



Support HB 2867

THE ISSUE

Dedicated Tier 1 public employees who have retired, receive PERS benefits, and remain residents of Oregon are given a “tax remedy payment” to cover the cost of state taxes imposed on benefit payments.

The “tax remedy payment” is the result of an Oregon Supreme Court decision.

Until 1991, PERS benefit payments were exempt from state income taxes, while federal retirement benefits were partially exempt. A 1989 United States Supreme Court ruling directed that states must tax federal and state retirement benefits in the same manner. In 1991, the Oregon legislature passed a law to subject PERS benefits to state income tax.

Imposing that tax on PERS benefits was challenged to the Oregon Supreme Court, which held that the legislature’s imposition violated the benefit contract for PERS members.

The “tax remedy payment” was then established in both the 1991 and 1995 legislatures to satisfy the various court rulings. Only Tier 1 retirees are eligible for this payment.

The PERS agency uses the Department of Revenue and a retiree’s self-certification each year to determine if a retiree is eligible for the “tax remedy payment” for the following calendar year. Some eligible retirees who do not need to file taxes, but need to self-certify, miss these notices in the mail, usually when a change in residence occurs. If the self-certification is filed late, retirees will miss the reinstatement of the tax remedy for an entire year.

THE SOLUTION

HB 2867 initiates a small fix in statute to allow tax remedy payments to be reinstated by the next quarter following self-certification of eligibility. This assists our retired public servants who are often on a fixed income, to receive the benefits they are entitled to under law. For example, if a PERS retiree files a residency certification in February after the end of year deadline because of something beyond their control, the retiree would be eligible for the tax remedy payment as soon as April, instead of having to wait until the next calendar year.

HB 2867 is a small fix, but keeps our commitment to PERS retirees who have served in the public sector honorably.

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