

## Tax exemption for Oregon National Guard members

---

### Background

Most military members domiciled in Oregon are taxed on income from all sources, both inside and outside of Oregon. Members may qualify for an Oregon personal income tax subtraction against military pay included in their federal taxable income. The subtraction may be claimed for pay earned while:

- Stationed outside of Oregon;
- Assigned away from home 21 days or longer as a National Guard member or reservist; or
- Other military pay after taking the above subtractions, up to \$6,000.

House Bill 2305 exempts from Oregon income tax military pay received by Oregon National Guard members while in active service of the state or on state active duty. Members would not be limited to the 21 days away from home or the \$6,000 subtraction referenced above.

This exemption applies to tax years beginning on or after January 1, 2021.

Senate Bill 181 includes the same military exemption language for Oregon National Guard members, but the exemption applies to tax years beginning on or after January 1, 2020.

### Administration

The department currently administers a military pay tax subtraction. To claim the subtraction, military members report the amount exempt from tax on their personal income tax return.

If HB 2305 were to become law, Oregon National Guard members qualified to exempt all military pay will continue to report exempt income using the same subtraction code on their tax returns.

For awareness, due to the retroactive nature of this bill, the three-year statute of limitation on refunds would require that most 2021 returns filed timely (in 2022) would need to be amended by the taxpayers by April 18, 2025.

### Agency Contact

Marjorie Taylor, Legislative Director, [marjorie.taylor@dor.oregon.gov](mailto:marjorie.taylor@dor.oregon.gov), phone: (503) 476-7644

Ben Gille, Personal Tax and Compliance – Policy and System Section Manager,  
[benjamin.p-jr.gille@dor.oregon.gov](mailto:benjamin.p-jr.gille@dor.oregon.gov), phone: (503) 899-0934