

A-Engrossed
House Bill 4080

Ordered by the House February 28
Including House Amendments dated February 28

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.

Updates connection date to federal Internal Revenue Code [*and other provisions of federal tax law.*] **for purposes of provisions governing ABLE accounts.**

Requires taxpayer to add back amount of withdrawal attributable to previous subtraction for contribution to savings network account for higher education and amount attributable to previously untaxed earnings and gains, if taxpayer uses withdrawn amount to pay elementary or secondary school expenses.

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

Takes effect on 91st day following adjournment sine die.

A BILL FOR AN ACT

1
2 Relating to connection to federal tax law; creating new provisions; amending ORS 178.375 and
3 316.680; and prescribing an effective date.

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

5 **SECTION 1.** ORS 178.375 is amended to read:

6 178.375. As used in this section and ORS 178.380 and 178.385:

7 (1) "ABLE account" means an account established by an eligible individual, owned by the eli-
8 gible individual and maintained under the qualified ABLE program established by the Oregon 529
9 Savings Board under ORS 178.380.

10 (2) "ABLE Act" means the Stephen Beck, Jr., Achieving a Better Life Experience Act of 2014
11 (Division B of P.L. 113-295).

12 (3) "Designated beneficiary" has the same meaning as contained in section 529A of the Internal
13 Revenue Code.

14 (4) "Eligible individual" has the same meaning as contained in section 529A of the Internal Re-
15 venue Code.

16 (5) "Internal Revenue Code" means the federal Internal Revenue Code as amended and in effect
17 on December 31, [*2015*] **2017**.

18 (6) "Qualified disability expense" has the same meaning as contained in section 529A of the
19 Internal Revenue Code.

20 **SECTION 2.** ORS 316.680 is amended to read:

21 316.680. (1) There shall be subtracted from federal taxable income:

22 (a) The interest or dividends on obligations of the United States and its territories and pos-
23 sessions or of any authority, commission or instrumentality of the United States to the extent
24 includable in gross income for federal income tax purposes but exempt from state income taxes un-
25 der the laws of the United States. However, the amount subtracted under this paragraph shall be

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 reduced by any interest on indebtedness incurred to carry the obligations or securities described in
2 this paragraph, and by any expenses incurred in the production of interest or dividend income de-
3 scribed in this paragraph to the extent that such expenses, including amortizable bond premiums,
4 are deductible in determining federal taxable income.

5 (b) The amount of any federal income taxes accrued by the taxpayer during the taxable year as
6 described in ORS 316.685, less the amount of any refunds of federal taxes previously accrued for
7 which a tax benefit was received.

8 (c) Amounts allowable under sections 2621(a)(2) and 2622(b) of the Internal Revenue Code to the
9 extent that the taxpayer does not elect under section 642(g) of the Internal Revenue Code to reduce
10 federal taxable income by those amounts.

11 (d) Any supplemental payments made to JOBS Plus Program participants under ORS 411.892.

12 (e)(A) Federal pension income that is attributable to federal employment occurring before Oc-
13 tober 1, 1991. Federal pension income that is attributable to federal employment occurring before
14 October 1, 1991, shall be determined by multiplying the total amount of federal pension income for
15 the tax year by the ratio of the number of months of federal creditable service occurring before
16 October 1, 1991, over the total number of months of federal creditable service.

17 (B) The subtraction allowed under this paragraph applies only to federal pension income re-
18 ceived at a time when:

19 (i) Benefit increases provided under chapter 569, Oregon Laws 1995, are in effect; or

20 (ii) Public Employees Retirement System benefits received for service prior to October 1, 1991,
21 are exempt from state income tax.

22 (C) As used in this paragraph:

23 (i) "Federal creditable service" means those periods of time for which a federal employee earned
24 a federal pension.

25 (ii) "Federal pension" means any form of retirement allowance provided by the federal govern-
26 ment, its agencies or its instrumentalities to retirees of the federal government or their benefici-
27 aries.

28 (f) Any amount included in federal taxable income for the tax year that is attributable to the
29 conversion of a regular individual retirement account into a Roth individual retirement account
30 described in section 408A of the Internal Revenue Code, to the extent that:

31 (A) The amount was subject to the income tax of another state or the District of Columbia in
32 a prior tax year; and

33 (B) The taxpayer was a resident of the other state or the District of Columbia for that prior tax
34 year.

35 (g) Any amounts awarded to the taxpayer by the Public Safety Memorial Fund Board under ORS
36 243.954 to 243.974 to the extent that the taxpayer has not taken the amount as a deduction in de-
37 termining the taxpayer's federal taxable income for the tax year.

38 (h) If included in taxable income for federal tax purposes, the amount withdrawn during the tax
39 year in qualified withdrawals from a savings network account for higher education established under
40 ORS 178.300 to 178.355.

41 (i) Any federal deduction that the taxpayer would have been allowed for the production, pro-
42 cessing or sale of marijuana items authorized under ORS 475B.010 to 475B.545 or 475B.785 to
43 475B.949 but for section 280E of the Internal Revenue Code.

44 (j) If included in taxable income for federal tax purposes, any distributions from an ABLE ac-
45 count that do not exceed the qualified disability expenses of the designated beneficiary as provided

1 in ORS 178.375 and 178.380 and rules adopted by the Oregon 529 Savings Board.

2 (2) There shall be added to federal taxable income:

3 (a) Interest or dividends, exempt from federal income tax, on obligations or securities of any
4 foreign state or of a political subdivision or authority of any foreign state. However, the amount
5 added under this paragraph shall be reduced by any interest on indebtedness incurred to carry the
6 obligations or securities described in this paragraph and by any expenses incurred in the production
7 of interest or dividend income described in this paragraph.

8 (b) Interest or dividends on obligations of any authority, commission, instrumentality and terri-
9 torial possession of the United States that by the laws of the United States are exempt from federal
10 income tax but not from state income taxes. However, the amount added under this paragraph shall
11 be reduced by any interest on indebtedness incurred to carry the obligations or securities described
12 in this paragraph and by any expenses incurred in the production of interest or dividend income
13 described in this paragraph.

14 (c) The amount of any federal estate taxes allocable to income in respect of a decedent not
15 taxable by Oregon.

16 (d) The amount of any allowance for depletion in excess of the taxpayer's adjusted basis in the
17 property depleted, deducted on the taxpayer's federal income tax return for the taxable year, pur-
18 suant to sections 613, 613A, 614, 616 and 617 of the Internal Revenue Code.

19 (e) For taxable years beginning on or after January 1, 1985, the dollar amount deducted under
20 section 151 of the Internal Revenue Code for personal exemptions for the taxable year.

21 (f) The amount taken as a deduction on the taxpayer's federal return for unused qualified busi-
22 ness credits under section 196 of the Internal Revenue Code.

23 (g) The amount of any increased benefits paid to a taxpayer under chapter 569, Oregon Laws
24 1995, under the provisions of chapter 796, Oregon Laws 1991, and under section 26, chapter 815,
25 Oregon Laws 1991, that is not includable in the taxpayer's federal taxable income under the Internal
26 Revenue Code.

27 (h) The amount of any long term care insurance premiums paid or incurred by the taxpayer
28 during the tax year if:

29 (A) The amount is taken into account as a deduction on the taxpayer's federal return for the
30 tax year; and

31 (B) The taxpayer claims the credit allowed under ORS 315.610 for the tax year.

32 (i) Any amount taken as a deduction under section 1341 of the Internal Revenue Code in com-
33 puting federal taxable income for the tax year, if the taxpayer has claimed a credit for claim of right
34 income repayment adjustment under ORS 315.068.

35 (j) If the taxpayer makes a nonqualified withdrawal, as defined in ORS 178.300, from a savings
36 network account for higher education established under ORS 178.300 to 178.355, the amount of the
37 withdrawal that is attributable to contributions that were subtracted from federal taxable income
38 under ORS 316.699.

39 **(k) If a taxpayer makes a withdrawal from a savings network account for higher educa-**
40 **tion established under ORS 178.300 to 178.355 to pay expenses in connection with enrollment**
41 **or attendance at an elementary or secondary school, the amount of the withdrawal that is**
42 **attributable to contributions that were subtracted from federal taxable income under ORS**
43 **316.699 and the amount of the withdrawal that is attributable to previously untaxed earnings**
44 **and gains.**

45 [(k)] (L) If the taxpayer makes a distribution from an ABLE account that is not a qualified dis-

1 ability expense of the designated beneficiary as provided in ORS 178.375 and 178.380 and rules
2 adopted by the Oregon 529 Savings Board, the amount of the distribution that is attributable to
3 contributions that were subtracted from federal taxable income under ORS 316.699.

4 (3) Discount and gain or loss on retirement or disposition of obligations described under sub-
5 section (2)(a) of this section issued on or after January 1, 1985, shall be treated for purposes of this
6 chapter in the same manner as under sections 1271 to 1283 and other pertinent sections of the
7 Internal Revenue Code as if the obligations, although issued by a foreign state or a political subdivi-
8 sion of a foreign state, were not tax exempt under the Internal Revenue Code.

9 **SECTION 3. The amendments to ORS 178.375 and 316.680 by sections 1 and 2 of this 2018**
10 **Act apply to tax years beginning on or after January 1, 2018.**

11 **SECTION 4. This 2018 Act takes effect on the 91st day after the date on which the 2018**
12 **regular session of the Seventy-ninth Legislative Assembly adjourns sine die.**

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