (2), (3) or [4] (5) of this section, all matching deposits in the ac-
6 count and all interest earned on matching deposits shall revert to the
7 fiduciary organization. The fiduciary organization shall use the reverted
8 funds as a source of matching deposits for other accounts.

9 **“SECTION 6.** Section 9, chapter 765, Oregon Laws 2007, is amended to
10 read:

11 **“Sec. 9. A credit may not be claimed under ORS 315.271 and 458.690**
12 **[are repealed on January 2, 2016] for tax years beginning on or after**
13 **January 1, 2022.**

14 **“SECTION 7.** Section 49, chapter 913, Oregon Laws 2009, is amended to
15 read:

16 **“Sec. 49.** A credit may not be claimed under ORS 315.272 for tax years
17 beginning on or after January 1, [2016] **2022.**

18 **“SECTION 8.** ORS 315.271 is amended to read:

19 “315.271. (1) A credit against taxes otherwise due under ORS chapter 316,
20 317 or 318 shall be allowed for donations to a fiduciary organization for
21 distribution to individual development accounts established under ORS
22 458.685. The credit shall equal [*the lesser of \$75,000 or 75 percent of the*] **a**
23 **percentage of the taxpayer’s** donation amount, **as determined by the**
24 **fiduciary organization, but not to exceed 70 percent of any donation**
25 **amount.** To qualify for a credit under this section, donations to a fiduciary
26 organization must be made prior to January 1, [2016] **2022.**

27 “(2) If a credit allowed under this section is claimed, the amount upon
28 which the credit is based that is allowed or allowable as a deduction from
29 federal taxable income under section 170 of the Internal Revenue Code shall
30 be added to federal taxable income in determining Oregon taxable income.

1 As used in this subsection, the amount upon which a credit is based is the
2 allowed credit divided by [75 percent] **the applicable percentage, as de-**
3 **termined by the fiduciary organization.**

4 “(3) The allowable tax credit that may be used in any one tax year shall
5 not exceed the tax liability of the taxpayer.

6 “(4) Any tax credit otherwise allowable under this section that is not used
7 by the taxpayer in a particular year may be carried forward and offset
8 against the taxpayer’s tax liability for the next succeeding tax year. Any tax
9 credit remaining unused in the next succeeding tax year may be carried
10 forward and used in the second succeeding tax year. Any tax credit not used
11 in the second succeeding tax year may be carried forward and used in the
12 third succeeding tax year, but may not be carried forward for any tax year
13 thereafter.

14 “(5) **The total credits allowed to all taxpayers in any tax year under**
15 **this section and ORS 458.690 may not exceed \$7 million.**

16 “**SECTION 9.** ORS 316.699 is amended to read:

17 “316.699. (1) There shall be subtracted from federal taxable income the
18 amount contributed to a college savings network account established under
19 ORS 348.841 to 348.873.

20 “(2) Notwithstanding subsection (1) of this section, a subtraction under
21 this section may not exceed the lesser of:

22 “(a) \$4,000 for the tax year if the taxpayer files a joint return, or \$2,000
23 for the tax year if the taxpayer files a return other than a joint return; and

24 “(b) If an amount is carried forward to a succeeding tax year under sub-
25 section (4) of this section, the balance in the college savings network account
26 at the close of the tax year for which the subtraction is being made.

27 “(3)(a) The Department of Revenue shall annually adjust the maximum
28 subtraction allowable under this section according to the cost-of-living ad-
29 justment for the calendar year. The department shall make this adjustment
30 by multiplying the amount in subsection (2) of this section by the percentage

1 (if any) by which the monthly averaged U.S. City Average Consumer Price
2 Index for the 12 consecutive months ending August 31 of the prior calendar
3 year exceeds the monthly averaged U.S. City Average Consumer Price Index
4 for the 12 consecutive months ending August 31, 2007.

5 “(b) As used in this subsection, ‘U.S. City Average Consumer Price
6 Index’ means the U.S. City Average Consumer Price Index for All Urban
7 Consumers (All Items) as published by the Bureau of Labor Statistics of the
8 United States Department of Labor.

9 “(4) Any amounts contributed to a college savings network account that
10 are not subtracted from federal taxable income because of the monetary
11 limitations imposed by subsection (2) of this section may be carried forward
12 for four succeeding tax years and subtracted from federal taxable income in
13 any of those succeeding tax years in an amount that does not exceed the
14 monetary limitations imposed by subsection (2) of this section.

15 “(5) The amount contributed to a college savings network account may
16 be subtracted from a preceding tax year if the contribution is made before
17 the taxpayer files a return or before the 15th day of the fourth month fol-
18 lowing the closing of the taxpayer’s tax year, whichever is earlier.

19 “(6) **A subtraction is not allowed under this section for any amount**
20 **that has been transferred into a college savings network account from**
21 **an individual development account, through a rollover, as provided in**
22 **ORS 458.685 (4)(a)(A).**

23 “**SECTION 9a.** ORS 458.700, as amended by section 10, chapter 765,
24 Oregon Laws 2007, is amended to read:

25 “458.700. (1) Subject to Housing and Community Services Department
26 rules, a fiduciary organization has sole authority over, and responsibility for,
27 the administration of individual development accounts. The responsibility of
28 the fiduciary organization extends to all aspects of the account program,
29 including marketing to participants, soliciting matching contributions,
30 counseling account holders, providing financial literacy education, and con-

1 ducting required verification and compliances activities. The fiduciary or-
2 ganization may establish program provisions as the organization believes
3 necessary to ensure account holder compliance with the provisions of ORS
4 458.680 and 458.685. Notwithstanding ORS 458.670 (5) and 458.680 (2), a
5 fiduciary organization may establish income and net worth limitations for
6 account holders that are lower than the income and net worth limitations
7 established by ORS 458.670 (5) and 458.680 (2).

8 “(2) A fiduciary organization may act in partnership with other entities,
9 including businesses, government agencies, nonprofit organizations, commu-
10 nity development corporations, community action programs, housing author-
11 ities and congregations to assist in the fulfillment of fiduciary organization
12 responsibilities under this section and ORS 458.685, **458.690** and 458.695.

13 “(3) A fiduciary organization may use a reasonable portion of moneys al-
14 located to the individual development account program for administration,
15 operation and evaluation purposes.

16 “(4) A fiduciary organization selected to administer moneys directed by
17 the state to individual development account purposes or receiving tax
18 deductible contributions shall provide the Housing and Community Services
19 Department with an annual report of the fiduciary organization’s individual
20 development account program activity. The report shall be filed no later than
21 90 days after the end of the fiscal year of the fiduciary organization. The
22 report shall include, but is not limited to:

23 “(a) The number of individual development accounts administered by the
24 fiduciary organization;

25 “(b) The amount of deposits and matching deposits for each account;

26 “(c) The purpose of each account;

27 “(d) The number of withdrawals made; and

28 “(e) Any other information the department may require for the purpose
29 of making a return on investment analysis.

30 “(5) A fiduciary organization that is the account owner of a college

1 savings network account:

2 “(a) May make a qualified withdrawal only at the direction of the desig-
3 nated beneficiary and only after the college savings network account of the
4 account holder that was established for the designated beneficiary has been
5 reduced to a balance of zero exclusively through qualified withdrawals by the
6 designated beneficiary; and

7 “(b) May make nonqualified withdrawals only if the college savings net-
8 work account of the account holder that was established for the designated
9 beneficiary has a balance of less than \$100 or if the account holder or des-
10 igned beneficiary has granted permission to make the withdrawal. Moneys
11 received by a fiduciary organization from a nonqualified withdrawal made
12 under this paragraph must be used for individual development account pur-
13 poses.

14 “(6) The department may make all reasonable and necessary rules to en-
15 sure fiduciary organization compliance with this section and ORS 458.685
16 and 458.695.

17 **“SECTION 10. Section 11, chapter 765, Oregon Laws 2007, is re-
18 pealed.**

19 **“SECTION 11.** Section 9, chapter 843, Oregon Laws 2007, as amended by
20 section 52, chapter 913, Oregon Laws 2009, is amended to read:

21 **“Sec. 9.** (1) ORS 315.624 applies to tax years beginning on or after Janu-
22 ary 1, 2008, and before January 1, [2016] **2022.**

23 **“(2)** The amendments to ORS 316.680 by section 2, chapter 843, Oregon
24 Laws 2007, apply to tax years beginning on or after January 1, 2008, and
25 before January 1, 2012.

26 **“SECTION 12.** Section 50, chapter 913, Oregon Laws 2009, is amended to
27 read:

28 **“Sec. 50.** ORS 734.835 does not apply to tax years beginning on or after
29 January 1, [2016] **2022.**

30 **“SECTION 13.** Section 42, chapter 913, Oregon Laws 2009, is amended to

1 read:

2 “**Sec. 42.** A credit may not be claimed under ORS 316.758 for tax years
3 beginning on or after January 1, [2016] **2022.**

4 “**SECTION 14.** ORS 316.758, as amended by section 9, chapter 114, Oregon
5 Laws 2014, is amended to read:

6 “316.758. (1) In addition to the personal exemption credit allowed by this
7 chapter for state personal income tax purposes, there shall be allowed an
8 additional personal exemption credit for the taxpayer if the taxpayer:

9 “(a) Has a severe disability at the close of the taxable year[.]; **and**

10 “(b) **Has federal adjusted gross income that does not exceed \$100,000**
11 **for the tax year.**

12 “(2) The amount of the credit [*allowed for the tax year shall be calculated*
13 *as provided in ORS 316.085, except that the amount may not be reduced on the*
14 *basis of income under ORS 316.085 (5)] **shall be equal to the amount al-**
15 **lowed as the personal exemption credit for the taxpayer for state per-**
16 **sonal income tax purposes for the tax year.***

17 “**SECTION 15.** Section 39, chapter 913, Oregon Laws 2009, is amended to
18 read:

19 “**Sec. 39.** A credit may not be claimed under ORS 316.099 for tax years
20 beginning on or after January 1, [2016] **2022.**

21 “**SECTION 16.** ORS 316.099, as amended by section 8, chapter 114, Oregon
22 Laws 2014, is amended to read:

23 “316.099. (1) As used in this section, unless the context requires otherwise:

24 “(a) ‘Child with a disability’ means a qualifying child under section 152
25 of the Internal Revenue Code who has been determined eligible for early
26 intervention services or is diagnosed for the purposes of special education
27 as being mentally retarded, multidisabled, visually impaired, hard of hearing,
28 deaf-blind, orthopedically impaired or other health impaired or as having
29 autism, emotional disturbance or traumatic brain injury, in accordance with
30 State Board of Education rules.

1 “(b) ‘Early intervention services’ means programs of treatment and ha-
2 bilitation designed to address a child’s developmental deficits in sensory,
3 motor, communication, self-help and socialization areas.

4 “(c) ‘Special education’ means specially designed instruction to meet the
5 unique needs of a child with a disability, including regular classroom in-
6 struction, instruction in physical education, home instruction and instruc-
7 tion in hospitals, institutions and special schools.

8 “(2) The State Board of Education shall adopt rules further defining ‘child
9 with a disability’ for purposes of this section. A diagnosis obtained for the
10 purposes of entitlement to special education or early intervention services
11 shall serve as the basis for a claim for the additional credit allowed under
12 subsection (3) of this section.

13 “(3) In addition to the personal exemption credit allowed by this chapter
14 for state personal income tax purposes for a dependent of the taxpayer, **for**
15 **a taxpayer with federal adjusted gross income that does not exceed**
16 **\$100,000**, there shall be allowed an additional personal exemption credit for
17 a child with a disability if the child is a child with a disability at the close
18 of the tax year. The amount of the credit allowed for the dependent for the
19 tax year shall be calculated as provided in ORS 316.085[, *except that the*
20 *amount may not be reduced on the basis of income under ORS 316.085 (5)*].

21 “(4) Each taxpayer qualifying for the additional personal exemption credit
22 allowed by this section may claim the credit on the personal income tax re-
23 turn. However, the claim shall be substantiated by any proof of entitlement
24 to the credit as may be required by the state board by rule.

25 “**NOTE:** Section 17 was deleted by amendment. Subsequent sections were
26 not renumbered.

27 “**SECTION 18.** Section 25, chapter 913, Oregon Laws 2009, as amended
28 by section 10, chapter 750, Oregon Laws 2013, is amended to read:

29 “**Sec. 25.** (1) Except as provided in subsection (2) of this section, a credit
30 may not be claimed under ORS 315.613 for tax years beginning on or after

1 January 1, [2016] **2018**.

2 “(2) A taxpayer who meets the eligibility requirements in ORS 315.613 for
3 the tax year beginning on or after January 1, [2013] **2017**, and before January
4 1, [2014] **2018**, shall be allowed the credit under ORS 315.613 for any tax year:

5 “(a) That begins on or before January 1, [2023] **2027**; and

6 “(b) For which the taxpayer meets the eligibility requirements of ORS
7 315.613.

8 **“SECTION 19.** Section 27, chapter 913, Oregon Laws 2009, as amended
9 by section 43, chapter 750, Oregon Laws 2013, is amended to read:

10 **“Sec. 27.** A credit may not be claimed under ORS 315.521 if the initial tax
11 year in which the credit would otherwise be allowed begins on or after
12 January 1, [2016] **2022**.

13 **“SECTION 20.** ORS 315.521 is amended to read:

14 “315.521. (1) There shall be allowed a credit against the taxes that are
15 otherwise due under ORS chapter 316 or, if the taxpayer is a corporation,
16 under ORS chapter 317 or 318, [for] **based on** amounts contributed to a
17 university venture development fund established under ORS 351.697, to the
18 extent the university that established the fund issued a tax credit certificate
19 to the taxpayer.

20 “(2) The total amount of the credit allowed to a taxpayer **may not exceed**
21 **the lesser of \$600,000 or 60 percent of the amount contributed in the**
22 **tax year.** [*shall equal 60 percent of the amount stated on the tax credit cer-*
23 *tificate. Except as provided in subsection (3) of this section, the amount of the*
24 *credit allowed in any one tax year shall equal 20 percent of the amount actu-*
25 *ally contributed to the fund. The credit shall be claimed in three consecutive*
26 *tax years beginning with the year in which the credit is initially allowed.*]

27 “(3) The credit allowed under this section **in any one tax year** may not
28 exceed [*\$50,000 or*] the tax liability of the taxpayer for the tax year.

29 “(4) **Any tax credit otherwise allowable under this section that is**
30 **not used by the taxpayer in a particular year may be carried forward**

1 **and offset against the taxpayer’s tax liability for the next succeeding**
2 **tax year. Any credit remaining unused in such next succeeding tax**
3 **year may be carried forward and used in the second succeeding tax**
4 **year, and likewise, any credit not used in that second succeeding tax**
5 **year may be carried forward and used in the third succeeding tax year,**
6 **but may not be carried forward for any tax year thereafter.**

7 “[4] (5) In the case of a credit allowed under this section for purposes
8 of ORS chapter 316:

9 “(a) A nonresident shall be allowed the credit in the same manner and
10 subject to the same limitations as a resident. However, the credit shall be
11 prorated using the proportion provided in ORS 316.117.

12 “(b) If a change in the tax year of a taxpayer occurs as described in ORS
13 314.085 or if the Department of Revenue terminates the taxpayer’s tax year
14 under ORS 314.440, the credit shall be prorated or computed in a manner
15 consistent with ORS 314.085.

16 “(c) If a change in the status of a taxpayer from resident to nonresident
17 or from nonresident to resident occurs, the credit shall be determined in a
18 manner consistent with ORS 316.117.

19 “[5] (6) A taxpayer claiming a credit under this section shall add to
20 federal taxable income for Oregon tax purposes any amount that is deducted
21 for federal tax purposes and that also serves as the basis for the credit al-
22 lowed under this section.

23 **“SECTION 21.** ORS 351.692 is amended to read:

24 “351.692. (1) The State Board of Higher Education shall adopt policies
25 that prescribe the requirements for a venture grant program and the re-
26 quirements that a grant applicant must meet in order to receive grant mon-
27 eys from a university venture development fund, including requirements:

28 “(a) That a grant recipient remain within this state for at least five years
29 following the receipt of a grant or repay the grant plus interest;

30 “(b) That each university that establishes a university venture develop-

1 ment fund report amounts of tax credit certificates issued by the university
2 and maintain records of income realized by the university as the result of
3 grants made from the fund and records of amounts paid to the General Fund;
4 and

5 “(c) Under which the Oregon University System is to maintain records
6 and issue directions to universities that have established university venture
7 development funds relating to when universities must cease issuing certif-
8 icates, in order to ensure that the total amount owed [*by the public univer-*
9 *sities listed in ORS 352.002*] to the General Fund at any one time under ORS
10 351.697 (6) does not exceed [~~\$6~~] **\$15** million.

11 “(2) The governing board of a public university with a governing board
12 listed in ORS 352.054 shall adopt a policy that prescribes the requirements
13 for a venture grant program and the requirements that a grant applicant
14 must meet in order to receive grant moneys from the university venture de-
15 velopment fund operated by the university, including requirements:

16 “(a) That a grant recipient remain within this state for at least five years
17 following the receipt of a grant or repay the grant plus interest;

18 “(b) That the university report amounts of tax credit certificates issued
19 by the university and cease issuing certificates until the total amount owed
20 [*by the public universities listed in ORS 352.002*] to the General Fund at any
21 one time under ORS 351.697 (6) does not exceed [~~\$6~~] **\$15** million; and

22 “(c) That the university maintain records of income realized by the uni-
23 versity as the result of grants made from the fund and records of amounts
24 paid to the General Fund.

25 **“SECTION 22.** ORS 353.445 is amended to read:

26 “353.445. The Oregon Health and Science University Board of Directors
27 shall adopt a policy that prescribes the requirements for a venture grant
28 program and the requirements that a grant applicant must meet in order to
29 receive grant moneys from the university venture development fund operated
30 by Oregon Health and Science University, including requirements:

1 “(1) That a grant recipient remain within this state for at least five years
2 following the receipt of a grant or repay the grant plus interest;

3 “(2) That the university report amounts of tax credit certificates issued
4 by the university and cease issuing certificates until the total amount owed
5 to the General Fund [*by the university*] at any one time under ORS 351.697
6 (6) does not exceed [~~\$2.4~~] **\$15** million; and

7 “(3) That the university maintain records of income realized by the uni-
8 versity as the result of grants made from the fund and records of amounts
9 paid to the General Fund.

10 **“SECTION 23.** ORS 351.697 is amended to read:

11 “351.697. (1) Each university listed in ORS 352.002 and Oregon Health and
12 Science University may elect to establish a university venture development
13 fund as provided in this section for the purpose of facilitating the
14 commercialization of university research and development. A university shall
15 direct that the university venture development fund be administered, in
16 whole or in part, by the university or by the university’s affiliated founda-
17 tion.

18 “(2) The purposes of a university venture development fund are to provide:

19 “(a) Capital for university entrepreneurial programs;

20 “(b) Opportunities for students to gain experience in applying research to
21 commercial activities;

22 “(c) Proof-of-concept funding for transforming research and development
23 concepts into commercially viable products and services; **and**

24 “(d) Entrepreneurial opportunities for persons interested in transforming
25 research into viable commercial ventures that create jobs in this state[;
26 *and*].

27 “[*e*] *Tax credits for contributors to university research commercialization*
28 *activities.*]

29 “(3) Each university that elects to establish a university venture devel-
30 opment fund shall:

1 “(a) Notify the Department of Revenue of the establishment of the fund;

2 “(b) Either directly or through its affiliated foundation, solicit contribu-
3 tions to the fund and receive, manage and disburse moneys contributed to
4 the fund;

5 “(c) Subject to ORS 315.521 [(1)], 351.692 and 353.445 [(3)], issue tax credit
6 certificates to contributors to the fund in the amount of the contributions;

7 “(d) Establish a grant program that meets the requirements for a venture
8 grant program under policies adopted under ORS 351.692 by the State Board
9 of Higher Education or the governing board of a public university with a
10 governing board listed in ORS 352.054 or under policies adopted by the
11 Oregon Health and Science University Board of Directors under ORS 353.445;
12 [*and*]

13 “(e) Subject to available moneys from the fund, provide qualified grant
14 applicants with moneys for the purpose of facilitating the commercialization
15 of university research and development[.]; **and**

16 **“(f) In collaboration with other universities that have elected to**
17 **establish a university venture development fund under this section,**
18 **achieve an annual agreement for the allocation of the contribution**
19 **limit set out in ORS 351.692 and 353.445.**

20 “(4) Except as provided in subsection (5) of this section, moneys in a
21 university venture development fund shall be disbursed only as directed by
22 a university.

23 “(5) A university or its affiliated foundation may charge its customary
24 administrative assessment to manage its university venture development fund
25 in an amount not to exceed three percent of the fund’s average balance
26 during the fiscal year of the university or its affiliated foundation. The ad-
27 ministrative assessment may be paid from the assets in the fund. Except as
28 authorized by law, no other fees or indirect costs shall be charged against
29 the university venture development fund or any associated grants or other
30 disbursements from the fund.

1 “(6) A university that has established a university venture development
2 fund shall monitor the use of grants made from the fund and identify the
3 income realized by the university as the result of the use of the grants. In-
4 come consists of cash realized from royalties, milestone and license fee pay-
5 ments and cash from the sale of equity. The university shall cause the
6 transfer of 20 percent of the income realized from the grants to the General
7 Fund, but not to exceed the amount of the tax credits issued by the univer-
8 sity as a result of contributions to its university venture development fund.
9 Immediately upon deposit of the transferred amount into the General Fund,
10 the university may issue new tax credits to equal the transferred amount.

11 “(7) [A university] **Not later than September 30 of each year, the**
12 **Higher Education Coordinating Commission shall gather the informa-**
13 **tion described in this subsection from every university** that has estab-
14 lished a university venture development fund **and** shall report annually to
15 the Legislative Assembly or, if the Legislative Assembly is not in session,
16 to the interim legislative committees on revenue. The report shall [*be at the*
17 *end of the fiscal year of the university or of its affiliated foundation and*]
18 provide information for [*that*] **the previous** fiscal year. The [*university*]
19 **commission** shall include in the report the following information pertaining
20 to [*its*] university venture development [*fund*] **funds**:

21 “(a) The amount of donations received for the [*fund*] **funds**;

22 “(b) The amount of income received from the [*fund*] **funds**;

23 “(c) The amount of disbursements and grants paid from the [*fund*]
24 **funds**;

25 “(d) The amount of income and royalties received from disbursements
26 from the [*fund*] **funds**; and

27 “(e) The amount of moneys transferred from the [*fund*] **funds** to the
28 General Fund.

29 **“SECTION 24.** ORS 329A.700 is amended to read:

30 “329A.700. As used in ORS 329A.700 to 329A.718:

1 “(1)(a) ‘Child care provider’ means a provider, for compensation, of care,
2 supervision or guidance to a child on a regular basis in a center or in a home
3 other than the child’s home.

4 “(b) ‘Child care provider’ does not include a person who is the child’s
5 parent, guardian or custodian.

6 “[2] ‘Community agency’ means a nonprofit agency that:]

7 “[a] Provides services related to child care, children and families, com-
8 munity development or similar services; and]

9 “[b] Is eligible to receive contributions that qualify as deductions under
10 section 170 of the Internal Revenue Code.]

11 “[3] (2) ‘High quality child care’ means child care that meets standards
12 for high quality child care established or approved by the Early Learning
13 Council.

14 “[4] (3) ‘Qualified contribution’ means a contribution made by a tax-
15 payer to the Office of Child Care [or a selected community agency] for the
16 purpose of promoting **high quality** child care, and for which the taxpayer
17 will receive a tax credit certificate under ORS 329A.706.

18 “[5] (4) ‘Tax credit certificate’ means a certificate issued by the Office
19 of Child Care to a taxpayer to qualify the taxpayer for a tax credit under
20 ORS 315.213.

21 “[6] ‘Tax credit marketer’ means an individual or entity selected by the
22 Office of Child Care to market tax credits to taxpayers.]

23 **“SECTION 25.** ORS 329A.703 is amended to read:

24 “329A.703. (1) The Office of Child Care, in collaboration with an advisory
25 committee established by the office, shall establish a program to:

26 “(a) Allocate tax credit certificates to taxpayers that make qualified
27 contributions to the Office of Child Care; and

28 “(b) Distribute to child care providers moneys from qualified contribu-
29 tions and other contributions.

30 “(2) The purposes of the program are to:

1 “(a) Encourage taxpayers to make contributions to the Office of Child
2 Care by providing a financial return on qualified contributions and by so-
3 liciting other contributions.

4 “(b) Achieve specific and measurable goals for targeted communities and
5 populations.

6 “(c) Set standards for the child care industry concerning the cost of pro-
7 viding quality, affordable child care.

8 “(d) Strengthen the viability and continuity of child care providers [*while*
9 *making child care more affordable for low and moderate income families*].

10 **“SECTION 26.** ORS 329A.706 is amended to read:

11 “329A.706. (1) For the purpose of implementing the program established
12 under ORS 329A.703, the Early Learning Council, in collaboration with an
13 advisory committee established by the council and the Office of Child Care,
14 shall:

15 “(a) Adopt rules.

16 “[*(b) Select a tax credit marketer who agrees to market tax credits to tax-*
17 *payers.*]

18 “[*(c)*] (b) Identify child care goals that are consistent with the purposes
19 provided in ORS 329A.703 (2). The goals identified under this paragraph shall
20 take into account state resources and needs.

21 “[*(d) Develop by rule the application process an entity must complete to be*
22 *designated as a community agency under ORS 329A.700 to 329A.718, and any*
23 *process for the renewal of that designation.*]

24 “[*(e) Select one or more community agencies.*]

25 “[*(f) Enter into an agreement with each selected community agency to per-*
26 *form the functions specified in ORS 329A.715.*]

27 “[*(g) Determine the total value of moneys to be available to each selected*
28 *community agency to distribute to providers based on goals identified under*
29 *paragraph (c) of this subsection, and distribute those moneys in the manner*
30 *provided in ORS 329A.712 to the selected community agencies. The total value*

1 *of moneys available to all selected community agencies in this state may not*
2 *exceed the amount of contributions received from taxpayers during the tax year*
3 *minus any reasonable administrative costs incurred by the Office of Child Care*
4 *and the selected community agencies.]*

5 “(2) The Early Learning Council may adopt rules that establish a fixed
6 percentage that is less than 100 percent by which the amount contributed
7 by a taxpayer will be certified for a tax credit by the Office of Child Care.
8 The purpose of the grant of rulemaking authority under this subsection is
9 to permit the Early Learning Council to calibrate the amount of the tax
10 credit to interpretations of the deductibility of qualified contributions under
11 section 170 of the Internal Revenue Code for federal tax purposes.

12 “(3)(a) The Office of Child Care shall issue tax credit certificates in the
13 chronological order in which the contributions are received by the office.
14 The office shall issue tax credit certificates to contributors until the total
15 value of all certificates issued by the office for the calendar year equals
16 [~~\$500,000~~] **\$2.5 million**. Each issued certificate shall state the value of the
17 contribution being certified as eligible for the tax credit allowed under ORS
18 315.213. Except as provided in rules adopted under subsection (2) of this
19 section, the certified value shall equal the amount of the contribution.

20 “(b) The Office of Child Care may not issue a tax credit certificate to a
21 taxpayer to the extent the credit value to be certified, when added to the
22 total credit value previously certified by the office under paragraph (a) of
23 this subsection for the calendar year exceeds [~~\$500,000~~] **\$2.5 million**.

24 “(c) The Office of Child Care shall send a copy of all tax credit certifi-
25 cates issued under this section to the Department of Revenue.

26 “(d) Qualified contributions shall be deposited in the Child Care Fund.

27 “(4) A taxpayer that receives a notice of denial of a tax credit certificate
28 or that receives a tax credit certificate issued for an amount that is less than
29 the amount contributed may request a refund for the amount contributed
30 within 90 days of the denial or issuance of the certificate by the Office of

1 Child Care. The Office of Child Care must send notice of a denial or
2 changed amount and refund the amount for which a tax credit will not be
3 granted within 30 days after receiving the request. The refund shall be made
4 from the Child Care Fund.

5 “(5) The Early Learning Council may establish by rule any other pro-
6 visions required to implement the program established under ORS 329A.700
7 to 329A.718.

8 **“SECTION 27.** ORS 329A.712 is amended to read:

9 “329A.712. (1) The Office of Child Care shall distribute revenues in the
10 Child Care Fund that are derived from contributions, minus the amounts
11 needed to make refunds under ORS 329A.706 (4) and to cover expenses of the
12 Office of Child Care in administering ORS 329A.700 to 329A.718.

13 **“(2) Revenues shall be disbursed to child care providers consistent
14 with rules adopted by the Early Learning Council.**

15 “[~~(2)~~] **(3)** Distributions shall be made to [*community agencies selected un-*
16 *der ORS 329A.706*] **child care providers** in the proportion that the Office
17 of Child Care determines **by rule** best promotes the provision of **high**
18 **quality** child care in this state.

19 “[~~(3)~~ *Moneys distributed to selected community agencies shall be disbursed*
20 *to child care providers, consistent with rules adopted by the Early Learning*
21 *Council relating to the disbursement of moneys by selected community agencies.*
22 *The council shall consider the factors described in ORS 329A.715 (2)(h) when*
23 *adopting rules under this subsection.*]

24 **“SECTION 28.** Section 13, chapter 674, Oregon Laws 2001, as amended
25 by section 9, chapter 473, Oregon Laws 2003, section 1, chapter 880, Oregon
26 Laws 2007, and section 47, chapter 913, Oregon Laws 2009, is amended to
27 read:

28 **“Sec. 13.** ORS 315.213 applies to tax years beginning on or after January
29 1, 2002, and before January 1, [~~2016~~] **2022.**

30 **“SECTION 29.** ORS 329A.709, 329A.715 and 329A.718 are repealed.

1 **“SECTION 30.** ORS 316.116 is amended to read:

2 “316.116. (1)(a) A resident individual shall be allowed a credit against the
3 taxes otherwise due under this chapter for costs paid or incurred for con-
4 struction or installation of each of one or more alternative energy devices
5 in **or at** a dwelling.

6 “[(b) A resident individual shall be allowed a credit against the taxes
7 otherwise due under this chapter for costs paid or incurred to modify or pur-
8 chase an alternative fuel vehicle or related equipment.]

9 “[(c)] **(b)** A credit against the taxes otherwise due under this chapter is
10 not allowed for an alternative energy device that does not meet or exceed
11 all applicable federal, state and local requirements for energy efficiency, in-
12 cluding equipment codes, **state and federal appliance standards**, the state
13 building code, specialty codes and any other standards.

14 “(2)(a) **For each category one alternative energy device that is not**
15 **an alternative fuel device, the credit allowed under this section may**
16 **not exceed the lesser of 50 percent of the cost of the alternative energy**
17 **device or \$1,500, and shall be computed as follows:**

18 “(A) [*In the case of*] **For** a category one alternative energy device that
19 is not an alternative fuel device, the credit shall be based upon the first year
20 energy yield of the alternative energy device that qualifies under ORS
21 469B.100 to 469B.118. The amount of the credit shall be the same whether for
22 collective or noncollective investment.

23 “[(b)] **(B)** [*The credit allowed under this section*] **Except as provided in**
24 **subparagraph (C) of this paragraph**, for each category one alternative
25 energy device for [*each*] a dwelling [*may not exceed the lesser of \$1,500 or*],
26 **the credit shall be based upon** the first year energy yield in kilowatt hours
27 per year multiplied by 60 cents per dwelling utilizing the alternative energy
28 device used for space heating, cooling, electrical energy or domestic water
29 heating [*for tax years beginning on or after January 1, 1998*].

30 “(C) **For each category one alternative energy device that uses solar**

1 radiation for domestic water heating, the credit allowed under this
2 section shall be based upon 50 percent of the cost of the device or the
3 first year energy yield in kilowatt hours per year multiplied by \$2,
4 whichever is lower, up to \$6,000 for tax years beginning on or after
5 January 1, 2015. The State Department of Energy may by rule provide
6 for a lesser amount of incentive as market conditions warrant.

7 “[*(c)*] **(D)** Except as provided in subparagraph **(E)** of this paragraph,
8 for each category one alternative energy device used for swimming pool, spa
9 or hot tub heating, the credit [*allowed under this section*] shall be based upon
10 [*50 percent of the cost of the device or*] the first [*year’s*] **year** energy yield in
11 kilowatt hours per year multiplied by 15 cents[, *whichever is lower, up to*
12 *\$1,500 for tax years beginning on or after January 1, 1998*].

13 **“(E)** For each category one alternative energy device that uses solar
14 radiation for swimming pool heating, the credit allowed under this
15 section shall be based upon 50 percent of the cost of the device or the
16 first year energy yield in kilowatt hours per year multiplied by 20
17 cents, whichever is lower, up to \$2,500 for tax years beginning on or
18 after January 1, 2015. The State Department of Energy may by rule
19 provide for a lesser amount of incentive as market conditions warrant.

20 “[*(d)*] **(b)(A)** For each alternative fuel device, the credit allowed under
21 this section [*is 25 percent of the cost of the alternative fuel device but the total*
22 *credit shall not exceed \$750 if the device is placed in service on or after Jan-*
23 *uary 1, 1998.*] may not exceed the lesser of 50 percent of the cost of the
24 alternative fuel device or \$750.

25 **“(B)** Notwithstanding paragraph **(a)(C)** or **(E)** of this subsection, the
26 total amount of the credits allowed in any one tax year may not exceed
27 the tax liability of the taxpayer or \$1,500 for each alternative energy
28 device, whichever is less. Unused credit amounts may be carried for-
29 ward as provided in subsection (7) of this section, but may not be
30 carried forward to a tax year that is more than five tax years following

1 **the first tax year for which any credit was allowed with respect to the**
2 **category one alternative energy device that is the basis for the credit.**

3 “[~~(e)(A)~~] (c)(A) For each category two alternative energy device that is
4 a solar electric system or fuel cell system, the credit allowed under this
5 section may not exceed the lesser of \$3 per watt of installed output or \$6,000.
6 [*The State Department of Energy may by rule provide for a lesser amount of*
7 *incentive as market conditions warrant, taking into consideration factors in-*
8 *cluding the availability of bulk purchasing of alternative energy devices.*]

9 “(B) For each category two alternative energy device that is a wind
10 electric system, the credit [*allowed under this section*] may not exceed the
11 lesser of \$6,000 or the first year energy yield in kilowatt hours per year
12 multiplied by \$2.

13 “(C) Notwithstanding subparagraph (A) or (B) of this paragraph, the total
14 amount of the credits allowed in any one tax year may not exceed the tax
15 liability of the taxpayer or \$1,500 for each alternative energy device, which-
16 ever is less. Unused credit amounts may be carried forward as provided in
17 subsection [~~(6)~~] (7) of this section, but may not be carried forward to a tax
18 year that is more than five tax years following the first tax year for which
19 any credit was allowed with respect to the category two alternative energy
20 device that is the basis for the credit.

21 “(D) Notwithstanding subparagraph (A) or (B) of this paragraph, the total
22 amount of the credit for each device allowed under this paragraph may not
23 exceed 50 percent of the total installed cost of the category two alternative
24 energy device.

25 “(3) **The State Department of Energy may by rule provide for a**
26 **lesser amount of incentive for each type of alternative energy device**
27 **as market conditions warrant.**

28 “[~~(3)~~] (4) To qualify for a credit under this section, all of the following
29 are required:

30 “(a) The alternative energy device must be purchased, constructed, in-

1 stalled and operated in accordance with ORS 469B.100 to 469B.118 and a
2 certificate issued thereunder.

3 “(b) The taxpayer who is allowed the credit must be the owner or contract
4 purchaser of the dwelling or dwellings served by the alternative energy de-
5 vice or the tenant of the owner or of the contract purchaser and must:

6 “(A) Use the dwelling or dwellings served by the alternative energy device
7 as a principal or secondary residence; or

8 “(B) Rent or lease, under a residential rental agreement, the dwelling or
9 dwellings to a tenant who uses the dwelling or dwellings as a principal or
10 secondary residence.

11 “[c] *In the case of an alternative fuel device, unless the verification form*
12 *and certificate are transferred as authorized under ORS 469B.106 (9), the*
13 *taxpayer who is allowed the credit must be the contractor who constructs the*
14 *dwelling that incorporates the alternative fuel device into the dwelling or in-*
15 *stalls the fueling station in the dwelling.]*

16 “[d] (c) The credit must be claimed for the tax year in which the alter-
17 native energy device was purchased if the device is operational by April 1
18 of the next following tax year.

19 “[e] *If the alternative fuel vehicle is a gasoline-electric hybrid vehicle not*
20 *designed for electric plug-in charging, it must be purchased before January 1,*
21 *2010.]*

22 “[4] (5) The credit provided by this section does not affect the compu-
23 tation of basis under this chapter.

24 “[5] (6) The total credits allowed under this section in any one year may
25 not exceed the tax liability of the taxpayer.

26 “[6] (7) Any tax credit otherwise allowable under this section that is
27 not used by the taxpayer in a particular year may be carried forward and
28 offset against the taxpayer’s tax liability for the next succeeding tax year.
29 Any credit remaining unused in the next succeeding tax year may be carried
30 forward and used in the second succeeding tax year, and likewise any credit

1 not used in that second succeeding tax year may be carried forward and used
2 in the third succeeding tax year, and any credit not used in that third suc-
3 ceeding tax year may be carried forward and used in the fourth succeeding
4 tax year, and any credit not used in that fourth succeeding tax year may be
5 carried forward and used in the fifth succeeding tax year, but may not be
6 carried forward for any tax year thereafter.

7 “[7] (8) A nonresident shall be allowed the credit under this section in
8 the proportion provided in ORS 316.117.

9 “[8] (9) If a change in the taxable year of a taxpayer occurs as described
10 in ORS 314.085, or if the Department of Revenue terminates the taxpayer’s
11 taxable year under ORS 314.440, the credit allowed by this section shall be
12 prorated or computed in a manner consistent with ORS 314.085.

13 “[9] (10) If a change in the status of a taxpayer from resident to non-
14 resident or from nonresident to resident occurs, the credit allowed by this
15 section shall be determined in a manner consistent with ORS 316.117.

16 “[10] (11) A husband and wife who file separate returns for a taxable
17 year may each claim a share of the tax credit that would have been allowed
18 on a joint return in proportion to the contribution of each. However, a hus-
19 band or wife living in a separate principal residence may claim the tax credit
20 in the same amount as permitted a single person.

21 “[11] (12) As used in this section, unless the context requires otherwise:

22 “(a) ‘Collective investment’ means an investment by two or more taxpay-
23 ers for the acquisition, construction and installation of an alternative energy
24 device for one or more dwellings.

25 “(b) ‘Noncollective investment’ means an investment by an individual
26 taxpayer for the acquisition, construction and installation of an alternative
27 energy device for one or more dwellings.

28 “(c) ‘Taxpayer’ includes a transferee of a verification form under ORS
29 469B.106 [(9)] (8).

30 “[12] (13) Notwithstanding any provision of [subsection (1) or (2)] **sub-**

1 **sections (1) to (3)** of this section, the sum of the credit allowed under sub-
2 section (1) of this section plus any similar credit allowed for federal income
3 tax purposes may not exceed the cost for the acquisition, construction and
4 installation of the alternative energy device.

5 **“SECTION 31.** ORS 469B.100 is amended to read:

6 “469B.100. As used in ORS 316.116[, 317.115] and 469B.100 to 469B.118:

7 “(1) ‘Alternative energy device’ means a category one alternative energy
8 device or a category two alternative energy device.

9 “(2) ‘Alternative fuel device’ includes a facility for mixing, storing, com-
10 pressing or dispensing fuels for alternative fuel vehicles, and any other nec-
11 essary and reasonable equipment.

12 “[~~(3)~~ ‘Alternative fuel vehicle’ means a motor vehicle as defined in ORS
13 801.360 that is:]

14 “[~~(a)~~ Registered in this state; and]

15 “[~~(b)~~ Manufactured or modified to use an alternative fuel, including but
16 not limited to electricity, natural gas, ethanol, methanol, propane and any
17 other fuel approved in rules adopted by the Director of the State Department
18 of Energy that produces less exhaust emissions than vehicles fueled by gasoline
19 or diesel. Determination that a vehicle is an alternative fuel vehicle shall be
20 made without regard to energy consumption savings.]

21 “[~~(4)~~] **(3)** ‘Category one alternative energy device’ means:

22 “(a) Any system, mechanism or series of mechanisms that uses solar ra-
23 diation for space heating or cooling for one or more dwellings;

24 “(b) Any system that uses solar radiation for:

25 “(A) Domestic water heating; or

26 “(B) Swimming pool, spa or hot tub heating and that meets the require-
27 ments set forth in ORS 316.116;

28 “(c) A ground [~~water~~] **source** heat pump and ground loop system;

29 “(d) Any wind powered device used to offset or supplement the use of
30 electricity by performing a specific task such as pumping water;

1 “(e) Equipment used in the production of alternative fuels;

2 “(f) A generator powered by alternative fuels and used to produce elec-

3 tricity;

4 “(g) An energy efficient appliance;

5 “(h) An alternative fuel device; or

6 “(i) A premium efficiency biomass combustion device that includes a

7 dedicated outside combustion air source and that meets minimum perform-

8 ance standards that are established by the State Department of Energy.

9 “[5] (4) ‘Category two alternative energy device’ means a fuel cell sys-

10 tem, solar electric system or wind electric system.

11 “[6] (5) ‘Coefficient of performance’ means the ratio calculated by di-

12 viding the usable output energy by the electrical input energy. Both energy

13 values must be expressed in equivalent units.

14 “[7] (6) ‘Contractor’ means a person whose trade or business consists

15 of offering for sale an alternative energy device, construction service, in-

16 stallation service or design service.

17 “[8)(a)] (7) ‘Cost’ means the actual cost of the acquisition, construction

18 and installation of the alternative energy device.

19 “[b) *For an alternative fuel vehicle, ‘cost’ means the difference between the*

20 *cost of the alternative fuel vehicle and the same vehicle or functionally similar*

21 *vehicle manufactured to use conventional gasoline or diesel fuel or, in the case*

22 *of modification of an existing vehicle, the cost of the modification. ‘Cost’ does*

23 *not include any amounts paid for remodification of the same vehicle.]*

24 “[c) *For a fueling station necessary to operate an alternative fuel vehicle,*

25 *‘cost’ means the cost to the contractor of constructing or installing the fueling*

26 *station in a dwelling and of making the fuel station operational in accordance*

27 *with the specifications issued under ORS 469B.100 to 469B.118 and any rules*

28 *adopted by the Director of the State Department of Energy.]*

29 “[d) *For related equipment, ‘cost’ means the cost of the related equipment*

30 *and any modifications or additions to the related equipment necessary to pre-*

1 *pare the related equipment for use in converting a vehicle to alternative fuel*
2 *use.]*

3 “[~~(9)~~] **(8)** ‘Domestic water heating’ means the heating of water used in a
4 dwelling for bathing, clothes washing, dishwashing and other related func-
5 tions.

6 “[~~(10)~~] **(9)** ‘Dwelling’ means real or personal property ordinarily inhabited
7 as a principal or secondary residence and located within this state.
8 ‘Dwelling’ includes, but is not limited to, an individual unit within multiple
9 unit residential housing.

10 “[~~(11)~~] **(10)** ‘Energy efficient appliance’ includes emerging technologies
11 **that exceed state and federal appliance standards.**[, *such as high-*
12 *efficiency heat-pump water heaters for domestic hot water that meet the*
13 *Northern Tier Specification established by the Northwest Energy Efficiency*
14 *Alliance for electricity or have 0.67 or greater energy factor for gas water*
15 *heaters, ductless heat pumps, high-efficiency furnaces that are at least 95 per-*
16 *cent efficient, on-demand gas water heaters and heat-pumps, that exceed*
17 *code.]*

18 “[~~(12)~~] **(11)** ‘First year energy yield’ of an alternative energy device is the
19 usable energy produced **or energy saved** under average environmental con-
20 ditions in one year.

21 “[~~(13)~~] **(12)** ‘Fuel cell system’ means any system, mechanism or series of
22 mechanisms that uses fuel cells or fuel cell technology to generate electrical
23 energy for a dwelling.

24 “[~~(14)~~] *‘Fueling station’ includes but is not limited to a compressed natural*
25 *gas compressor fueling system or an electric charging system for vehicle power*
26 *battery charging.]*

27 “[~~(15)~~] **(13)** ‘Placed in service’ means the date an alternative energy device
28 is ready and available to produce usable energy or save energy.

29 “[~~(16)~~] **(14)** ‘Solar electric system’ means any system, mechanism or series
30 of mechanisms, including photovoltaic systems, that uses solar radiation to

1 generate electrical energy for a dwelling.

2 “[~~(17)~~] (15) ‘Third-party alternative energy device installation’ means an
3 alternative energy device that is installed in connection with residential
4 property and owned by a person other than the residential property owner
5 in accordance with an agreement in effect for at least 10 years between the
6 residential property owner and the alternative energy device owner. The
7 agreement must cover maintenance and either the use of or the power gen-
8 erated by the alternative energy device.

9 “[~~(18)~~] (16) ‘Wind electric system’ means any system, mechanism or series
10 of mechanisms that uses wind to generate electrical energy for a dwelling.

11 **“SECTION 32.** ORS 469B.103 is amended to read:

12 “469B.103. (1) For the purposes of carrying out ORS 469B.100 to 469B.118,
13 the State Department of Energy may adopt rules prescribing minimum per-
14 formance criteria for alternative energy devices for dwellings. The depart-
15 ment may, in prescribing criteria, rely on applicable federal, state and local
16 requirements for energy efficiency, including the state building code, **state**
17 **and federal appliance standards** and any specialty codes and any code
18 adopted by the Building Codes Division of the Department of Consumer and
19 Business Services.

20 “(2) The department shall take into consideration evolving market condi-
21 tions in prescribing minimum performance criteria for alternative energy
22 devices and in determining credit amounts, consistent with ORS 316.116.

23 “(3) The department, in adopting rules under this section for solar heating
24 and cooling systems, shall take into consideration applicable standards of
25 federal performance criteria prescribed pursuant to the provisions of the
26 Solar Heating and Cooling Demonstration Act of 1974, 42 U.S.C. 5506.

27 “(4) The Director of the State Department of Energy shall adopt rules
28 governing the determination of eligibility, verification and certification of
29 an alternative fuel device for purposes of the tax credits granted under ORS
30 316.116 [*and 317.115*], including but not limited to rules that further define

1 an alternative fuel [*vehicle, related equipment or fueling station necessary to*
2 *operate an alternative fuel vehicle,*] **device and** that govern the computation
3 of costs eligible for credit [*and that require equitable allocation of the tax*
4 *credit benefits between the lessor and the lessee of an alternative fuel vehicle*
5 *as a condition of tax credit eligibility*].

6 “**(5) The department shall by rule establish policies and procedures**
7 **for the administration and enforcement of the provisions of ORS**
8 **316.116 and 469B.100 to 469B.118.**

9 “**SECTION 33.** ORS 469B.106 is amended to read:

10 “469B.106. (1) Subject to the limitations in section 75, chapter 730, Oregon
11 Laws 2011, any person may claim a tax credit under ORS 316.116 [*or ORS*
12 *317.115, if the person is a corporation*] if the person:

13 “(a) Meets the requirements of ORS 316.116 [*or ORS 317.115, if applica-*
14 *ble*];

15 “(b) Meets the requirements of ORS 469B.100 to 469B.118; and

16 “(c) Pays, subject to subsection [(10)] **(9)** of this section, all or a portion
17 of the costs of an alternative energy device.

18 “[*(2) A credit under ORS 317.115 may be claimed only if the alternative*
19 *energy device is a fueling station necessary to operate an alternative fuel ve-*
20 *hicle.*]

21 “[*(3)(a)*] **(2)** In order to be eligible for a tax credit under ORS 316.116 [*or*
22 *317.115*], a person claiming a tax credit for construction or installation of
23 an alternative energy device [*(including a fueling station)*] shall have the
24 device certified by the State Department of Energy or constructed or in-
25 stalled by a contractor certified by the department under subsection [(5)] **(4)**
26 of this section. [*This paragraph does not apply to an alternative fuel vehicle*
27 *or to related equipment.*]

28 “[*(b) Certification of an alternative fuel vehicle or related equipment shall*
29 *be accomplished under rules that shall be adopted by the Director of the State*
30 *Department of Energy.*]

1 “[~~4~~] (3) Verification of the purchase, construction or installation of an
2 alternative energy device shall be made in writing on a form provided by the
3 Department of Revenue and, if applicable, shall contain:

4 “(a) The location of the alternative energy device;

5 “(b) A description of the type of device;

6 “(c) If the device was constructed or installed by a contractor, evidence
7 that the contractor has any license, bond, insurance and permit required to
8 sell and construct or install the alternative energy device;

9 “(d) If the device was constructed or installed by a contractor, a state-
10 ment signed by the contractor that the applicant has received:

11 “(A) A statement of the reasonably expected energy savings of the device;

12 “(B) A copy of consumer information published by the State Department
13 of Energy;

14 “(C) An operating manual for the alternative energy device; and

15 “(D) A copy of the contractor’s certification certificate or alternative en-
16 ergy device system certificate for the alternative energy device, as appropri-
17 ate;

18 “(e) If the device was not constructed or installed by a contractor, evi-
19 dence that:

20 “(A) The State Department of Energy has issued an alternative energy
21 device system certificate for the alternative energy device; and

22 “(B) The taxpayer has obtained all building permits required for con-
23 struction or installation of the device;

24 “(f) A statement, signed by both the taxpayer claiming the credit and the
25 contractor if the device was constructed or installed by a contractor, that
26 the construction or installation meets all the requirements of ORS 469B.100
27 to 469B.118 [*or, if the device is a fueling station and the taxpayer is the con-*
28 *tractor, a statement signed by the contractor that the construction or installa-*
29 *tion meets all of the requirements of ORS 469B.100 to 469B.118];*

30 “(g) The date the alternative energy device was purchased by the resi-

1 dential property owner, or, for a third-party alternative energy device in-
2 stallation, the date that the residential property owner and the alternative
3 energy device owner signed a contract;

4 “(h) The date the alternative energy device was placed in service; and

5 “(i) Any other information that the Director of the State Department of
6 Energy or the Department of Revenue determines is necessary.

7 “[(5)(a)] (4)(a) When the State Department of Energy finds that an alter-
8 native energy device can meet the standards adopted under ORS 469B.103,
9 the Director of the State Department of Energy may issue a contractor sys-
10 tem certification to the person selling and constructing or installing the al-
11 ternative energy device.

12 “(b) Any person who sells or installs more than 12 alternative energy
13 devices in one year shall apply for a contractor system certification. An ap-
14 plication for a contractor system certification shall be made in writing on
15 a form provided by the State Department of Energy and shall contain:

16 “(A) A statement that the contractor has any license, bonding, insurance
17 and permit that is required for the sale and construction or installation of
18 the alternative energy device;

19 “(B) A specific description of the alternative energy device, including, but
20 not limited to, the material, equipment and mechanism used in the device,
21 operating procedure, sizing and siting method and construction or installa-
22 tion procedure;

23 “(C) The addresses of three installations of the device that are available
24 for inspection by the State Department of Energy;

25 “(D) The range of installed costs to purchasers of the device;

26 “(E) Any important construction, installation or operating instructions;
27 and

28 “(F) Any other information that the State Department of Energy deter-
29 mines is necessary.

30 “(c) A new application for contractor system approval shall be filed when

1 there is a change in the information supplied under paragraph (b) of this
2 subsection.

3 “(d) The State Department of Energy may issue contractor system certifi-
4 cates to each contractor who on October 3, 1989, has a valid dealer system
5 certification, which shall authorize the sale and installation of the same
6 domestic water heating alternative energy devices authorized by the dealer
7 certification.

8 “(e) If the State Department of Energy finds that an alternative energy
9 device can meet the standards adopted under ORS 469B.103, the Director of
10 the State Department of Energy may issue an alternative energy device sys-
11 tem certificate to the taxpayer constructing or installing or having an al-
12 ternative energy device constructed or installed.

13 “(f) An application for an alternative energy device system certificate
14 shall be made in writing on a form provided by the State Department of
15 Energy and shall contain:

16 “(A) A specific description of the alternative energy device, including, but
17 not limited to, the material, equipment and mechanism used in the device,
18 operating procedure, sizing, siting method and construction or installation
19 procedure;

20 “(B) The constructed or installed cost of the device; and

21 “(C) A statement that the taxpayer has all permits required for con-
22 struction or installation of the device.

23 “[6] (5) Prior to commencing installation of alternative energy devices,
24 installers of third-party alternative energy device installations must apply
25 to the State Department of Energy to reserve credits on behalf of owners of
26 residential property. Installers may reserve credit for no more than 25 in-
27 stallations under this subsection in one application.

28 “[7] (6) To claim the tax credit, the verification form described in sub-
29 section [(4)] (3) of this section shall be submitted with the taxpayer’s tax
30 return for the year the alternative energy device is placed in service or the

1 immediately succeeding tax year. A copy of the contractor's certification
2 certificate[,] **or** alternative energy device system certificate [*or alternative*
3 *fuel vehicle or related equipment certificate*] also shall be submitted.

4 “[~~(8)~~] **(7)** The verification form and contractor's certificate[,] **or** alterna-
5 tive energy device system certificate [*or alternative fuel vehicle or related*
6 *equipment certificate*] described under this section shall be effective for pur-
7 poses of tax relief allowed under ORS 316.116 [*or 317.115*].

8 “[~~(9)~~] **(8)** The verification form and contractor's certificate described un-
9 der this section may be transferred to the first purchaser of a dwelling [*or,*
10 *in the case of construction or installation of a fueling station in an existing*
11 *dwelling, the current owner,*] who intends to use [*or is using*] the dwelling
12 as a principal or secondary residence.

13 “[~~(10)~~] **(9)** Any person that pays the present value of the tax credit for
14 an alternative energy device provided under ORS 316.116 [*or 317.115*] and
15 469B.100 to 469B.118 to the person who constructs or installs the alternative
16 energy device shall be entitled to claim the credit in the manner and subject
17 to rules adopted by the Department of Revenue to carry out the purposes of
18 this subsection. The State Department of Energy may establish by rule uni-
19 form discount rates to be used in calculating the present value of a tax credit
20 under this subsection.

21 **“SECTION 34.** ORS 469B.112 is amended to read:

22 “469B.112. The following devices are not eligible for the tax credit under
23 ORS 316.116:

24 “(1) Standard efficiency furnaces;

25 “(2) Air conditioning systems;

26 “(3) Boilers;

27 “(4) Standard back-up heating systems;

28 “(5) Woodstoves or wood furnaces, or any part of a heating system that
29 burns wood, unless the woodstove, furnace or system constitutes a premium
30 efficiency biomass combustion device described in ORS 469B.100 [~~(4)(i)~~]

1 **(3)(i);**

2 “(6) Heat pump water heaters that are part of a geothermal heat pump
3 space heating system;

4 “(7) Structures that cover or enclose a swimming pool;

5 “(8) Swimming pools, hot tubs or spas used to store heat;

6 “(9) Above ground, uninsulated swimming pools, hot tubs or spas;

7 “(10) Photovoltaic systems installed on recreational vehicles;

8 “(11) Conversion of an existing alternative energy device to another type
9 of alternative energy device;

10 “(12) Repair or replacement of an existing alternative energy device;

11 “(13) A category two alternative energy device, if the equipment or other
12 property that comprises the category two alternative energy device is the
13 basis for an allowed credit for a category one alternative energy device un-
14 der ORS 316.116;

15 “(14) A category one alternative energy device, if the equipment or other
16 property that comprises the category one alternative energy device is also
17 the basis for an allowed credit for a category two alternative energy device
18 under ORS 316.116; or

19 “(15) Any other device identified by the State Department of Energy. The
20 department may adopt rules defining standards for eligible and ineligible
21 devices under this section.

22 **“SECTION 35.** ORS 469B.115 is amended to read:

23 “469B.115. (1) [*Except for alternative fuel vehicles or related equipment,*] In
24 order to carry out ORS 469B.100 to 469B.118, the State Department of Energy
25 shall develop performance assumptions and prescriptive measures to deter-
26 mine the eligibility and tax credit amount for alternative energy devices
27 constructed or installed in a dwelling.

28 “(2) The department shall use the performance assumptions and
29 prescriptive measures to develop information for the Department of Revenue
30 to use to allow taxpayers to determine their eligibility and tax credit

1 amount. The State Department of Energy may review this information on an
2 annual basis to take into consideration new technology and performance as-
3 sumption accuracy.

4 “(3) For the purpose of determining the first year energy yield of an al-
5 ternative energy device, the department shall use the following assumptions
6 and test standards:

7 “(a) Solar Rating and Certification Corporation [*standard*] **standards**
8 SRCC 100, [200] **300**, American Society of Heating, Refrigerating and Air-
9 Conditioning Engineers 93-77, or the [*American Refrigeration Institute*
10 *standard 325-85*] **Air-Conditioning, Heating, and Refrigeration Institute**
11 **under ANSI/AHRI/ASHRAE/ISO Standard 13256-1** test at 50 degrees
12 **Fahrenheit** entering water temperature, as appropriate. The testing re-
13 quirements under this paragraph [*shall*] **do** not apply to an owner-built al-
14 ternative energy device.

15 “[*(b) For an alternative energy device used as a source for domestic water*
16 *heating energy, a hot water use of 75 gallons per day at 120 degrees*
17 *Fahrenheit. The load of 75 gallons per day at 120 degrees Fahrenheit shall*
18 *be achieved by including conservation measures in the construction or instal-*
19 *lation of the alternative energy device.*]

20 “[*(c)*] **(b)** For an alternative energy device used as a source for space
21 heating or cooling, the heating or cooling energy load as determined by a
22 heat loss or gain calculation performed in accordance with the methods es-
23 tablished by the American Society of Heating, Refrigerating and Air-
24 Conditioning Engineers. Except for an owner-built or site-built system, an
25 alternative energy device used as a source for domestic hot water heating
26 must meet the SRCC OG 300 systems test or comply with comparable re-
27 quirements as determined by the department.

28 “[*(d)*] **(c)** For an alternative energy device used as a source for electrical
29 energy, the first year energy yield shall be based upon the electrical energy
30 load of the dwelling as determined according to the procedure established

1 by the department.

2 “[*(e)*] (d) For an alternative energy device used as a source for swimming
3 pool, spa or hot tub heating, the first year energy yield shall be based on the
4 heating load of the swimming pool, spa or hot tub as determined according
5 to the procedure established by the department.

6 **“SECTION 36.** ORS 469B.118 is amended to read:

7 “469B.118. (1) Upon the Department of Revenue’s own motion, or upon
8 request of the State Department of Energy, the Department of Revenue may
9 initiate proceedings for the forfeiture of a tax credit allowed under ORS
10 316.116 [*or 317.115*] if:

11 “(a) The verification was fraudulent because of a misrepresentation by the
12 taxpayer [*or investor owned utility*];

13 “(b) The verification was fraudulent because of a misrepresentation by the
14 contractor;

15 “(c) [*In the case of an alternative energy device other than an alternative*
16 *fuel vehicle or related equipment,*] The alternative energy device has not been
17 constructed, installed or operated in substantial compliance with the re-
18 quirements of ORS 469B.100 to 469B.118; or

19 “(d) The taxpayer [*or investor owned utility*] failed to consent to an in-
20 spection of the constructed or installed alternative energy device by the
21 State Department of Energy after a reasonable, written request for such an
22 inspection by the State Department of Energy. [*This paragraph does not ap-*
23 *ply to an alternative fuel vehicle or to related equipment.*]

24 “(2) Pursuant to the procedures for a contested case under ORS chapter
25 183, the Director of the State Department of Energy may order the revoca-
26 tion of a contractor certificate issued under ORS 469B.106 if the director
27 finds that:

28 “(a) The contractor certificate was obtained by fraud or misrepresentation
29 by the contractor certificate holder;

30 “(b) The contractor’s performance for the alternative energy device for

1 which the contractor is issued a certificate under ORS 469B.106 does not
2 meet industry standards; or

3 “(c) The contractor has misrepresented to the customer either the tax
4 credit program or the nature or quality of the alternative energy device.

5 “(3) If the tax credit allowed under ORS 316.116 [*or 317.115*] for the pur-
6 chase, construction or installation of an alternative energy device is ordered
7 forfeited due to an action of the taxpayer [*or investor owned utility*] under
8 subsection (1)(a), (c) or (d) of this section, all prior tax relief provided to the
9 taxpayer [*or investor owned utility*] shall be forfeited and the Department of
10 Revenue shall proceed to collect those taxes not paid by the taxpayer [*or*
11 *utility*] as a result of the tax credit relief under ORS 316.116 [*or 317.115*].

12 “(4) If the tax credit for the construction or installation of an alternative
13 energy device is ordered forfeited due to an action of the contractor under
14 subsection (1)(b) of this section, the Department of Revenue shall proceed to
15 collect, from the contractor, an amount equivalent to those taxes not paid
16 by the taxpayer [*or investor owned utility*] as a result of the tax credit relief
17 under ORS 316.116 [*or 317.115*]. As long as the forfeiture is due to an action
18 of the contractor and not to an action of the taxpayer [*or utility*], the as-
19 sessment of such taxes shall be levied on the contractor and not on the
20 taxpayer [*or utility*]. Notwithstanding ORS 314.835, the Department of Rev-
21 enue may disclose information from income tax returns or reports to the
22 extent such disclosure is necessary to collect amounts from contractors un-
23 der this subsection.

24 “(5) In order to obtain information necessary to verify eligibility and
25 amount of the tax credit, the State Department of Energy or its represen-
26 tative may inspect an alternative energy device that has been purchased,
27 constructed or installed. The inspection shall be made only with the consent
28 of the owner of the dwelling. Failure to consent to the inspection is grounds
29 for the forfeiture of any tax credit relief under ORS 316.116 [*or 317.115*]. The
30 Department of Revenue shall proceed to collect any taxes due according to

1 subsection (4) of this section. For electrical generating alternative energy
2 devices, the State Department of Energy may obtain energy consumption re-
3 cords for the dwelling the device serves, for a 12-month period, in order to
4 verify eligibility and amount of the tax credit.

5 **SECTION 37.** ORS 469B.991 is amended to read:

6 “469B.991. (1) The Director of the State Department of Energy may impose
7 a civil penalty against a contractor if a contractor certificate is revoked
8 under ORS 469B.118. The amount of the penalty shall be equal to the total
9 amount of tax relief estimated to have been provided under ORS 316.116 [*or*
10 *317.115*] to the contractor or to purchasers of the system for which a
11 contractor’s certificate has been revoked.

12 “(2) The State Department of Energy may not collect any of the amount
13 of a civil penalty imposed under subsection (1) of this section from a pur-
14 chaser of the system for which the final certificate has been revoked. How-
15 ever, the Department of Revenue shall proceed under ORS 469B.118 (3) to
16 collect taxes not paid by a taxpayer if the tax credit is ordered forfeited be-
17 cause of that taxpayer’s fraud or misrepresentation under ORS 469B.118
18 (1)(a).

19 “(3) Civil penalties under this section shall be imposed as provided in
20 ORS 183.745.

21 “(4) A penalty recovered under this section shall be paid into the State
22 Treasury and credited to the General Fund and is available for general gov-
23 ernmental expenses.

24 **SECTION 38.** ORS 314.752 is amended to read:

25 “314.752. (1) Except as provided in ORS 314.740 (5)(b), the tax credits al-
26 lowed or allowable to a C corporation for purposes of ORS chapter 317 or
27 318 shall not be allowed to an S corporation. The business tax credits al-
28 lowed or allowable for purposes of ORS chapter 316 shall be allowed or are
29 allowable to the shareholders of the S corporation.

30 “(2) In determining the tax imposed under ORS chapter 316, as provided

1 under ORS 314.734, on income of the shareholder of an S corporation, there
2 shall be taken into account the shareholder's pro rata share of business tax
3 credit (or item thereof) that would be allowed to the corporation (but for
4 subsection (1) of this section) or recapture or recovery thereof. The credit (or
5 item thereof), recapture or recovery shall be passed through to shareholders
6 in pro rata shares as determined in the manner prescribed under section
7 1377(a) of the Internal Revenue Code.

8 “(3) The character of any item included in a shareholder's pro rata share
9 under subsection (2) of this section shall be determined as if such item were
10 realized directly from the source from which realized by the corporation, or
11 incurred in the same manner as incurred by the corporation.

12 “(4) If the shareholder is a nonresident and there is a requirement appli-
13 cable for the business tax credit that in the case of a nonresident the credit
14 be allowed in the proportion provided in ORS 316.117, then that provision
15 shall apply to the nonresident shareholder.

16 “(5) As used in this section, ‘business tax credit’ means a tax credit
17 granted to personal income taxpayers to encourage certain investment, to
18 create employment, economic opportunity or incentive or for charitable, ed-
19 ucational, scientific, literary or public purposes that is listed under this
20 subsection as a business tax credit or is designated as a business tax credit
21 by law or by the Department of Revenue by rule and includes but is not
22 limited to the following credits: ORS 285C.309 (tribal taxes on reservation
23 enterprise zones and reservation partnership zones), ORS 315.104 (forestation
24 and reforestation), ORS 315.138 (fish screening, by-pass devices, fishways),
25 ORS 315.141 (biomass production for biofuel), ORS 315.156 (crop gleaning),
26 ORS 315.164 and 315.169 (agriculture workforce housing), ORS 315.204 (de-
27 pendent care assistance), ORS 315.208 (dependent care facilities), ORS 315.213
28 (contributions for child care), ORS 315.304 (pollution control facility), ORS
29 315.326 (renewable energy development contributions), ORS 315.331 (energy
30 conservation projects), ORS 315.336 (transportation projects), ORS 315.341

1 (renewable energy resource equipment manufacturing facilities), ORS 315.354
2 and 469B.151 (energy conservation facilities), ORS 315.507 (electronic
3 commerce)[,] **and** ORS 315.533 (low income community jobs initiative) [*and*
4 *ORS 317.115 (fueling stations necessary to operate an alternative fuel*
5 *vehicle)*].

6 **“SECTION 39. ORS 317.115 and 469B.109 are repealed.**

7 **“SECTION 40. (1) The amendments to ORS 316.116, 469B.100,**
8 **469B.103, 469B.106, 469B.112, 469B.115, 469B.118 and 469B.991 by sections**
9 **30 to 37 of this 2015 Act apply to alternative energy devices certified**
10 **under ORS 469B.106 on or after January 1, 2016, and to tax years be-**
11 **ginning on or after January 1, 2016.**

12 **“(2) The repeal of ORS 317.115 and 469B.109 by section 39 of this 2015**
13 **Act applies to tax years beginning on or after January 1, 2012.**

14 **“NOTE:** Sections 41 and 42 were deleted by amendment. Subsequent
15 sections were not renumbered.

16 **“SECTION 43. The amendments to ORS 315.521, 316.099, 316.699,**
17 **316.758, 329A.700, 329A.703, 329A.706, 329A.712, 351.692, 351.697 and 353.445**
18 **by sections 9, 14, 16 and 20 to 27 of this 2015 Act apply to tax years**
19 **beginning on or after January 1, 2016.**

20 **“SECTION 44. Section 38, chapter 913, Oregon Laws 2009, is amended to**
21 **read:**

22 **“Sec. 38. A credit may not be claimed under ORS 315.610 for tax years**
23 **beginning on or after January 1, [2016] 2015.**

24 **“SECTION 44a. Notwithstanding ORS 314.402, a penalty may not be**
25 **imposed for any underpayment of tax for the 2015 tax year that is at-**
26 **tributable solely to the unavailability of the credit allowed under ORS**
27 **315.610 in that tax year.**

28 **“SECTION 45. Section 77, chapter 736, Oregon Laws 2003, as amended**
29 **by section 1, chapter 913, Oregon Laws 2009, and section 17, chapter 730,**
30 **Oregon Laws 2011, is amended to read:**

1 **“Sec. 77.** ORS 315.514 applies to tax years beginning on or after January
2 1, 2005, and before January 1, [2018] **2020**, and to tax credit certifications
3 issued by the Oregon Film and Video Office on or after July 1, 2005.

4 **“SECTION 46.** ORS 317.090 is amended to read:

5 “317.090. (1) As used in this section:

6 “(a) ‘Oregon sales’ means:

7 “(A) If the corporation apportions business income under ORS 314.650 to
8 314.665 for Oregon tax purposes, the total sales of the taxpayer in this state
9 during the tax year, as determined for purposes of ORS 314.665;

10 “(B) If the corporation does not apportion business income for Oregon tax
11 purposes, the total sales in this state that the taxpayer would have had, as
12 determined for purposes of ORS 314.665, if the taxpayer were required to
13 apportion business income for Oregon tax purposes; or

14 “(C) If the corporation apportions business income using a method dif-
15 ferent from the method prescribed by ORS 314.650 to 314.665, Oregon sales
16 as defined by the Department of Revenue by rule.

17 “(b) If the corporation is an agricultural cooperative that is a cooperative
18 organization described in section 1381 of the Internal Revenue Code, ‘Oregon
19 sales’ does not include sales representing business done with or for members
20 of the agricultural cooperative.

21 “(2) Each corporation or affiliated group of corporations filing a return
22 under ORS 317.710 shall pay annually to the state, for the privilege of car-
23 rying on or doing business by it within this state, a minimum tax as follows:

24 “(a) If Oregon sales properly reported on a return are:

25 “(A) Less than \$500,000, the minimum tax is \$150.

26 “(B) \$500,000 or more, but less than \$1 million, the minimum tax is \$500.

27 “(C) \$1 million or more, but less than \$2 million, the minimum tax is
28 \$1,000.

29 “(D) \$2 million or more, but less than \$3 million, the minimum tax is
30 \$1,500.

1 “(E) \$3 million or more, but less than \$5 million, the minimum tax is
2 \$2,000.

3 “(F) \$5 million or more, but less than \$7 million, the minimum tax is
4 \$4,000.

5 “(G) \$7 million or more, but less than \$10 million, the minimum tax is
6 \$7,500.

7 “(H) \$10 million or more, but less than \$25 million, the minimum tax is
8 \$15,000.

9 “(I) \$25 million or more, but less than \$50 million, the minimum tax is
10 \$30,000.

11 “(J) \$50 million or more, but less than \$75 million, the minimum tax is
12 \$50,000.

13 “(K) \$75 million or more, but less than \$100 million, the minimum tax is
14 \$75,000.

15 “(L) \$100 million or more, the minimum tax is \$100,000.

16 “(b) If a corporation is an S corporation, the minimum tax is \$150.

17 “(3) The minimum tax is not apportionable (except in the case of a change
18 of accounting periods), [*and*] is payable in full for any part of the year dur-
19 ing which a corporation is subject to tax, **and may not be reduced, paid**
20 **or otherwise satisfied through the use of any tax credit.**

21 “**SECTION 46a.** ORS 317.090, as amended by section 46 of this 2015 Act,
22 is amended to read:

23 “317.090. (1) As used in this section:

24 “(a) ‘Oregon sales’ means:

25 “(A) If the corporation apportions business income under ORS 314.650 to
26 314.665 for Oregon tax purposes, the total sales of the taxpayer in this state
27 during the tax year, as determined for purposes of ORS 314.665;

28 “(B) If the corporation does not apportion business income for Oregon tax
29 purposes, the total sales in this state that the taxpayer would have had, as
30 determined for purposes of ORS 314.665, if the taxpayer were required to

1 apportion business income for Oregon tax purposes; or

2 “(C) If the corporation apportions business income using a method dif-
3 ferent from the method prescribed by ORS 314.650 to 314.665, Oregon sales
4 as defined by the Department of Revenue by rule.

5 “(b) If the corporation is an agricultural cooperative that is a cooperative
6 organization described in section 1381 of the Internal Revenue Code, ‘Oregon
7 sales’ does not include sales representing business done with or for members
8 of the agricultural cooperative.

9 “(2) Each corporation or affiliated group of corporations filing a return
10 under ORS 317.710 shall pay annually to the state, for the privilege of car-
11 rying on or doing business by it within this state, a minimum tax as follows:

12 “(a) If Oregon sales properly reported on a return are:

13 “(A) Less than \$500,000, the minimum tax is \$150.

14 “(B) \$500,000 or more, but less than \$1 million, the minimum tax is \$500.

15 “(C) \$1 million or more, but less than \$2 million, the minimum tax is
16 \$1,000.

17 “(D) \$2 million or more, but less than \$3 million, the minimum tax is
18 \$1,500.

19 “(E) \$3 million or more, but less than \$5 million, the minimum tax is
20 \$2,000.

21 “(F) \$5 million or more, but less than \$7 million, the minimum tax is
22 \$4,000.

23 “(G) \$7 million or more, but less than \$10 million, the minimum tax is
24 \$7,500.

25 “(H) \$10 million or more, but less than \$25 million, the minimum tax is
26 \$15,000.

27 “(I) \$25 million or more, but less than \$50 million, the minimum tax is
28 \$30,000.

29 “(J) \$50 million or more, but less than \$75 million, the minimum tax is
30 \$50,000.

1 “(K) \$75 million or more, but less than \$100 million, the minimum tax is
2 \$75,000.

3 “(L) \$100 million or more, the minimum tax is \$100,000.

4 “(b) If a corporation is an S corporation, the minimum tax is \$150.

5 “(3) The minimum tax is not apportionable (except in the case of a change
6 of accounting periods), **and** is payable in full for any part of the year during
7 which a corporation is subject to tax[, *and may not be reduced, paid or oth-*
8 *erwise satisfied through the use of any tax credit*].

9 **“SECTION 47. (1) The amendments to ORS 317.090 by section 46 of**
10 **this 2015 Act apply to tax years beginning on or after January 1, 2015,**
11 **and before January 1, 2021.**

12 **“(2) The amendments to ORS 317.090 by section 46a of this 2015 Act**
13 **apply to tax years beginning on or after January 1, 2021.**

14 **“SECTION 48.** ORS 316.695 is amended to read:

15 “316.695. (1) In addition to the modifications to federal taxable income
16 contained in this chapter, there shall be added to or subtracted from federal
17 taxable income:

18 “(a) If, in computing federal income tax for a tax year, the taxpayer de-
19 ducted itemized deductions, as defined in section 63(d) of the Internal Reve-
20 nue Code, the taxpayer shall add the amount of itemized deductions deducted
21 (the itemized deductions less an amount, if any, by which the itemized de-
22 ductions are reduced under section 68 of the Internal Revenue Code).

23 “(b) If, in computing federal income tax for a tax year, the taxpayer de-
24 ducted the standard deduction, as defined in section 63(c) of the Internal
25 Revenue Code, the taxpayer shall add the amount of the standard deduction
26 deducted.

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

1 and the additional standard deduction.

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

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

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

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

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

10 “(C)(i) For purposes of subparagraph (A) of this paragraph for tax years
11 beginning on or after January 1, 2003, the Department of Revenue shall an-
12 nually recompute the basic standard deduction for each category of return
13 filer listed under subparagraph (B) of this paragraph. The basic standard
14 deduction shall be computed by dividing the monthly averaged U.S. City
15 Average Consumer Price Index for the 12 consecutive months ending August
16 31 of the prior calendar year by the average U.S. City Average Consumer
17 Price Index for the second quarter of 2002, then multiplying that quotient
18 by the amount listed under subparagraph (B) of this paragraph for each
19 category of return filer.

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

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

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

30 “(E) As used in subparagraph (B) of this paragraph, ‘surviving spouse’ and

1 'head of household' have the meaning given those terms in section 2 of the
2 Internal Revenue Code.

3 "(F) In the case of the following, the standard deduction referred to in
4 subparagraph (A) of this paragraph shall be zero:

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

7 "(ii) A nonresident alien individual;

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

10 "(iv) An estate or trust;

11 "(v) A common trust fund; or

12 "(vi) A partnership.

13 "(d) For the purposes of paragraph (c)(A) of this subsection, the taxpayer's
14 itemized deductions are the amount of the taxpayer's itemized deductions as
15 defined in section 63(d) of the Internal Revenue Code (reduced, if applicable,
16 as described under section 68 of the Internal Revenue Code) minus the de-
17 duction for Oregon income tax (reduced, if applicable, by the proportion that
18 the reduction in federal itemized deductions resulting from section 68 of the
19 Internal Revenue Code bears to the amount of federal itemized deductions
20 as defined for purposes of section 68 of the Internal Revenue Code).

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

28 "(b) Interest or other earnings on any excess contributions of a pension,
29 profit-sharing, stock bonus or other retirement plan not permitted to be de-
30 ducted under paragraph (a) of this subsection may not be added to federal

1 taxable income in the year earned by the plan and may not be subtracted
2 from federal taxable income in the year received by the taxpayer.

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

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

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

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

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

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

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

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

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

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

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

7 “(f)(A) For a calendar year beginning on or after January 1, 2008, **and**
8 **before January 1, 2015**, the Department of Revenue shall make a cost-of-
9 living adjustment to the federal income tax threshold amounts described in
10 paragraphs (b) and (d) of this subsection. **For calendar years beginning**
11 **on or after January 1, 2015, and before January 1, 2021, the threshold**
12 **amounts shall be those calculated for the calendar year beginning**
13 **January 1, 2014.**

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

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

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

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

28 “(4)(a) In addition to the adjustments required by ORS 316.130, a full-year
29 nonresident individual shall add to taxable income a proportion of any ac-
30 crued federal income taxes as computed under ORS 316.685 in excess of the

1 amount provided in subsection (3) of this section in the proportion provided
2 in ORS 316.117.

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

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

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

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

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

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

30 “(7)(a) The taxpayer shall be entitled to an additional amount, as referred

1 to in subsection (1)(c)(A) and (D) of this section, of \$1,000:

2 “(A) For the taxpayer if the taxpayer has attained age 65 before the close
3 of the taxpayer’s tax year; and

4 “(B) For the spouse of the taxpayer if the spouse has attained age 65 be-
5 fore the close of the tax year and an additional exemption is allowable to
6 the taxpayer for such spouse for federal income tax purposes under section
7 151(b) of the Internal Revenue Code.

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

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

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

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

21 “(d) For purposes of this subsection, an individual is blind only if the
22 individual’s central visual acuity does not exceed 20/200 in the better eye
23 with correcting lenses, or if the individual’s visual acuity is greater than
24 20/200 but is accompanied by a limitation in the fields of vision such that
25 the widest diameter of the visual field subtends an angle no greater than 20
26 degrees.

27 “(8) In the case of an individual with respect to whom a deduction under
28 section 151 of the Internal Revenue Code is allowable for federal income tax
29 purposes to another taxpayer for a tax year beginning in the calendar year
30 in which the individual’s tax year begins, the basic standard deduction (re-

1 referred to in subsection (1)(c)(B) of this section) applicable to such individual
2 for such individual's tax year shall equal the lesser of:

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

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

7 **“SECTION 49.** ORS 316.695, as amended by section 48 of this 2015 Act,
8 is amended to read:

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

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

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

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

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

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

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

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

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

4 “(C)(i) For purposes of subparagraph (A) of this paragraph for tax years
5 beginning on or after January 1, 2003, the Department of Revenue shall an-
6 nually recompute the basic standard deduction for each category of return
7 filer listed under subparagraph (B) of this paragraph. The basic standard
8 deduction shall be computed by dividing the monthly averaged U.S. City
9 Average Consumer Price Index for the 12 consecutive months ending August
10 31 of the prior calendar year by the average U.S. City Average Consumer
11 Price Index for the second quarter of 2002, then multiplying that quotient
12 by the amount listed under subparagraph (B) of this paragraph for each
13 category of return filer.

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

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

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

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

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

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

- 1 “(ii) A nonresident alien individual;
- 2 “(iii) An individual making a return for a period of less than 12 months
- 3 on account of a change in the individual’s annual accounting period;
- 4 “(iv) An estate or trust;
- 5 “(v) A common trust fund; or
- 6 “(vi) A partnership.

7 “(d) For the purposes of paragraph (c)(A) of this subsection, the taxpayer’s

8 itemized deductions are the amount of the taxpayer’s itemized deductions as

9 defined in section 63(d) of the Internal Revenue Code (reduced, if applicable,

10 as described under section 68 of the Internal Revenue Code) minus the de-

11 duction for Oregon income tax (reduced, if applicable, by the proportion that

12 the reduction in federal itemized deductions resulting from section 68 of the

13 Internal Revenue Code bears to the amount of federal itemized deductions

14 as defined for purposes of section 68 of the Internal Revenue Code).

15 “(2)(a) There shall be subtracted from federal taxable income any portion

16 of the distribution of a pension, profit-sharing, stock bonus or other retire-

17 ment plan, representing that portion of contributions which were taxed by

18 the State of Oregon but not taxed by the federal government under laws in

19 effect for tax years beginning prior to January 1, 1969, or for any subsequent

20 year in which the amount that was contributed to the plan under the Inter-

21 nal Revenue Code was greater than the amount allowed under this chapter.

22 “(b) Interest or other earnings on any excess contributions of a pension,

23 profit-sharing, stock bonus or other retirement plan not permitted to be de-

24 ducted under paragraph (a) of this subsection may not be added to federal

25 taxable income in the year earned by the plan and may not be subtracted

26 from federal taxable income in the year received by the taxpayer.

27 “(3)(a) Except as provided in subsection (4) of this section, there shall be

28 added to federal taxable income the amount of any federal income taxes in

29 excess of the amount provided in paragraphs (b) to (d) of this subsection,

30 accrued by the taxpayer during the tax year as described in ORS 316.685, less

1 the amount of any refund of federal taxes previously accrued for which a tax
2 benefit was received.

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

4 “(A) \$5,500, if the federal adjusted gross income of the taxpayer for the
5 tax year is less than \$125,000, or, if reported on a joint return, less than
6 \$250,000.

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

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

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

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

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

23 “(d) In the case of a husband and wife filing separate tax returns, the
24 amount added shall be in the amount of any federal income taxes in excess
25 of 50 percent of the amount provided for individual taxpayers under para-
26 graphs (a) to (c) of this subsection, less the amount of any refund of federal
27 taxes previously accrued for which a tax benefit was received.

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

1 “(f)(A) For a calendar year beginning on or after January 1, [2008, and
2 *before January 1, 2015*] **2021**, the Department of Revenue shall make a cost-
3 of-living adjustment to the federal income tax threshold amounts described
4 in paragraphs (b) and (d) of this subsection. [*For calendar years beginning*
5 *on or after January 1, 2015, and before January 1, 2021, the threshold amounts*
6 *shall be those calculated for the calendar year beginning January 1, 2014.*]

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

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

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

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

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

26 “(b) In the case of a husband and wife filing separate tax returns, the
27 amount added under this subsection shall be computed in a manner consist-
28 ent with the computation of the amount to be added in the case of a husband
29 and wife filing separate returns under subsection (3) of this section. The
30 method of computation shall be determined by the Department of Revenue

1 by rule.

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

5 “(6)(a) For tax years beginning on or after January 1, 1981, and prior to
6 January 1, 1983, income or loss taken into account in determining federal
7 taxable income by a shareholder of an S corporation pursuant to sections
8 1373 to 1375 of the Internal Revenue Code shall be adjusted for purposes of
9 determining Oregon taxable income, to the extent that as income or loss of
10 the S corporation, they were required to be adjusted under the provisions
11 of ORS chapter 317.

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

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

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

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

25 “(A) For the taxpayer if the taxpayer has attained age 65 before the close
26 of the taxpayer’s tax year; and

27 “(B) For the spouse of the taxpayer if the spouse has attained age 65 be-
28 fore the close of the tax year and an additional exemption is allowable to
29 the taxpayer for such spouse for federal income tax purposes under section
30 151(b) of the Internal Revenue Code.

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

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

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

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

14 “(d) For purposes of this subsection, an individual is blind only if the
15 individual’s central visual acuity does not exceed 20/200 in the better eye
16 with correcting lenses, or if the individual’s visual acuity is greater than
17 20/200 but is accompanied by a limitation in the fields of vision such that
18 the widest diameter of the visual field subtends an angle no greater than 20
19 degrees.

20 “(8) In the case of an individual with respect to whom a deduction under
21 section 151 of the Internal Revenue Code is allowable for federal income tax
22 purposes to another taxpayer for a tax year beginning in the calendar year
23 in which the individual’s tax year begins, the basic standard deduction (re-
24 ferred to in subsection (1)(c)(B) of this section) applicable to such individual
25 for such individual’s tax year shall equal the lesser of:

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

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

30 **“SECTION 50. (1) The amendments to ORS 316.695 by section 48 of**

1 **this 2015 Act apply to tax years beginning on or after January 1, 2015,**
2 **and before January 1, 2021.**

3 **“(2) The amendments to ORS 315.695 by section 49 of this 2015 Act**
4 **apply to tax years beginning on or after January 1, 2021.**

5 **“SECTION 51.** ORS 315.266 is amended to read:

6 **“315.266. (1)(a)** In addition to any other credit available for purposes of
7 ORS chapter 316, an eligible resident individual shall be allowed a credit
8 against the tax otherwise due under ORS chapter 316 for the tax year in an
9 amount equal to eight percent of the earned income credit allowable to the
10 individual for the same tax year under section 32 of the Internal Revenue
11 Code.

12 **“(b) Notwithstanding paragraph (a) of this subsection, if the tax-**
13 **payer has a dependent who is under two years of age at the close of**
14 **the tax year, the credit allowed under this section shall be in an**
15 **amount equal to 14 percent of the earned income credit allowable to**
16 **the individual for the same tax year under section 32 of the Internal**
17 **Revenue Code.**

18 **“(2)** An eligible nonresident individual shall be allowed the credit com-
19 puted in the same manner and subject to the same limitations as the credit
20 allowed a resident by subsection (1) of this section. However, the credit shall
21 be prorated using the proportion provided in ORS 316.117.

22 **“(3)** If a change in the taxable year of a taxpayer occurs as described in
23 ORS 314.085, or if the Department of Revenue terminates the taxpayer’s
24 taxable year under ORS 314.440, the credit allowed by this section shall be
25 prorated or computed in a manner consistent with ORS 314.085.

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

29 **“(5)** If the amount allowable as a credit under this section, when added
30 to the sum of the amounts allowable as payment of tax under ORS 316.187

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

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

10 “(7) Refunds attributable to the earned income credit allowed under this
11 section shall not bear interest.

12 **“SECTION 52. The amendments to ORS 315.266 by section 51 of this**
13 **2015 Act apply to tax years beginning on or after January 1, 2016, and**
14 **before January 1, 2020.**

15 **“SECTION 53. Section 54 of this 2015 Act is added to and made a**
16 **part of ORS chapter 317.**

17 **“SECTION 54. (1)(a) For purposes of determining Oregon taxable**
18 **income, the taxable income or loss of any corporation that is a mem-**
19 **ber of a unitary group or that is a corporation that files a separate**
20 **return and that is incorporated in any of the jurisdictions listed in**
21 **paragraph (b) of this subsection shall be added to the federal consol-**
22 **idated taxable income of the unitary group filing a consolidated**
23 **Oregon return or to the federal taxable income of the corporation fil-**
24 **ing a separate return.**

25 **“(b) This section applies to Andorra, Anguilla, Antigua and**
26 **Barbuda, Aruba, the Bahamas, Bahrain, Barbados, Belize, Bermuda,**
27 **Bonaire, the British Virgin Islands, the Cayman Islands, the Cook Is-**
28 **lands, Curacao, Cyprus, Dominica, Gibraltar, Grenada, Guatemala,**
29 **Guernsey-Sark-Alderney, Hong Kong, the Isle of Man, Jersey, Liberia,**
30 **Liechtenstein, Luxembourg, Malta, the Marshall Islands, Mauritius,**

1 **Montserrat, Nauru, Niue, Panama, Saba, Samoa, San Marino,**
2 **Seychelles, Sint Eustatius, Sint Maarten, St. Kitts and Nevis, St.**
3 **Lucia, St. Vincent and the Grenadines, Trinidad and Tobago, the**
4 **Turks and Caicos Islands, the U.S. Virgin Islands and Vanuatu.**

5 **“(2) After making any addition required by subsection (1)(a) of this**
6 **section, any item of income, gain, loss or expense of a corporation that**
7 **is a member of a unitary group and that is incorporated in any of the**
8 **jurisdictions that are listed in subsection (1)(b) of this section shall**
9 **be eliminated from federal taxable income if the item is not attribut-**
10 **able directly or indirectly to activity of or transactions with a unitary**
11 **group member included in a federal consolidated or separate return.**

12 **“(3) The department shall adopt rules:**

13 **“(a) To determine the computation of income or loss for a corpo-**
14 **ration that is a member of a unitary group and that is not otherwise**
15 **required to file a consolidated federal return.**

16 **“(b) To prevent double taxation or double deduction of any amount**
17 **included in the computation of income under this section.**

18 **“(c) To implement this section.**

19 **“SECTION 55. ORS 317.715 is amended to read:**

20 **“317.715. (1) If a corporation required to make a return under this chapter**
21 **is a member of an affiliated group of corporations making a consolidated**
22 **federal return under sections 1501 to 1505 of the Internal Revenue Code, the**
23 **corporation’s Oregon taxable income shall be determined beginning with**
24 **federal consolidated taxable income of the affiliated group as provided in this**
25 **section.**

26 **“[(2)(a) For purposes of determining Oregon taxable income, the taxable**
27 **income or loss of any corporation that is a member of a unitary group and that**
28 **is incorporated in any of the following jurisdictions shall be added to federal**
29 **consolidated taxable income:]**

30 **“[(b) Andorra, Anguilla, Antigua and Barbuda, Aruba, the Bahamas,**

1 *Bahrain, Barbados, Belize, Bermuda, the British Virgin Islands, the Cayman*
2 *Islands, the Cook Islands, Cyprus, Dominica, Gibraltar, Grenada, Guernsey-*
3 *Sark-Alderney, the Isle of Man, Jersey, Liberia, Liechtenstein, Luxembourg,*
4 *Malta, the Marshall Islands, Mauritius, Monaco, Montserrat, Nauru, the*
5 *Netherlands Antilles, Niue, Samoa, San Marino, Seychelles, St. Kitts and*
6 *Nevis, St. Lucia, St. Vincent and the Grenadines, the Turks and Caicos Is-*
7 *lands, the U.S. Virgin Islands and Vanuatu.]*

8 “[(3)] **(2)** If the affiliated group, of which the corporation subject to tax-
9 ation under this chapter is a member, consists of more than one unitary
10 group, before the additions, subtractions, adjustments and modifications to
11 federal taxable income provided for in this chapter are made, and before al-
12 location and apportionment as provided in ORS 317.010 (10), if any, modified
13 federal consolidated taxable income shall be computed. Modified federal
14 consolidated taxable income shall be determined by eliminating from the
15 federal consolidated taxable income of the affiliated group the separate tax-
16 able income, as determined under Treasury Regulations adopted under sec-
17 tion 1502 of the Internal Revenue Code, and any deductions or additions or
18 items of income, expense, gain or loss for which consolidated treatment is
19 prescribed under Treasury Regulations adopted under section 1502 of the
20 Internal Revenue Code, attributable to the member or members of any
21 unitary group of which the corporation is not a member.

22 “[4)(a)] **(3)(a)** After modified federal consolidated taxable income is de-
23 termined under subsection [(3)] **(2)** of this section, the additions, sub-
24 tractions, adjustments and modifications prescribed by this chapter shall be
25 made to the modified federal consolidated taxable income of the remaining
26 members of the affiliated group, where applicable, as if all such members
27 were subject to taxation under this chapter. After those modifications are
28 made, Oregon taxable income or loss shall be determined as provided in ORS
29 317.010 (10)(a) to (c), if necessary.

30 “(b) In the computation of the Oregon apportionment percentage for a

1 corporation that is a member of an affiliated group filing a consolidated
2 federal return, there shall be taken into consideration only the property,
3 payroll, sales or other factors of those members of the affiliated group[, *and*
4 *of those corporations described in subsection (2) of this section,*] whose items
5 of income, expense, gain or loss remain in modified federal consolidated
6 taxable income after the eliminations required under subsection [(3)] **(2)** of
7 this section. Those members of an affiliated group making a consolidated
8 federal return or a consolidated state return may not be treated as one tax-
9 payer for purposes of determining whether any member of the group is tax-
10 able in this state or any other state with respect to questions of jurisdiction
11 to tax or the composition of the apportionment factors used to attribute in-
12 come to this state under ORS 314.280 or 314.605 to 314.675.

13 “[*(5) The Department of Revenue shall adopt rules:*]

14 “[*(a) To determine the computation of income or loss for a corporation that*
15 *is a member of a unitary group and that is not otherwise required to file a*
16 *consolidated federal return.*]

17 “[*(b) To prevent double taxation or double deduction of any amount in-*
18 *cluded in the computation of income under this section.*]

19 **“SECTION 56.** ORS 317.717 is amended to read:

20 “317.717. On or before January 1 of each odd-numbered year, the Depart-
21 ment of Revenue shall submit a report to the Legislative Assembly in the
22 manner provided by ORS 192.245. The report shall include recommendations
23 for legislation related to jurisdictions listed in [*ORS 317.715 (2)(b)*] **section**
24 **54 of this 2015 Act**, including recommendations for additions to or sub-
25 tractions from the list of jurisdictions in [*ORS 317.715 (2)(b).*] **section 54 of**
26 **this 2015 Act. In making the determination of which jurisdictions to**
27 **recommend for inclusion, the department shall determine whether a**
28 **jurisdiction is one that for the tax year has no or nominal effective**
29 **tax on the relevant income and for which at least one of the following**
30 **applies:**

1 **“(1) The jurisdiction has laws or practices that prevent effective**
2 **exchange of information for tax purposes with other governments**
3 **about taxpayers benefiting from the tax regime.**

4 **“(2) The jurisdiction has a tax regime that lacks transparency. A**
5 **tax regime lacks transparency if the details of legislative, legal or ad-**
6 **ministrative provisions are not open and apparent or are not consist-**
7 **ently applied among similarly situated taxpayers, or if the information**
8 **needed by tax authorities to determine a taxpayer’s correct tax liabil-**
9 **ity, such as accounting records and underlying documentation, is not**
10 **adequately available.**

11 **“(3) The jurisdiction facilitates the establishment of foreign-owned**
12 **entities without the need for a local substantive presence or prohibits**
13 **these entities from having any commercial impact on the local econ-**
14 **omy.**

15 **“(4) The jurisdiction explicitly or implicitly excludes the**
16 **jurisdiction’s resident taxpayers from taking advantage of the tax**
17 **regime’s benefits or prohibits enterprises that benefit from the regime**
18 **from operating in the jurisdiction’s domestic market.**

19 **“(5) The jurisdiction has created a tax regime that is favorable for**
20 **tax avoidance, based upon an overall assessment of relevant factors,**
21 **including whether the jurisdiction has a significant untaxed offshore**
22 **financial or other services sector relative to its overall economy.**

23 **“SECTION 57. ORS 317.267 is amended to read:**

24 **“317.267. (1) To derive Oregon taxable income, there shall be added to**
25 **federal taxable income amounts received as dividends from corporations de-**
26 **ducted for federal purposes pursuant to section 243 or 245 of the Internal**
27 **Revenue Code, except section 245(c) of the Internal Revenue Code, amounts**
28 **paid as dividends by a public utility or telecommunications utility and de-**
29 **ducted for federal purposes pursuant to section 247 of the Internal Revenue**
30 **Code or dividends eliminated under Treasury Regulations adopted under**

1 section 1502 of the Internal Revenue Code that are paid by members of an
2 affiliated group that are eliminated from a consolidated federal return pur-
3 suant to ORS 317.715 [(3)] (2).

4 “(2) To derive Oregon taxable income, after the modification prescribed
5 under subsection (1) of this section, there shall be subtracted from federal
6 taxable income an amount equal to 70 percent of dividends (determined
7 without regard to section 78 of the Internal Revenue Code) received or
8 deemed received from corporations if such dividends are included in federal
9 taxable income. However:

10 “(a) In the case of any dividend on debt-financed portfolio stock as de-
11 scribed in section 246A of the Internal Revenue Code, the subtraction al-
12 lowed under this subsection shall be reduced under the same conditions and
13 in same amount as the dividends received deduction otherwise allowable for
14 federal income tax purposes is reduced under section 246A of the Internal
15 Revenue Code.

16 “(b) In the case of any dividend received from a 20 percent owned corpo-
17 ration, as defined in section 243(c) of the Internal Revenue Code, this sub-
18 section shall be applied by substituting ‘80 percent’ for ‘70 percent.’

19 “(c) A dividend that is not treated as a dividend under section 243(d) or
20 965(c)(3) of the Internal Revenue Code may not be treated as a dividend for
21 purposes of this subsection.

22 “(d) If a dividends received deduction is not allowed for federal tax pur-
23 poses because of section 246(a) or (c) of the Internal Revenue Code, a sub-
24 traction may not be made under this subsection for received dividends that
25 are described in section 246(a) or (c) of the Internal Revenue Code.

26 “(3) There shall be excluded from the sales factor of any apportionment
27 formula employed to attribute income to this state any amount subtracted
28 from federal taxable income under subsection (2) of this section.

29 **“SECTION 58. Section 54 of this 2015 Act and the amendments to**
30 **ORS 317.715 and 317.267 by sections 55 and 57 of this 2015 Act apply to**

1 **tax years beginning on or after January 1, 2016.**

2 **“SECTION 59.** ORS 323.505 is amended to read:

3 “323.505. (1) A tax is hereby imposed upon the distribution of all tobacco
4 products in this state. The tax imposed by this section is intended to be a
5 direct tax on the consumer, for which payment upon distribution is required
6 to achieve convenience and facility in the collection and administration of
7 the tax. The tax shall be imposed on a distributor at the time the distributor
8 distributes tobacco products.

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

10 “(a) Sixty-five percent of the wholesale sales price of [*cigars, but not to*
11 *exceed 50 cents per cigar;*] **all tobacco products that are not moist snuff;**
12 **or**

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

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

18 “(3) For reporting periods beginning on or after July 1, 2022, the rates
19 of tax applicable to moist snuff under subsection (2)(b) of this section shall
20 be adjusted for each biennium according to the cost-of-living adjustment for
21 the calendar year. The Department of Revenue shall recompute the rates for
22 each biennium by adding to the rates in subsection (2)(b) of this section the
23 product obtained by multiplying the rates in subsection (2)(b) of this section
24 by a factor that is equal to 0.25 multiplied by the percentage (if any) by
25 which the monthly averaged U.S. City Average Consumer Price Index for the
26 12 consecutive months ending August 31 of the prior calendar year exceeds
27 the monthly averaged U.S. City Average Consumer Price Index for the 12
28 consecutive months ending August 31, 2020.

29 “(4) If the tax imposed under this section does not equal an amount cal-
30 culable to a whole cent, the tax shall be equal to the next higher whole cent.

1 However, the amount remitted to the Department of Revenue by the taxpayer
2 for each quarter shall be equal only to 98.5 percent of the total taxes due
3 and payable by the taxpayer for the quarter.

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

7 **“SECTION 60.** ORS 323.505, as amended by section 59 of this 2015 Act,
8 is amended to read:

9 “323.505. (1) A tax is hereby imposed upon the distribution of all tobacco
10 products in this state. The tax imposed by this section is intended to be a
11 direct tax on the consumer, for which payment upon distribution is required
12 to achieve convenience and facility in the collection and administration of
13 the tax. The tax shall be imposed on a distributor at the time the distributor
14 distributes tobacco products.

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

16 “(a) Sixty-five percent of the wholesale sales price of [*all tobacco products*
17 *that are not moist snuff; or*] **cigars, but not to exceed 50 cents per cigar;**

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

21 **“(c) Sixty-five percent of the wholesale sales price of all tobacco**
22 **products that are not cigars or moist snuff.**

23 “(3) For reporting periods beginning on or after July 1, 2022, the rates
24 of tax applicable to moist snuff under subsection (2)(b) of this section shall
25 be adjusted for each biennium according to the cost-of-living adjustment for
26 the calendar year. The Department of Revenue shall recompute the rates for
27 each biennium by adding to the rates in subsection (2)(b) of this section the
28 product obtained by multiplying the rates in subsection (2)(b) of this section
29 by a factor that is equal to 0.25 multiplied by the percentage (if any) by
30 which the monthly averaged U.S. City Average Consumer Price Index for the

1 12 consecutive months ending August 31 of the prior calendar year exceeds
2 the monthly averaged U.S. City Average Consumer Price Index for the 12
3 consecutive months ending August 31, 2020.

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

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

12 **“SECTION 61.** ORS 323.625 is amended to read:

13 “323.625. (1) All moneys received by the Department of Revenue under
14 ORS 323.500 to 323.645 shall be deposited in the State Treasury and credited
15 to a suspense account established under ORS 293.445. The department may
16 pay expenses for administration and enforcement of ORS 323.500 to 323.645
17 out of moneys received from the taxes imposed under ORS 323.505 and
18 323.565. Amounts necessary to pay administrative and enforcement expenses
19 are continuously appropriated to the department from the suspense account.
20 After the payment of administrative and enforcement expenses and refunds
21 or credits arising from erroneous overpayments, the balance of the money,
22 **less amounts transferred pursuant to subsection (2) of this section,**
23 shall be credited to the General Fund. Of the amount credited to the General
24 Fund under this section 41.54 percent shall be dedicated to funding the
25 maintenance and expansion of the number of persons eligible for the medical
26 assistance program under ORS chapter 414, or to funding the maintenance
27 of the benefits available under the program, or both, and 4.62 percent shall
28 be credited to the Tobacco Use Reduction Account established under ORS
29 431.832.

30 **“(2) On or before the end of each calendar quarter, beginning in the**

1 **second calendar quarter of 2016, the department shall determine the**
2 **amount of revenue received during the preceding calendar quarter by**
3 **the department from tax imposed on cigars that is attributable to the**
4 **amendments to ORS 323.505 by section 59 of this 2015 Act, and shall**
5 **transfer an equal amount to the General Fund.**

6 **“SECTION 62.** ORS 323.625, as amended by section 61 of this 2015 Act,
7 is amended to read:

8 “323.625. *[(1)]* All moneys received by the Department of Revenue under
9 ORS 323.500 to 323.645 shall be deposited in the State Treasury and credited
10 to a suspense account established under ORS 293.445. The department may
11 pay expenses for administration and enforcement of ORS 323.500 to 323.645
12 out of moneys received from the taxes imposed under ORS 323.505 and
13 323.565. Amounts necessary to pay administrative and enforcement expenses
14 are continuously appropriated to the department from the suspense account.
15 After the payment of administrative and enforcement expenses and refunds
16 or credits arising from erroneous overpayments, the balance of the money[,
17 *less amounts transferred pursuant to subsection (2) of this section,*] shall be
18 credited to the General Fund. Of the amount credited to the General Fund
19 under this section 41.54 percent shall be dedicated to funding the mainte-
20 nance and expansion of the number of persons eligible for the medical as-
21 sistance program under ORS chapter 414, or to funding the maintenance of
22 the benefits available under the program, or both, and 4.62 percent shall be
23 credited to the Tobacco Use Reduction Account established under ORS
24 431.832.

25 *“[(2) On or before the end of each calendar quarter, beginning in the second*
26 *calendar quarter of 2016, the department shall determine the amount of revenue*
27 *received during the preceding calendar quarter by the department from tax*
28 *imposed on cigars that is attributable to the amendments to ORS 323.505 by*
29 *section 59 of this 2015 Act, and shall transfer an equal amount to the General*
30 *Fund.]*

1 **“SECTION 63. (1) The amendments to ORS 323.505 and 323.625 by**
2 **sections 59 and 61 of this 2015 Act apply to tobacco products distrib-**
3 **uted, and revenues received, on or after January 1, 2016, and before**
4 **January 1, 2022.**

5 **“(2) The amendments to ORS 323.505 and 323.625 by sections 60 and**
6 **62 of this 2015 Act apply to tobacco products distributed, and revenues**
7 **received, on or after January 1, 2022.**

8 **“SECTION 64. This 2015 Act takes effect on the 91st day after the**
9 **date on which the 2015 regular session of the Seventy-eighth Legisla-**
10 **tive Assembly adjourns sine die.”.**

11
