

HB 2133 STAFF MEASURE SUMMARY

House Committee On Business and Labor

Action Date: 03/04/19

Action: Do pass and be referred to Revenue by prior reference

Vote: 11-0-0-0

Yeas: 11 - Barker, Barreto, Boles, Bonham, Boshart Davis, Bynum, Clem, Doherty, Evans, Fahey, Holvey

Fiscal: Fiscal impact issued

Revenue: Revenue impact issued

Prepared By: Jan Nordlund, LPRO Analyst

Meeting Dates: 2/18, 3/4

WHAT THE MEASURE DOES:

Extends the sunset for tax credit for pension income from January 1, 2020 to January 1, 2026.

ISSUES DISCUSSED:

- History of taxation on federal and state pension income
- Purpose and use of tax credit

EFFECT OF AMENDMENT:

No amendment.

BACKGROUND:

In 1991, the Legislative Assembly created a tax credit for pension income. Though the intent is not stated in statute, it is presumed to provide tax relief to retired low-income taxpayers. The credit is nine percent of net pension income for taxpayers age 62 or older. Net pension income is defined as all retirement income except for Social Security income and federal pension income not taxed by Oregon. The new pension income qualifying for the credit is limited to \$7,500 for individual filers and \$15,000 for joint filers. To take the credit, household income, excluding Social Security income, must be less than \$22,500 (\$45,000 for joint filers). Social Security income must be less than \$7,500 (\$15,000 for joint filers). Because of the limitations, the maximum tax credit is \$675 (\$1,350 for joint filers).

Use of this tax credit has fallen significantly since it was first established; about 53,000 filers took the credit in 1991 compared to about 5,300 in 2016. The size of the average credit also fell from about \$300 in 1991 to \$130 in 2016. The household income and Social Security limits have not been changed since the tax credit was created in 1991. Use of the credit dropped off when federal pension income became exempt from taxation in 1998; the increase in Social Security benefits, which are not taxed by Oregon, has also resulted in lower use of the tax credit.

House Bill 2133 extends the sunset on the pension income tax credit to January 1, 2026. Without the extension, the tax credit sunsets January 1, 2020.