

**SB 1549 -1 STAFF MEASURE SUMMARY**

**Senate Committee On Finance and Revenue**

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**Prepared By:** Kyle Easton, Senior Economist

**Meeting Dates:** 2/8

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**WHAT THE MEASURE DOES:**

Exempts from Oregon personal income tax, up to \$17,500 in retirement or pension income received for service in the Armed Forces of the United States. Defines terms. Specifies subtraction is available to taxpayer that has not attained 63 years of age before the close of the taxable year. Provides Department of Revenue rulemaking authority. Indexes subtraction limit to consumer price index beginning with tax year 2025. Applies to tax years 2024 through 2029.

**ISSUES DISCUSSED:**

**EFFECT OF AMENDMENT:**

-1 Specifies that subtraction for military retirement pay or pension income cannot include income subtracted under Oregon's existing subtraction for pension income attributable to federal employment prior to October 1, 1991.

**BACKGROUND:**

Measure defines "Armed Forces of the United States" to include the regular and reserve components of the Army, Navy, Air Force, Marine Corps, Coast Guard and Space Force of the United States and the National Guard.

Retirement benefits in the form of pension or annuity payments from an employer are generally subject to income taxation unless the payment is a qualified tax exempt distribution. If an individual did not contribute after-tax income amounts or the employer did not withhold after-tax contributions from the individual's salary, then the retirement income is generally taxable. Military retirement pay that is based on age or length of service is taxable and is required to be reported as pension income on a personal income tax return. By contrast, all benefits administered by the Department of Veterans Affairs are exempt from taxation including pension and disability compensation. Additionally, pension income attributable to federal employment prior to October 1, 1991, is exempt from the Oregon personal income tax under existing law.