House Bill 3411

Sponsored by Representatives RESCHKE, SMITH DB, MORGAN, DRAZAN; Representatives BONHAM, BOSHART DAVIS, BRESEE-IVERSON, CATE, MOORE-GREEN, OWENS, WRIGHT, ZIKA

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.

Creates refundable income tax credit to adjust for effect on federal income subtraction of recovery rebates allowed to personal income taxpayers. Provides for credit to be claimed on personal income tax return for 2021 tax year. Applies to tax years beginning on or after January 1, 2020, and before January 1, 2021.

Provides that federal tax subtraction is to be calculated without taking into account recovery rebates allowed to personal income taxpayers. Applies to tax years beginning on or after January 1, 2021, and before January 1, 2022.

Takes effect on 91st day following adjournment sine die.

A BILL FOR AN ACT

Relating to recovery rebates; creating new provisions; amending ORS 316.502 and 316.685; and prescribing an effective date.

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

SECTION 1. Section 2 of this 2021 Act is added to and made a part of ORS chapter 315.

SECTION 2. (1) A credit against taxes that are otherwise due under ORS chapter 316 is allowed to a taxpayer that receives a payment or credit under sections 6428 and 6428A of the Internal Revenue Code.

(2) The credit shall be computed by multiplying 8.75 percent by a positive amount equal to the difference, if any, between:

(a) The subtraction that the taxpayer would have received under ORS 316.680 and 316.685 for federal taxes accrued, absent the operation of any credit received by the taxpayer under sections 6428 and 6428A of the Internal Revenue Code; and

(b) The subtraction that the taxpayer was actually allowed under ORS 316.680 and 316.685 for federal taxes accrued.

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

SECTION 2a. The Department of Revenue shall by rule establish procedures for administering the credit allowed under section 2 of this 2021 Act and shall provide a means by which a taxpayer may claim the credit on the personal income tax return filed for the 2021 tax year.

SECTION 3. Section 2 of this 2021 Act applies to tax years beginning on or after January 1, 2020, and before January 1, 2021.
SECTION 4. ORS 316.685 is amended to read:

316.685. (1)(a) The federal income tax deduction provided by ORS 316.680 shall be as reported on the taxpayer’s original return and shall be computed on the accrual method of accounting. Any adjustments to the federal income tax deduction now or hereafter required by Oregon law, including but not limited to the elimination of the self-employment tax, also shall be computed and eliminated according to the accrual method of accounting.

(b) For purposes of calculating the amount of the deduction for federal income taxes provided under ORS 316.680, the taxpayer [shall] may not take into account any amount of the earned income credit provided under section 32 of the Internal Revenue Code or of the recovery rebate credit provided under section 6428B of the Internal Revenue Code that reduced the amount of the taxpayer’s federal income tax liability for the tax year.

(2) If refunds or additional assessments result from an adjustment whether initiated by the federal or state government or the taxpayer after the filing of the original return by the taxpayer, any additional federal taxes shall be deductible by the Oregon taxpayer under this section in the year in which the adjustment is finally determined or paid whichever is later. In the case of a refund the tax reduction shall be added to the taxpayer’s income in the year in which the refund is received.

(3) For purposes of this chapter, federal income tax does not include the following:

(a) Taxes, contributions or other payments paid by employees in pursuance of federal laws relating to Social Security, railroad retirement, unemployment compensation or old age benefits.

(b) Taxes paid pursuant to the Self-Employment Contribution Act, subtitle A, chapter 2, Internal Revenue Code.

SECTION 5. The amendments to ORS 316.685 by section 4 of this 2021 Act apply to tax years beginning on or after January 1, 2021, and before January 1, 2022.

SECTION 6. ORS 316.502 is amended to read:

316.502. (1) The net revenue from the tax imposed by this chapter, after deducting refunds and amounts described in ORS 285B.630 and 285C.635, shall be paid over to the State Treasurer and held in the General Fund as miscellaneous receipts available generally to meet any expense or obligation of the State of Oregon lawfully incurred.

(2) A working balance of unreceipted revenue from the tax imposed by this chapter may be retained for the payment of refunds, but such working balance shall not at the close of any fiscal year exceed the sum of $1 million.

(3) Moneys are continuously appropriated to the Department of Revenue to make:

(a) The refunds authorized under subsection (2) of this section; and

(b) The refund payments in excess of tax liability authorized under ORS 315.174, 315.262, 315.264 and 315.266 and section 17, chapter 906, Oregon Laws 2007, and section 2 of this 2021 Act.

SECTION 7. This 2021 Act takes effect on the 91st day after the date on which the 2021 regular session of the Eighty-first Legislative Assembly adjourns sine die.