

Senate Bill 212

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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**.

Increases percentage of federal earned income credit allowable as credit against Oregon personal income tax. Increases amount of standard deduction.

First applies to tax years beginning on or after January 1, 2020.

Extends sunset for earned income tax credit.

Takes effect on 91st day following adjournment sine die.

A BILL FOR AN ACT

1
2 Relating to taxation; creating new provisions; amending ORS 315.266 and 316.695 and section 6,
3 chapter 880, Oregon Laws 2007; and prescribing an effective date.

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

5 **SECTION 1.** ORS 315.266 is amended to read:

6 315.266. (1)[(a)] In addition to any other credit available for purposes of ORS chapter 316, an
7 eligible resident individual shall be allowed a credit against the tax otherwise due under ORS
8 chapter 316 for the tax year in an amount equal to [*eight*] **15** percent of the earned income credit
9 allowable to the individual for the same tax year under section 32 of the Internal Revenue Code.

10 [*(b) Notwithstanding paragraph (a) of this subsection, for a taxpayer with a dependent under the*
11 *age of three at the close of the tax year, the credit allowed under this section shall be in an amount*
12 *equal to 11 percent of the earned income credit allowable to the individual for the same tax year under*
13 *section 32 of the Internal Revenue Code.*]

14 (2) An eligible nonresident individual shall be allowed the credit computed in the same manner
15 and subject to the same limitations as the credit allowed a resident by subsection (1) of this section.
16 However, the credit shall be prorated using the proportion provided in ORS 316.117.

17 (3) If a change in the taxable year of a taxpayer occurs as described in ORS 314.085, or if the
18 Department of Revenue terminates the taxpayer's taxable year under ORS 314.440, the credit al-
19 lowed by this section shall be prorated or computed in a manner consistent with ORS 314.085.

20 (4) If a change in the status of a taxpayer from resident to nonresident or from nonresident to
21 resident occurs, the credit allowed by this section shall be determined in a manner consistent with
22 ORS 316.117.

23 (5) If the amount allowable as a credit under this section, when added to the sum of the amounts
24 allowable as payment of tax under ORS 316.187 or 316.583, other tax prepayment amounts and other
25 refundable credit amounts, exceeds the taxes imposed by ORS chapters 314 and 316 for the tax year
26 after application of any nonrefundable credits allowable for purposes of ORS chapter 316 for the tax
27 year, the amount of the excess shall be refunded to the taxpayer as provided in ORS 316.502.

28 (6) The Department of Revenue may adopt rules for purposes of this section, including but not

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 limited to rules relating to proof of eligibility and the furnishing of information regarding the federal
2 earned income credit claimed by the taxpayer for the tax year.

3 (7) Refunds attributable to the earned income credit allowed under this section do not bear in-
4 terest.

5 **SECTION 2.** ORS 316.695 is amended to read:

6 316.695. (1) In addition to the modifications to federal taxable income contained in this chapter,
7 there shall be added to or subtracted from federal taxable income:

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

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

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

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

20 (i) [~~\$3,280~~] **\$6,560**, in the case of joint return filers or a surviving spouse;

21 (ii) [~~\$1,640~~] **\$3,280**, in the case of an individual who is not a married individual and is not a
22 surviving spouse;

23 (iii) [~~\$1,640~~] **\$3,280**, in the case of a married individual who files a separate return; or

24 (iv) [~~\$2,640~~] **\$5,280**, in the case of a head of household.

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

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

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

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

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

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

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

1 (ii) A nonresident alien individual;

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

4 (iv) An estate or trust;

5 (v) A common trust fund; or

6 (vi) A partnership.

7 (d) For the purposes of paragraph (c)(A) of this subsection, the taxpayer's itemized deductions
8 are the amount of the taxpayer's itemized deductions as defined in section 63(d) of the Internal Re-
9 venue Code (reduced, if applicable, as described under section 68 of the Internal Revenue Code)
10 minus the deduction for Oregon income tax (reduced, if applicable, by the proportion that the re-
11 duction in federal itemized deductions resulting from section 68 of the Internal Revenue Code bears
12 to the amount of federal itemized deductions as defined for purposes of section 68 of the Internal
13 Revenue Code).

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

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

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

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

30 (A) \$5,500, if the federal adjusted gross income of the taxpayer for the tax year is less than
31 \$125,000, or, if reported on a joint return, less than \$250,000.

32 (B) \$4,400, if the federal adjusted gross income of the taxpayer for the tax year is \$125,000 or
33 more and less than \$130,000, or, if reported on a joint return, \$250,000 or more and less than
34 \$260,000.

35 (C) \$3,300, if the federal adjusted gross income of the taxpayer for the tax year is \$130,000 or
36 more and less than \$135,000, or, if reported on a joint return, \$260,000 or more and less than
37 \$270,000.

38 (D) \$2,200, if the federal adjusted gross income of the taxpayer for the tax year is \$135,000 or
39 more and less than \$140,000, or, if reported on a joint return, \$270,000 or more and less than
40 \$280,000.

41 (E) \$1,100, if the federal adjusted gross income of the taxpayer for the tax year is \$140,000 or
42 more and less than \$145,000, or, if reported on a joint return, \$280,000 or more and less than
43 \$290,000.

44 (c) If the federal adjusted gross income of the taxpayer is \$145,000 or more for the tax year, or,
45 if reported on a joint return, \$290,000 or more, the limit is zero and the taxpayer is not allowed a

1 subtraction for federal income taxes under ORS 316.680 (1) for the tax year.

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

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

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

11 (B) The cost-of-living adjustment for a calendar year is the percentage by which the monthly
12 averaged U.S. City Average Consumer Price Index for the 12 consecutive months ending August 31
13 of the prior calendar year exceeds the monthly averaged index for the period beginning September
14 1, 2005, and ending August 31, 2006.

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

18 (D) If any adjustment determined under subparagraph (B) of this paragraph is not a multiple of
19 \$50, the adjustment shall be rounded to the next lower multiple of \$50.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

30 **SECTION 3.** Section 6, chapter 880, Oregon Laws 2007, as amended by section 1, chapter 750,
31 Oregon Laws 2013, is amended to read:

32 **Sec. 6.** ORS 315.266 applies to tax years beginning before January 1, [2020] 2026.

33 **SECTION 4. (1) The amendments to ORS 315.266 by section 1 of this 2019 Act apply to tax**
34 **years beginning on or after January 1, 2020, and before January 1, 2026.**

35 **(2) The amendments to ORS 316.695 by section 2 of this 2019 Act apply to tax years be-**
36 **ginning on or after January 1, 2020.**

37 **SECTION 5. This 2019 Act takes effect on the 91st day after the date on which the 2019**
38 **regular session of the Eightieth Legislative Assembly adjourns sine die.**