

Senate Bill 540 – Exempts retirement compensation for military taxpayers

Senate Bill 540 proposes to allow a state subtraction to taxable retirement compensation on a personal income tax return beginning with tax year 2023 to be filed in 2024. The subtraction would be allowed for a taxpayer 62 years of age or younger, and whose federal taxable income includes retirement compensation for service in the Armed Forces of the United States. The subtraction amount is up to:

- \$17,500 in retirement compensation received for their service in the Armed Forces, **and**
- \$17,500 in retirement compensation from other sources.

Suggested Amendments to SB 540

Age limit

- In Section 2(2), allow the age limit to be determined by the close of the taxable year.

This bill allows a taxpayer 62 years of age or younger to claim the subtraction and it determines a taxpayer's age on or before April 15 of the calendar year when the tax return is filed. Oregon currently has other credits and deductions that are determined by the age of the taxpayer at the close of the tax year. Amending this language to match other language currently used will provide clarity for taxpayers claiming these benefits.

Rulemaking authority

- In Section 2, authorize rulemaking authority to the Department of Revenue.

The department may receive various sources of retirement compensation on each return. Rulemaking will authorize the department to better verify reported retirement compensation and provide clear instructions for taxpayers claiming this subtraction.

Agency Contact

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

Megan Denison, Personal Tax and Compliance Division Administrator,
megan.c.denison@dor.oregon.gov, phone: (503) 856-2721