

HB 4112 STAFF MEASURE SUMMARY

House Committee On Business and Labor

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Sub-Referral To: Joint Committee On Ways and Means

Meeting Dates: 2/12

WHAT THE MEASURE DOES:

Directs the Public Employees Retirement Board to initiate, resume, or suspend payment of certain increased benefits under PERS on first day of calendar quarter after receiving notice from the member that their benefit payments are or are not subject to Oregon personal income tax. Directs Board to make retroactive payment if person later establishes that benefit payments were subject to Oregon personal income tax. Takes effect on 91st day following adjournment sine die.

ISSUES DISCUSSED:

EFFECT OF AMENDMENT:

No amendment.

BACKGROUND:

Certain Tier One members of the Public Employees Retirement System 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. As a result of legislation passed in 2013 (Senate Bill 822), PERS 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 PERS 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.

House Bill allows the tax remedy payment to be restored at the start of the next calendar quarter instead of the next calendar year following notice from the retiree that their benefit payments are subject to Oregon personal income tax. PERS must also make a retroactive payment if it is determined that the retiree's past benefit payments were subject to Oregon tax.