

# House Bill 3202

Sponsored by Representative NELSON; Representatives BERGER, BRUUN, FLORES, Senator FERRIOLI (at the request of Oregon War Veterans Association)

## 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**.

Increases exemption from taxable income allowed for compensation earned by members of Oregon National Guard.

Exempts from taxable income compensation earned by employees of Oregon Military Department for duties performed at Oregon Youth Challenge Program. Limits amount of exemption.

Applies to tax years beginning on or after January 1, 2008.

## A BILL FOR AN ACT

1  
2 Relating to modifications of federal taxable income; creating new provisions; and amending ORS  
3 316.680.

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

5 **SECTION 1.** ORS 316.680 is amended to read:

6 316.680. (1) There shall be subtracted from federal taxable income:

7 (a) The interest or dividends on obligations of the United States and its territories and pos-  
8 sessions or of any authority, commission or instrumentality of the United States to the extent  
9 includable in gross income for federal income tax purposes but exempt from state income taxes un-  
10 der the laws of the United States. However, the amount subtracted under this paragraph shall be  
11 reduced by any interest on indebtedness incurred to carry the obligations or securities described in  
12 this paragraph, and by any expenses incurred in the production of interest or dividend income de-  
13 scribed in this paragraph to the extent that such expenses, including amortizable bond premiums,  
14 are deductible in determining federal taxable income.

15 (b) The amount of any federal income taxes accrued by the taxpayer during the taxable year as  
16 described in ORS 316.685, less the amount of any refunds of federal taxes previously accrued for  
17 which a tax benefit was received.

18 (c)(A) If the taxpayer does not qualify for the subtraction under subparagraph (B) **or** (C) of this  
19 paragraph, compensation (other than pension or retirement pay) received for active service per-  
20 formed by a member of the Armed Forces of the United States in an amount not to exceed \$3,000  
21 per annum.

22 **(B) If the taxpayer does not qualify for the subtraction under subparagraph (C) of this**  
23 **paragraph, compensation (other than pension or retirement pay) received for active service**  
24 **performed by a member of the Oregon National Guard in an amount not to exceed \$6,000 per**  
25 **annum.**

26 *[(B)]* (C) For the tax year of initial draft or enlistment into the Armed Forces of the United  
27 States or for the tax year of discharge from or termination of full-time active duty for the Armed  
28 Forces of the United States, compensation (other than pension or retirement pay or pay for service  
29 when on military reserve duty) paid by the Armed Forces of the United States for services per-

**NOTE:** Matter in **boldfaced** type in an amended section is new; matter *[italic and bracketed]* is existing law to be omitted. New sections are in **boldfaced** type.

1 formed outside this state, if the taxpayer is on active duty as a full-time officer, enlistee or draftee,  
 2 with the Armed Forces of the United States.

3 (d) Amounts allowable under sections 2621(a)(2) and 2622(b) of the Internal Revenue Code to the  
 4 extent that the taxpayer does not elect under section 642(g) of the Internal Revenue Code to reduce  
 5 federal taxable income by those amounts.

6 (e) Any supplemental payments made to JOBS Plus Program participants under ORS 411.892.

7 (f)(A) Federal pension income that is attributable to federal employment occurring before Octo-  
 8 ber 1, 1991. Federal pension income that is attributable to federal employment occurring before  
 9 October 1, 1991, shall be determined by multiplying the total amount of federal pension income for  
 10 the tax year by the ratio of the number of months of federal creditable service occurring before  
 11 October 1, 1991, over the total number of months of federal creditable service.

12 (B) The subtraction allowed under this paragraph applies only to federal pension income re-  
 13 ceived at a time when:

14 (i) Benefit increases provided under chapter 569, Oregon Laws 1995, are in effect; or

15 (ii) Public Employees Retirement System benefits received for service prior to October 1, 1991,  
 16 are exempt from state income tax.

17 (C) As used in this paragraph:

18 (i) "Federal creditable service" means those periods of time for which a federal employee earned  
 19 a federal pension.

20 (ii) "Federal pension" means any form of retirement allowance provided by the federal govern-  
 21 ment, its agencies or its instrumentalities to retirees of the federal government or their benefi-  
 22 ciaries.

23 (g) Any amount included in federal taxable income for the tax year that is attributable to the  
 24 conversion of a regular individual retirement account into a Roth individual retirement account  
 25 described in section 408A of the Internal Revenue Code, to the extent that:

26 (A) The amount was subject to the income tax of another state or the District of Columbia in  
 27 a prior tax year; and

28 (B) The taxpayer was a resident of the other state or the District of Columbia for that prior tax  
 29 year.

30 (h) Any amounts awarded to the taxpayer by the Public Safety Memorial Fund Board under ORS  
 31 243.954 to 243.974 to the extent that the taxpayer has not taken the amount as a deduction in de-  
 32 termining the taxpayer's federal taxable income for the tax year.

33 (i) If included in taxable income for federal tax purposes, the amount withdrawn during the tax  
 34 year in qualified withdrawals from a college savings network account established under ORS 348.841  
 35 to 348.873.

36 **(j) Any amounts included in the federal taxable income that are attributable to income**  
 37 **earned by an employee of the Oregon Military Department for performing duties for the**  
 38 **Oregon Youth Challenge Program in an amount not to exceed \$6,000 per annum.**

39 (2) There shall be added to federal taxable income:

40 (a) Interest or dividends, exempt from federal income tax, on obligations or securities of any  
 41 foreign state or of a political subdivision or authority of any foreign state. However, the amount  
 42 added under this paragraph shall be reduced by any interest on indebtedness incurred to carry the  
 43 obligations or securities described in this paragraph and by any expenses incurred in the production  
 44 of interest or dividend income described in this paragraph.

45 (b) Interest or dividends on obligations of any authority, commission, instrumentality and terri-

1 torial possession of the United States that by the laws of the United States are exempt from federal  
 2 income tax but not from state income taxes. However, the amount added under this paragraph shall  
 3 be reduced by any interest on indebtedness incurred to carry the obligations or securities described  
 4 in this paragraph and by any expenses incurred in the production of interest or dividend income  
 5 described in this paragraph.

6 (c) The amount of any federal estate taxes allocable to income in respect of a decedent not  
 7 taxable by Oregon.

8 (d) The amount of any allowance for depletion in excess of the taxpayer's adjusted basis in the  
 9 property depleted, deducted on the taxpayer's federal income tax return for the taxable year, pur-  
 10 suant to sections 613, 613A, 614, 616 and 617 of the Internal Revenue Code.

11 (e) For taxable years beginning on or after January 1, 1985, the dollar amount deducted under  
 12 section 151 of the Internal Revenue Code for personal exemptions for the taxable year.

13 (f) The amount taken as a deduction on the taxpayer's federal return for unused qualified busi-  
 14 ness credits under section 196 of the Internal Revenue Code.

15 (g) The amount of any increased benefits paid to a taxpayer under chapter 569, Oregon Laws  
 16 1995, under the provisions of chapter 796, Oregon Laws 1991, and under section 26, chapter 815,  
 17 Oregon Laws 1991, that is not includable in the taxpayer's federal taxable income under the Internal  
 18 Revenue Code.

19 (h) The amount of any long term care insurance premiums paid or incurred by the taxpayer  
 20 during the tax year if:

21 (A) The amount is taken into account as a deduction on the taxpayer's federal return for the  
 22 tax year; and

23 (B) The taxpayer claims the credit allowed under ORS 315.610 for the tax year.

24 (i) Any amount taken as a deduction under section 1341 of the Internal Revenue Code in com-  
 25 puting federal taxable income for the tax year, if the taxpayer has claimed a credit for claim of right  
 26 income repayment adjustment under ORS 315.068.

27 (j) If the taxpayer makes a nonqualified withdrawal, as defined in ORS 348.841, from a college  
 28 savings network account established under ORS 348.841 to 348.873, the amount of the withdrawal  
 29 that is attributable to contributions that were subtracted from federal taxable income under ORS  
 30 316.699.

31 (3) Discount and gain or loss on retirement or disposition of obligations described under sub-  
 32 section (2)(a) of this section issued on or after January 1, 1985, shall be treated for purposes of this  
 33 chapter in the same manner as under sections 1271 to 1283 and other pertinent sections of the  
 34 Internal Revenue Code as if the obligations, although issued by a foreign state or a political subdivi-  
 35 sion of a foreign state, were not tax exempt under the Internal Revenue Code.

36 **SECTION 2. The amendments to ORS 316.680 by section 1 of this 2007 Act apply to tax**  
 37 **years beginning on or after January 1, 2008.**