

# D R A F T

## SUMMARY

Creates refundable personal income tax credit for mortgage interest payments made for taxpayer's principal residence. Phases out allowed amount of credit based on amount of federal adjusted gross income. Disallows, for purposes of personal income taxation, mortgage interest deduction for residence.

Applies to tax years beginning on or after January 1, 2018, and before January 1, 2024.

Takes effect on 91st day following adjournment sine die.

## A BILL FOR AN ACT

1  
2 Relating to income tax incentives for housing costs; creating new provisions;  
3 amending ORS 316.502 and 316.695; and prescribing an effective date.

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

5 **SECTION 1. Section 2 of this 2017 Act is added to and made a part**  
6 **of ORS chapter 315.**

7 **SECTION 2. (1) As used in this section, "home mortgage interest"**  
8 **means mortgage interest paid or accrued on indebtedness with respect**  
9 **to a qualified residence.**

10 **(2) A credit against taxes that are otherwise due under ORS chapter**  
11 **316 shall be allowed to a taxpayer for home mortgage interest paid by**  
12 **the taxpayer for the taxpayer's principal residence during the tax year.**  
13 **The credit allowed shall be based on the lesser of:**

14 **(a) The amount of home mortgage interest paid by the taxpayer in**  
15 **the tax year, or:**

16 **(b)(A) For a taxpayer filing a joint return, \$\_\_\_\_\_;** or

17 **(B) For all other taxpayers, \$\_\_\_\_\_.**

1       **(3)(a) If the federal adjusted gross income of the taxpayer for the**  
2 **tax year is more than \$50,000 or, if reported on a joint return, more**  
3 **than \$100,000, the amount of credit allowed shall be reduced, and shall**  
4 **be computed by multiplying the amount in subsection (2) of this sec-**  
5 **tion by a ratio.**

6       **(b)(A) If the taxpayer files a joint return, the numerator of the ra-**  
7 **tio shall be \$150,000 minus the amount by which adjusted gross income**  
8 **exceeds \$100,000, and the denominator shall be \$150,000.**

9       **(B) For all other taxpayers, the numerator of the ratio shall be**  
10 **\$75,000 minus the amount by which adjusted gross income exceeds**  
11 **\$50,000, and the denominator shall be \$75,000.**

12       **(c) If the federal adjusted gross income of the taxpayer for the tax**  
13 **year is \$125,000 or more or, if reported on a joint return, \$250,000 or**  
14 **more, the taxpayer is not allowed a credit under this section.**

15       **(4) The credit shall be claimed on the form and in the time and**  
16 **manner in which the Department of Revenue shall prescribe.**

17       **(5) If the amount allowable as a credit under this section, when**  
18 **added to the sum of the amounts allowable as payment of tax under**  
19 **ORS 316.187 (withholding), ORS 316.583 (estimated tax), other tax pre-**  
20 **payment amounts and other refundable credit amounts, exceeds the**  
21 **taxes imposed by ORS chapters 314 and 316 for the tax year (reduced**  
22 **by any nonrefundable credits allowable for purposes of ORS chapter**  
23 **316 for the tax year), the amount of the excess shall be refunded to the**  
24 **taxpayer as provided in ORS 316.502.**

25       **(6) A nonresident shall be allowed the credit under this section. The**  
26 **credit shall be computed in the same manner and be subject to the**  
27 **same limitations as the credit granted to a resident. However, the**  
28 **credit shall be prorated using the proportion provided in ORS 316.117.**

29       **(7) If a change in the tax year of the taxpayer occurs as described**  
30 **in ORS 314.085, or if the department terminates the taxpayer's tax year**  
31 **under ORS 314.440, the credit allowed by this section shall be prorated**

1 or computed in a manner consistent with ORS 314.085.

2 (8) If a change in the status of a taxpayer from resident to non-  
3 resident or from nonresident to resident occurs, the credit allowed by  
4 this section shall be determined in a manner consistent with ORS  
5 316.117.

6 (9) Spouses who file separate returns for a tax year may each claim  
7 a share of the tax credit that would have been allowed on a joint re-  
8 turn in proportion to the adjusted gross income of each.

9 **SECTION 3.** ORS 316.502 is amended to read:

10 316.502. (1) The net revenue from the tax imposed by this chapter, after  
11 deducting refunds and amounts described in ORS 285B.630 and 285C.635, shall  
12 be paid over to the State Treasurer and held in the General Fund as mis-  
13 cellaneous receipts available generally to meet any expense or obligation of  
14 the State of Oregon lawfully incurred.

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

18 (3) Moneys are continuously appropriated to the Department of Revenue  
19 to make:

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

21 (b) The refund payments in excess of tax liability authorized under ORS  
22 315.174, 315.262, 315.264 and 315.266 and section 17, chapter 906, Oregon Laws  
23 2007, and section 2 of this 2017 Act.

24 **SECTION 4.** ORS 316.695 is amended to read:

25 316.695. (1) In addition to the modifications to federal taxable income  
26 contained in this chapter, there shall be added to or subtracted from federal  
27 taxable income:

28 (a) If, in computing federal income tax for a tax year, the taxpayer de-  
29 ducted itemized deductions, as defined in section 63(d) of the Internal Reve-  
30 nue Code, the taxpayer shall add the amount of itemized deductions deducted  
31 (the itemized deductions less an amount, if any, by which the itemized de-

1 ductions are reduced under section 68 of the Internal Revenue Code).

2 (b) If, in computing federal income tax for a tax year, the taxpayer de-  
3 ducted the standard deduction, as defined in section 63(c) of the Internal  
4 Revenue Code, the taxpayer shall add the amount of the standard deduction  
5 deducted.

6 (c)(A) From federal taxable income there shall be subtracted the larger  
7 of (i) the taxpayer's itemized deductions or (ii) a standard deduction. Except  
8 as provided in subsection (8) of this section, for purposes of this subpara-  
9 graph, "standard deduction" means the sum of the basic standard deduction  
10 and the additional standard deduction.

11 (B) For purposes of subparagraph (A) of this paragraph, the basic stand-  
12 ard deduction is:

- 13 (i) \$3,280, in the case of joint return filers or a surviving spouse;
- 14 (ii) \$1,640, in the case of an individual who is not a married individual  
15 and is not a surviving spouse;
- 16 (iii) \$1,640, in the case of a married individual who files a separate return;
- 17 or
- 18 (iv) \$2,640, in the case of a head of household.

19 (C)(i) For purposes of subparagraph (A) of this paragraph for tax years  
20 beginning on or after January 1, 2003, the Department of Revenue shall an-  
21 nually recompute the basic standard deduction for each category of return  
22 filer listed under subparagraph (B) of this paragraph. The basic standard  
23 deduction shall be computed by dividing the monthly averaged U.S. City  
24 Average Consumer Price Index for the 12 consecutive months ending August  
25 31 of the prior calendar year by the average U.S. City Average Consumer  
26 Price Index for the second quarter of 2002, then multiplying that quotient  
27 by the amount listed under subparagraph (B) of this paragraph for each  
28 category of return filer.

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

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

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

8 (E) As used in subparagraph (B) of this paragraph, “surviving spouse” and  
9 “head of household” have the meanings given those terms in section 2 of the  
10 Internal Revenue Code.

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

13 (i) One of the spouses in a marriage filing a separate return where the  
14 other spouse has claimed itemized deductions under subparagraph (A) of this  
15 paragraph;

16 (ii) A nonresident alien individual;

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

19 (iv) An estate or trust;

20 (v) A common trust fund; or

21 (vi) A partnership.

22 (d) For the purposes of paragraph (c)(A) of this subsection, the taxpayer’s  
23 itemized deductions are the amount of the taxpayer’s itemized deductions as  
24 defined in section 63(d) of the Internal Revenue Code (reduced, if applicable,  
25 as described under section 68 of the Internal Revenue Code) minus:

26 (A) The deduction for Oregon income tax (reduced, if applicable, by the  
27 proportion that the reduction in federal itemized deductions resulting from  
28 section 68 of the Internal Revenue Code bears to the amount of federal  
29 itemized deductions as defined for purposes of section 68 of the Internal  
30 Revenue Code)[.]; **and**

31 (B) **Any portion of the deduction for mortgage interest paid or ac-**

1 **crued on indebtedness with respect to a qualified residence.**

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

9 (b) Interest or other earnings on any excess contributions of a pension,  
10 profit-sharing, stock bonus or other retirement plan not permitted to be de-  
11 ducted under paragraph (a) of this subsection may not be added to federal  
12 taxable income in the year earned by the plan and may not be subtracted  
13 from federal taxable income in the year received by the taxpayer.

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

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

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

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

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

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

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

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

8 (d) In the case of spouses in a marriage filing separate tax returns, the  
9 amount added shall be in the amount of any federal income taxes in excess  
10 of 50 percent of the amount provided for individual taxpayers under para-  
11 graphs (a) to (c) of this subsection, less the amount of any refund of federal  
12 taxes previously accrued for which a tax benefit was received.

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

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

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

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

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

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

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

8 (b) In the case of spouses in a marriage filing separate tax returns, the  
9 amount added under this subsection shall be computed in a manner consist-  
10 ent with the computation of the amount to be added in the case of spouses  
11 in a marriage filing separate returns under subsection (3) of this section. The  
12 method of computation shall be determined by the Department of Revenue  
13 by rule.

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

17 (6)(a) For tax years beginning on or after January 1, 1981, and prior to  
18 January 1, 1983, income or loss taken into account in determining federal  
19 taxable income by a shareholder of an S corporation pursuant to sections  
20 1373 to 1375 of the Internal Revenue Code shall be adjusted for purposes of  
21 determining Oregon taxable income, to the extent that as income or loss of  
22 the S corporation, they were required to be adjusted under the provisions  
23 of ORS chapter 317.

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

31 (c) The tax years referred to in paragraphs (a) and (b) of this subsection



1 are those of the S corporation.

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

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

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

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

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

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

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

22 (c) In the case of an individual who is not married and is not a surviving  
23 spouse, paragraphs (a) and (b) of this subsection shall be applied by substi-  
24 tuting "\$1,200" for "\$1,000."

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

31 (8) In the case of an individual with respect to whom a deduction under

1 section 151 of the Internal Revenue Code is allowable for federal income tax  
2 purposes to another taxpayer for a tax year beginning in the calendar year  
3 in which the individual's tax year begins, the basic standard deduction (re-  
4 ferred to in subsection (1)(c)(B) of this section) applicable to such individual  
5 for such individual's tax year shall equal the lesser of:

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

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

10 **SECTION 5.** ORS 316.695, as amended by section 4 of this 2017 Act, is  
11 amended to read:

12 316.695. (1) In addition to the modifications to federal taxable income  
13 contained in this chapter, there shall be added to or subtracted from federal  
14 taxable income:

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

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

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

29 (B) For purposes of subparagraph (A) of this paragraph, the basic stand-  
30 ard deduction is:

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

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

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

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

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

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

19 (iii) As used in this subparagraph, "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) For purposes of subparagraph (A) of this paragraph, the additional  
24 standard deduction is the sum of each additional amount to which the tax-  
25 payer is entitled under subsection (7) of this section.

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

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

31 (i) One of the spouses in a marriage filing a separate return where the

1 other spouse has claimed itemized deductions under subparagraph (A) of this  
2 paragraph;

3 (ii) A nonresident alien individual;

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

6 (iv) An estate or trust;

7 (v) A common trust fund; or

8 (vi) A partnership.

9 (d) For the purposes of paragraph (c)(A) of this subsection, the taxpayer's  
10 itemized deductions are the amount of the taxpayer's itemized deductions as  
11 defined in section 63(d) of the Internal Revenue Code (reduced, if applicable,  
12 as described under section 68 of the Internal Revenue Code) minus[:]

13 [(A)] the deduction for Oregon income tax (reduced, if applicable, by the  
14 proportion that the reduction in federal itemized deductions resulting from  
15 section 68 of the Internal Revenue Code bears to the amount of federal  
16 itemized deductions as defined for purposes of section 68 of the Internal  
17 Revenue Code)[; *and*]

18 [(B) *Any portion of the deduction for mortgage interest paid or accrued on*  
19 *indebtedness with respect to a qualified residence*].

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

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

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

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

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

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

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

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

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

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

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

31 (e) For purposes of this subsection, the limits applicable to a joint return

1 shall apply to a head of household or a surviving spouse, as defined in sec-  
2 tion 2(a) and (b) of the Internal Revenue Code.

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

7 (B) The cost-of-living adjustment for a calendar year is the percentage by  
8 which the monthly averaged U.S. City Average Consumer Price Index for the  
9 12 consecutive months ending August 31 of the prior calendar year exceeds  
10 the monthly averaged index for the period beginning September 1, 2005, and  
11 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 spouses in a marriage 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 spouses  
29 in a marriage filing separate returns under subsection (3) of this section. The  
30 method of computation shall be determined by the Department of Revenue  
31 by rule.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

28 **SECTION 6. (1) Section 2 of this 2017 Act and the amendments to**  
29 **ORS 316.695 by section 4 of this 2017 Act apply to tax years beginning**  
30 **on or after January 1, 2018, and before January 1, 2024.**

31 **(2) The amendments to ORS 316.502 by section 3 of this 2017 Act**



1 apply to tax years beginning on or after January 1, 2018.

2 (3) The amendments to ORS 316.695 by section 5 of this 2017 Act  
3 apply to tax years beginning on or after January 1, 2024.

4 SECTION 7. This 2017 Act takes effect on the 91st day after the date  
5 on which the 2017 regular session of the Seventy-ninth Legislative  
6 Assembly adjourns sine die.

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