

House Bill 3298

Sponsored by COMMITTEE ON REVENUE

SUMMARY

The following summary is not prepared by the sponsors of the measure and is not a part of the body thereof subject to consideration by the Legislative Assembly. It is an editor's brief statement of the essential features of the measure **as introduced**.

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; amending ORS 316.502
3 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 of ORS chapter 315.

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

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

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

12 (b)(A) For a taxpayer filing a joint return, \$_____; or

13 (B) For all other taxpayers, \$_____.

14 (3)(a) If the federal adjusted gross income of the taxpayer for the tax year is more than
15 \$50,000 or, if reported on a joint return, more than \$100,000, the amount of credit allowed
16 shall be reduced, and shall be computed by multiplying the amount in subsection (2) of this
17 section by a ratio.

18 (b)(A) If the taxpayer files a joint return, the numerator of the ratio shall be \$150,000
19 minus the amount by which adjusted gross income exceeds \$100,000, and the denominator
20 shall be \$150,000.

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

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

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

28 (5) If the amount allowable as a credit under this section, when added to the sum of the
29 amounts allowable as payment of tax under ORS 316.187 (withholding), ORS 316.583 (esti-

NOTE: Matter in **boldfaced** type in an amended section is new; matter [*italic and bracketed*] is existing law to be omitted.
New sections are in **boldfaced** type.

1 mated tax), other tax prepayment amounts and other refundable credit amounts, exceeds the
 2 taxes imposed by ORS chapters 314 and 316 for the tax year (reduced by any nonrefundable
 3 credits allowable for purposes of ORS chapter 316 for the tax year), the amount of the excess
 4 shall be refunded to the taxpayer as provided in ORS 316.502.

5 (6) A nonresident shall be allowed the credit under this section. The credit shall be
 6 computed in the same manner and be subject to the same limitations as the credit granted
 7 to a resident. However, the credit shall be prorated using the proportion provided in ORS
 8 316.117.

9 (7) If a change in the tax year of the taxpayer occurs as described in ORS 314.085, or if
 10 the department terminates the taxpayer's tax year under ORS 314.440, the credit allowed by
 11 this section shall be prorated or computed in a manner consistent with ORS 314.085.

12 (8) If a change in the status of a taxpayer from resident to nonresident or from nonres-
 13 ident to resident occurs, the credit allowed by this section shall be determined in a manner
 14 consistent with ORS 316.117.

15 (9) Spouses who file separate returns for a tax year may each claim a share of the tax
 16 credit that would have been allowed on a joint return in proportion to the adjusted gross
 17 income of each.

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

19 316.502. (1) The net revenue from the tax imposed by this chapter, after deducting refunds and
 20 amounts described in ORS 285B.630 and 285C.635, shall be paid over to the State Treasurer and held
 21 in the General Fund as miscellaneous receipts available generally to meet any expense or obligation
 22 of the State of Oregon lawfully incurred.

23 (2) A working balance of unreceipted revenue from the tax imposed by this chapter may be re-
 24 tained for the payment of refunds, but such working balance shall not at the close of any fiscal year
 25 exceed the sum of \$1 million.

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

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

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

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

31 316.695. (1) In addition to the modifications to federal taxable income contained in this chapter,
 32 there shall be added to or subtracted from federal taxable income:

33 (a) If, in computing federal income tax for a tax year, the taxpayer deducted itemized deductions,
 34 as defined in section 63(d) of the Internal Revenue Code, the taxpayer shall add the amount of
 35 itemized deductions deducted (the itemized deductions less an amount, if any, by which the itemized
 36 deductions are reduced under section 68 of the Internal Revenue Code).

37 (b) If, in computing federal income tax for a tax year, the taxpayer deducted the standard de-
 38 duction, as defined in section 63(c) of the Internal Revenue Code, the taxpayer shall add the amount
 39 of the standard deduction deducted.

40 (c)(A) From federal taxable income there shall be subtracted the larger of (i) the taxpayer's
 41 itemized deductions or (ii) a standard deduction. Except as provided in subsection (8) of this section,
 42 for purposes of this subparagraph, "standard deduction" means the sum of the basic standard de-
 43 duction and the additional standard deduction.

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

45 (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 and is not a surviving
2 spouse;

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

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

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

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

15 (iii) As used in this subparagraph, "U.S. City Average Consumer Price Index" means the U.S.
16 City Average Consumer Price Index for All Urban Consumers (All Items) as published by the Bureau
17 of Labor Statistics of the United States Department of Labor.

18 (D) For purposes of subparagraph (A) of this paragraph, the additional standard deduction is the
19 sum of each additional amount to which the taxpayer is entitled under subsection (7) of this section.

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

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

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

26 (ii) A nonresident alien individual;

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

29 (iv) An estate or trust;

30 (v) A common trust fund; or

31 (vi) A partnership.

32 (d) For the purposes of paragraph (c)(A) of this subsection, the taxpayer's itemized deductions
33 are the amount of the taxpayer's itemized deductions as defined in section 63(d) of the Internal Re-
34 venue Code (reduced, if applicable, as described under section 68 of the Internal Revenue Code)
35 minus:

36 **(A)** The deduction for Oregon income tax (reduced, if applicable, by the proportion that the re-
37 duction in federal itemized deductions resulting from section 68 of the Internal Revenue Code bears
38 to the amount of federal itemized deductions as defined for purposes of section 68 of the Internal
39 Revenue Code)[.]; **and**

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

42 (2)(a) There shall be subtracted from federal taxable income any portion of the distribution of
43 a pension, profit-sharing, stock bonus or other retirement plan, representing that portion of contri-
44 butions which were taxed by the State of Oregon but not taxed by the federal government under
45 laws in effect for tax years beginning prior to January 1, 1969, or for any subsequent year in which

1 the amount that was contributed to the plan under the Internal Revenue Code was greater than the
2 amount allowed under this chapter.

3 (b) Interest or other earnings on any excess contributions of a pension, profit-sharing, stock
4 bonus or other retirement plan not permitted to be deducted under paragraph (a) of this subsection
5 may not be added to federal taxable income in the year earned by the plan and may not be sub-
6 tracted from federal taxable income in the year received by the taxpayer.

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

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

13 (A) \$5,500, if the federal adjusted gross income of the taxpayer for the tax year is less than
14 \$125,000, or, if reported on a joint return, less than \$250,000.

15 (B) \$4,400, if the federal adjusted gross income of the taxpayer for the tax year is \$125,000 or
16 more and less than \$130,000, or, if reported on a joint return, \$250,000 or more and less than
17 \$260,000.

18 (C) \$3,300, if the federal adjusted gross income of the taxpayer for the tax year is \$130,000 or
19 more and less than \$135,000, or, if reported on a joint return, \$260,000 or more and less than
20 \$270,000.

21 (D) \$2,200, if the federal adjusted gross income of the taxpayer for the tax year is \$135,000 or
22 more and less than \$140,000, or, if reported on a joint return, \$270,000 or more and less than
23 \$280,000.

24 (E) \$1,100, if the federal adjusted gross income of the taxpayer for the tax year is \$140,000 or
25 more and less than \$145,000, or, if reported on a joint return, \$280,000 or more and less than
26 \$290,000.

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

30 (d) In the case of spouses in a marriage filing separate tax returns, the amount added shall be
31 in the amount of any federal income taxes in excess of 50 percent of the amount provided for indi-
32 vidual taxpayers under paragraphs (a) to (c) of this subsection, less the amount of any refund of
33 federal taxes previously accrued for which a tax benefit was received.

34 (e) For purposes of this subsection, the limits applicable to a joint return shall apply to a head
35 of household or a surviving spouse, as defined in section 2(a) and (b) of the Internal Revenue Code.

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

39 (B) The cost-of-living adjustment for a calendar year is the percentage by which the monthly
40 averaged U.S. City Average Consumer Price Index for the 12 consecutive months ending August 31
41 of the prior calendar year exceeds the monthly averaged index for the period beginning September
42 1, 2005, and ending August 31, 2006.

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

1 (D) If any adjustment determined under subparagraph (B) of this paragraph is not a multiple of
2 \$50, the adjustment shall be rounded to the next lower multiple of \$50.

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

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

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

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

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

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

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

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

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

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

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

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

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

39 (B) For the spouse of the taxpayer if the spouse is blind as of the close of the tax year and an
40 additional exemption is allowable to the taxpayer for such spouse for federal income tax purposes
41 under section 151(b) of the Internal Revenue Code. For purposes of this subparagraph, if the spouse
42 dies during the tax year, the determination of whether such spouse is blind shall be made imme-
43 diately prior to death.

44 (c) In the case of an individual who is not married and is not a surviving spouse, paragraphs (a)
45 and (b) of this subsection shall be applied by substituting "\$1,200" for "\$1,000."

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

5 (8) In the case of an individual with respect to whom a deduction under section 151 of the
 6 Internal Revenue Code is allowable for federal income tax purposes to another taxpayer for a tax
 7 year beginning in the calendar year in which the individual's tax year begins, the basic standard
 8 deduction (referred to in subsection (1)(c)(B) of this section) applicable to such individual for such
 9 individual's tax year shall equal the lesser of:

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

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

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

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

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

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

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

27 (B) For purposes of subparagraph (A) of this paragraph, the basic 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 and is not a surviving
 30 spouse;

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

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

33 (C)(i) For purposes of subparagraph (A) of this paragraph for tax years beginning on or after
 34 January 1, 2003, the Department of Revenue shall annually recompute the basic standard deduction
 35 for each category of return filer listed under subparagraph (B) of this paragraph. The basic standard
 36 deduction shall be computed by dividing the monthly averaged U.S. City Average Consumer Price
 37 Index for the 12 consecutive months ending August 31 of the prior calendar year by the average
 38 U.S. City Average Consumer Price Index for the second quarter of 2002, then multiplying that quo-
 39 tient by the amount listed under subparagraph (B) of this paragraph for each category of return
 40 filer.

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

43 (iii) As used in this subparagraph, "U.S. City Average Consumer Price Index" means the U.S.
 44 City Average Consumer Price Index for All Urban Consumers (All Items) as published by the Bureau
 45 of Labor Statistics of the United States Department of Labor.

1 (D) For purposes of subparagraph (A) of this paragraph, the additional standard deduction is the
2 sum of each additional amount to which the taxpayer is entitled under subsection (7) of this section.

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

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

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

9 (ii) A nonresident alien individual;

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

12 (iv) An estate or trust;

13 (v) A common trust fund; or

14 (vi) A partnership.

15 (d) For the purposes of paragraph (c)(A) of this subsection, the taxpayer’s itemized deductions
16 are the amount of the taxpayer’s itemized deductions as defined in section 63(d) of the Internal Re-
17 venue Code (reduced, if applicable, as described under section 68 of the Internal Revenue Code)
18 minus[.]

19 [(A)] the deduction for Oregon income tax (reduced, if applicable, by the proportion that the
20 reduction in federal itemized deductions resulting from section 68 of the Internal Revenue Code
21 bears to the amount of federal itemized deductions as defined for purposes of section 68 of the
22 Internal Revenue Code)[; and]

23 [(B) *Any portion of the deduction for mortgage interest paid or accrued on indebtedness with re-*
24 *spect to a qualified residence*].

25 (2)(a) There shall be subtracted from federal taxable income any portion of the distribution of
26 a pension, profit-sharing, stock bonus or other retirement plan, representing that portion of contri-
27 butions which were taxed by the State of Oregon but not taxed by the federal government under
28 laws in effect for tax years beginning prior to January 1, 1969, or for any subsequent year in which
29 the amount that was contributed to the plan under the Internal Revenue Code was greater than the
30 amount allowed under this chapter.

31 (b) Interest or other earnings on any excess contributions of a pension, profit-sharing, stock
32 bonus or other retirement plan not permitted to be deducted under paragraph (a) of this subsection
33 may not be added to federal taxable income in the year earned by the plan and may not be sub-
34 tracted from federal taxable income in the year received by the taxpayer.

35 (3)(a) Except as provided in subsection (4) of this section, there shall be added to federal taxable
36 income the amount of any federal income taxes in excess of the amount provided in paragraphs (b)
37 to (d) of this subsection, accrued by the taxpayer during the tax year as described in ORS 316.685,
38 less the amount of any refund of federal taxes previously accrued for which a tax benefit was re-
39 ceived.

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

41 (A) \$5,500, if the federal adjusted gross income of the taxpayer for the tax year is less than
42 \$125,000, or, if reported on a joint return, less than \$250,000.

43 (B) \$4,400, if the federal adjusted gross income of the taxpayer for the tax year is \$125,000 or
44 more and less than \$130,000, or, if reported on a joint return, \$250,000 or more and less than
45 \$260,000.

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

4 (D) \$2,200, if the federal adjusted gross income of the taxpayer for the tax year is \$135,000 or
5 more and less than \$140,000, or, if reported on a joint return, \$270,000 or more and less than
6 \$280,000.

7 (E) \$1,100, if the federal adjusted gross income of the taxpayer for the tax year is \$140,000 or
8 more and less than \$145,000, or, if reported on a joint return, \$280,000 or more and less than
9 \$290,000.

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

13 (d) In the case of spouses in a marriage filing separate tax returns, the amount added shall be
14 in the amount of any federal income taxes in excess of 50 percent of the amount provided for indi-
15 vidual taxpayers under paragraphs (a) to (c) of this subsection, less the amount of any refund of
16 federal taxes previously accrued for which a tax benefit was received.

17 (e) For purposes of this subsection, the limits applicable to a joint return shall apply to a head
18 of household or a surviving spouse, as defined in section 2(a) and (b) of the Internal Revenue Code.

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

22 (B) The cost-of-living adjustment for a calendar year is the percentage by which the monthly
23 averaged U.S. City Average Consumer Price Index for the 12 consecutive months ending August 31
24 of the prior calendar year exceeds the monthly averaged index for the period beginning September
25 1, 2005, and ending August 31, 2006.

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

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

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

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

37 (b) In the case of spouses in a marriage filing separate tax returns, the amount added under this
38 subsection shall be computed in a manner consistent with the computation of the amount to be
39 added in the case of spouses in a marriage filing separate returns under subsection (3) of this sec-
40 tion. The method of computation shall be determined by the Department of Revenue by rule.

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

43 (6)(a) For tax years beginning on or after January 1, 1981, and prior to January 1, 1983, income
44 or loss taken into account in determining federal taxable income by a shareholder of an S corpo-
45 ration pursuant to sections 1373 to 1375 of the Internal Revenue Code shall be adjusted for purposes

1 of determining Oregon taxable income, to the extent that as income or loss of the S corporation,
2 they were required to be adjusted under the provisions of ORS chapter 317.

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

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

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

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

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

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

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

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

22 (B) For the spouse of the taxpayer if the spouse is blind as of the close of the tax year and an
23 additional exemption is allowable to the taxpayer for such spouse for federal income tax purposes
24 under section 151(b) of the Internal Revenue Code. For purposes of this subparagraph, if the spouse
25 dies during the tax year, the determination of whether such spouse is blind shall be made imme-
26 diately prior to death.

27 (c) In the case of an individual who is not married and is not a surviving spouse, paragraphs (a)
28 and (b) of this subsection shall be applied by substituting "\$1,200" for "\$1,000."

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

33 (8) In the case of an individual with respect to whom a deduction under section 151 of the
34 Internal Revenue Code is allowable for federal income tax purposes to another taxpayer for a tax
35 year beginning in the calendar year in which the individual's tax year begins, the basic standard
36 deduction (referred to in subsection (1)(c)(B) of this section) applicable to such individual for such
37 individual's tax year shall equal the lesser of:

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

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

41 **SECTION 6. (1) Section 2 of this 2017 Act and the amendments to ORS 316.695 by section**
42 **4 of this 2017 Act apply to tax years beginning on or after January 1, 2018, and before Janu-**
43 **ary 1, 2024.**

44 **(2) The amendments to ORS 316.502 by section 3 of this 2017 Act apply to tax years be-**
45 **ginning on or after January 1, 2018.**

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

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

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