

SB 464 STAFF MEASURE SUMMARY

Senate Committee On Workforce

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Meeting Dates: 3/6

WHAT THE MEASURE DOES:

Directs Public Employees Retirement Board (PERB) to reimburse retired PERS member for any reduction of benefits payable on or before December 31, 2014, based on erroneous determination that benefits were not subject to Oregon personal income tax due to nonresidency. Sunsets January 2, 2019. Declares emergency, effective on passage.

ISSUES DISCUSSED:

EFFECT OF AMENDMENT:

BACKGROUND:

Oregon's Public Employees Retirement System (PERS) enables public employers to provide their employees with retirement benefits. State government, public schools, community colleges, and many local governments (cities, counties, and special districts) participate in PERS. Public employers currently participating in PERS cover about 95 percent of all public employees in Oregon.

Certain Tier One members of PERS who are currently receiving PERS benefits are eligible for "tax remedy" payments to mitigate the effect of subjecting PERS benefits to state income tax. That remedy is not available to members who do not pay Oregon income taxes because they are not a resident of Oregon. The Public Employees Retirement Board (PERB) is required to reduce the amount of benefits payable to a person currently receiving PERS retirement benefits when the payment ceases to be subject to Oregon personal income tax for nonresidency. ORS 238.376(1). If the payments thereafter become subject to Oregon personal income tax, then PERB must resume payments of the increased benefits on the first day of the calendar year following receipt of notice by the board. ORS 238.376 (3).

PERS works with the Department of Revenue to determine whether a benefit recipient from the prior calendar year filed an Oregon income tax return as a resident. If PERS cannot determine that the recipient did so, PERS then sends a letter to the recipient asking the recipient to certify residency status. If the recipient does not certify before the end of that calendar year, the statute directs PERS to stop paying the tax remedy benefit for that next calendar year. PERS sends a second letter to those recipients who have not certified, explaining that the tax remedy payment will be removed for the next calendar year. If the recipient certifies at a later time that his or her benefit is subject to Oregon income tax as a resident, the tax remedy payment is restored for the next calendar year.

Senate Bill 464 requires PERB to reimburse a person for the reduction of benefits when the reduction was based on a determination that benefits payable to the person on or before December 31, 2014, were not subject to Oregon personal income tax for nonresidency, and the person establishes that the payments were subject to Oregon personal income tax.