

SB 515 STAFF MEASURE SUMMARY

Senate Committee On Finance and Revenue

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Meeting Dates: 2/1, 3/22

WHAT THE MEASURE DOES:

Exempts from Oregon personal income tax, retirement pay or pension income received as a result of service in the Armed Forces for the United States. Defines terms. Applies to tax years 2024 through 2029.

ISSUES DISCUSSED:

- Other states income tax treatment of military pension income
- Provisions contained in measure
- Contrasting military pension income with household expenses for those receiving such pension income.

EFFECT OF AMENDMENT:

No amendment.

BACKGROUND:

Measure defines "Armed Forces of the United States" to include the regular and reserve components of the Army, Navy, Air Force, Marine Corps and Coast Guard of the United States and the National Guard.

Retirement benefits in the form of pension or annuity payments from an employer are generally subject to income taxation unless the payment is a qualified tax exempt distribution. If an individual did not contribute after-tax income amounts or the employer did not withhold after-tax contributions from the individual's salary, then the retirement income is generally taxable. Military retirement pay that is based on age or length of service is taxable and is required to be reported as pension income on a personal income tax return. By contrast, all benefits administered by the Department of Veterans Affairs are exempt from taxation including pension and disability compensation. Additionally, pension income attributable to federal employment prior to October 1, 1991, is exempt from the Oregon personal income tax.