

HB 2433 -2 STAFF MEASURE SUMMARY

House Committee On Revenue

Prepared By: Chris Allanach, Legislative Revenue Officer

Meeting Dates: 3/29

WHAT THE MEASURE DOES:

Requires the Legislative Revenue Officer to study state and local tax systems and report findings to interim Revenue Committee by September 15, 2022. Takes effect on 91st day following adjournment sine die.

ISSUES DISCUSSED:

EFFECT OF AMENDMENT:

-2 Replaces the bill. Creates a subtraction for the amount of federal stimulus payments received by Oregon taxpayers during tax years 2020 and 2021. The subtraction would be reduced if the sum of the stimulus payments and subtraction used exceeds the maximum federal tax subtraction.

BACKGROUND:

In three separate pieces of federal legislation enacted over the past twelve months, Congress has issued three sets of economic stimulus payments to taxpayers. The first payments were made during the Spring of 2020, the second payments were issued at the end of 2020, and the third payments are being made this month. All of these payments are actually advanced payments of federal income tax credits. The first two payments are federal credits that reduced 2020 federal income tax liability. The third set of payments reduce 2021 federal income tax liability.

Oregon personal income tax filers are allowed to subtract (or deduct) from their taxable income, their amount of federal income tax liability after credits. This subtraction is limited to no more than \$6,950 for tax year 2020; married-filing-separately taxpayers are limited to \$3,475. The cap is indexed to inflation and means tested. The maximum subtraction for single and married-filing-separately tax filers is phased-out between \$125,000 and \$145,000 of Adjusted Gross Income (AGI); for joint, head-of-household, and qualified widow(er) filers the maximum subtraction is phased-out between \$250,000 and \$290,000 of AGI. Because the subtraction is based on the amount of federal income tax liability after credits, any reduction in that federal liability reduces the Oregon subtraction.