

## **SB 842 STAFF MEASURE SUMMARY**

### **Senate Committee On Finance and Revenue**

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**Prepared By:** Kyle Easton, Economist

**Meeting Dates:** 4/5

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#### **WHAT THE MEASURE DOES:**

Creates personal income tax subtraction for the amount of federal recovery rebate payment or credit received by an Oregon taxpayer, applicable to tax years 2020 and 2021. To receive subtraction, requires taxpayer to have had federal taxes accrued for the respective tax year. Reduces amount of subtraction by amount by which the sum of the recovery rebate and Oregon federal tax subtraction exceeds the taxpayer's maximum federal tax subtraction allowed by Oregon. For taxpayers filing original return on or before April 15, 2021, requires Department of Revenue to make refund owed to taxpayer resulting from new subtraction, no later than November 1, 2021 or 30 days after effective date of measure. Takes effect on the 91st day following adjournment sine die.

#### **ISSUES DISCUSSED:**

#### **EFFECT OF AMENDMENT:**

No amendment.

#### **BACKGROUND:**

In three separate pieces of federal legislation enacted over the past twelve months, Congress issued three sets of recovery rebate payments to taxpayers. The first payment was made during the Spring of 2020, the second payment was issued at the end of 2020, and the third payment was made beginning in March of 2021. All of these payments are advanced payments of refundable federal income tax credits. The first two payments are federal credits that reduced 2020 federal income tax liability. The third payment reduces 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 most 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 most credits, a reduction in federal tax liability may reduce the taxpayer's Oregon federal tax subtraction.