

DRAFT

SUMMARY

Reduces rate of corporate tax imposed on benefit companies. Reduces rate of personal income tax on capital gains attributable to benefit companies.

Applies to tax years beginning on or after January 1, 2015.

Takes effect on 91st day following adjournment sine die.

A BILL FOR AN ACT

Relating to tax implications for benefit companies; creating new provisions; amending ORS 316.037, 316.122 and 317.061; and prescribing an effective date.

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

SECTION 1. ORS 316.037 is amended to read:

316.037. (1)(a) A tax is imposed for each taxable year on the entire taxable income of every resident of this state. The amount of the tax shall be determined in accordance with the following table:

If taxable income is:	The tax is:
Not over \$2,000	5% of taxable income
Over \$2,000 but not over \$5,000	\$100 plus 7% of the excess

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.

over \$2,000

Over \$5,000 but not

over \$125,000 \$310 plus 9%

of the excess

over \$5,000

Over \$125,000 \$11,110 plus 9.9%

of the excess

over \$125,000

(b) For tax years beginning in each calendar year, the Department of Revenue shall adopt a table that shall apply in lieu of the table contained in paragraph (a) of this subsection, as follows:

(A) Except as provided in subparagraph (D) of this paragraph, the minimum and maximum dollar amounts for each bracket for which a tax is imposed shall be increased by the cost-of-living adjustment for the calendar year.

(B) The rate applicable to any rate bracket as adjusted under subparagraph (A) of this paragraph shall not be changed.

(C) The amounts setting forth the tax, to the extent necessary to reflect the adjustments in the rate brackets, shall be adjusted.

(D) The rate brackets applicable to taxable income in excess of \$125,000 may not be adjusted.

(c) For purposes of paragraph (b) of this subsection, the cost-of-living adjustment for any calendar year is the percentage (if any) by which the monthly averaged U.S. City Average Consumer Price Index for the 12 consecutive months ending August 31 of the prior calendar year exceeds the monthly averaged index for the second quarter of the calendar year 1992.

(d) As used in this subsection, "U.S. City Average Consumer Price Index" means the U.S. City Average Consumer Price Index for All Urban

Consumers (All Items) as published by the Bureau of Labor Statistics of the United States Department of Labor.

(e) If any increase determined under paragraph (b) of this subsection is not a multiple of \$50, the increase shall be rounded to the next lower multiple of \$50.

(2) Notwithstanding subsection (1) of this section, any gain attributable to a benefit company incorporated or converted under ORS 60.750 to 60.770 that is treated as net capital gain for federal tax purposes and that is included in taxable income in this state shall be taxed at the lower of:

(a) Eight percent; or

(b) The marginal rate otherwise applicable under this section.

[(2)] **(3)** A tax is imposed for each taxable year upon the entire taxable income of every part-year resident of this state. The amount of the tax shall be computed under [subsection (1)] **subsections (1) and (2)** of this section as if the part-year resident were a full-year resident and shall be multiplied by the ratio provided under ORS 316.117 to determine the tax on income derived from sources within this state.

[(3)] **(4)** A tax is imposed for each taxable year on the taxable income of every full-year nonresident that is derived from sources within this state. The amount of the tax shall be determined in accordance with [the table set forth in subsection (1)] **subsections (1) and (2)** of this section.

SECTION 2. ORS 316.122 is amended to read:

316.122. (1) If the federal taxable income of husband and wife (one being a part-year resident and the other a nonresident) is determined on a joint federal return, their taxable income in this state shall be separately determined, unless they elect to file a joint return, in which case their tax on their joint income shall be determined in this state pursuant to ORS 316.037 [(3)] **(4)**.

(2) If the federal taxable income of husband and wife (one being a full-year resident and the other a part-year resident) is determined on a joint

1 federal return, their taxable income in this state shall be separately deter-
2 mined, unless they elect to file a joint return, in which case their tax on
3 their joint income shall be determined in this state pursuant to ORS 316.037
4 [(2)] (3).

5 (3) If the federal taxable income of husband and wife (one being a full-
6 year resident and the other a nonresident) is determined on a joint federal
7 return, their taxable income in the state shall be separately determined, un-
8 less they elect to file a joint return, in which case their tax on their joint
9 income shall be determined in this state pursuant to ORS 316.037 [(3)] (4).

10 (4) For purposes of computing the tax of a husband and wife under this
11 section, if one of the spouses is a full-year resident individual, then as used
12 in ORS 316.037 [(2) or] (3) **or** (4), that spouse's taxable income derived from
13 Oregon sources is that spouse's entire federal taxable income, defined in the
14 laws of the United States, with the modifications, additions and subtractions
15 provided in this chapter and other laws of this state applicable to personal
16 income taxation.

17 (5) The provisions of ORS 316.367 with respect to joint returns apply if
18 both husband and wife are part-year residents or full-year nonresidents.

19 **SECTION 3.** ORS 317.061 is amended to read:

20 317.061. (1) The rate of the tax imposed by and computed under this
21 chapter is:

22 [(1)] (a) Six and six-tenths percent of the first \$1 million of taxable in-
23 come, or fraction thereof; and

24 [(2)] (b) Seven and six-tenths percent of any amount of taxable income in
25 excess of \$1 million.

26 (2) **Notwithstanding subsection (1) of this section, for a taxpayer**
27 **that is a benefit company incorporated or converted under ORS 60.750**
28 **to 60.770, the rate of the tax imposed by and computed under this**
29 **chapter is:**

30 (a) **Five and six-tenths percent of the first \$1 million of taxable in-**
31 **come, or fraction thereof; and**

3 **SECTION 4. The amendments to ORS 316.037, 316.122 and 317.061 by**
4 **sections 1 to 3 of this 2015 Act apply to tax years beginning on or after**
5 **January 1, 2015.**

6 **SECTION 5. This 2015 Act takes effect on the 91st day after the date**
7 **on which the 2015 regular session of the Seventy-eighth Legislative**
8 **Assembly adjourns sine die.**

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