

# Certain Retirement Income Tax Credit

2025 Tax Credit Review

Senate Committee on Finance & Revenue | 3/12/2025

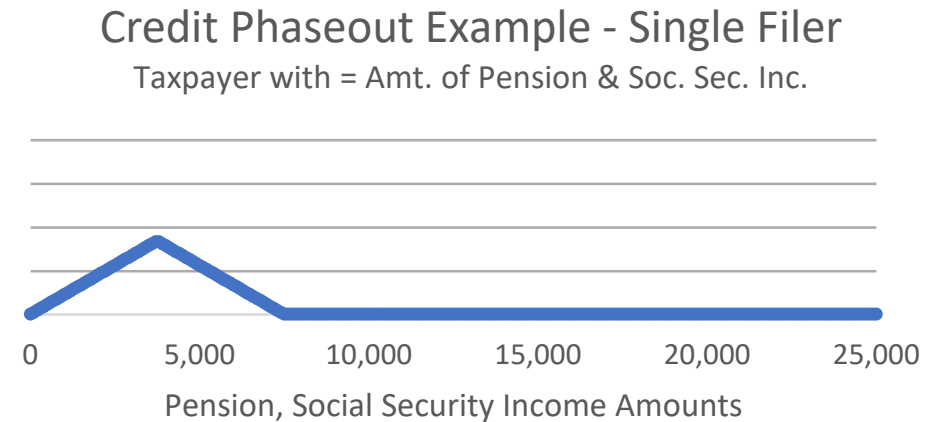
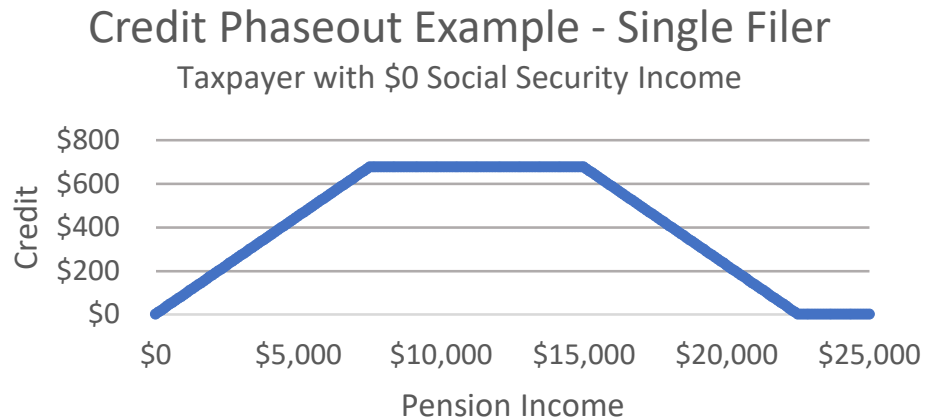


# Certain Retirement Inc. Credit – Policy Purpose & Description

- Policy purpose
  - *“To provide tax relief to low-income individuals with pension income”*
- Credit Description
  - Individuals aged  $\geq 62$
  - Credit = 9%  $\times$  qualified pension income
  - Means tested credit
  - Qualified pension income includes
    - 401(k) & 457 plans, IRAs
    - Employee pension and annuity benefit plans
    - Federal/state/local public retirement system

# Retirement Credit Means Testing

- To qualify, taxpayer must meet both requirements
  - Social Security benefits  $\leq$  \$7,500 single, \$15,000 joint
  - Household income + Social Security  $\leq$  \$22,500 (S), \$45,000 (J)
- Income limits are not indexed to inflation
- Net pension income limited to: \$7,500 – Social Security – household income above \$15,000



# Credit Origin Story

- Enacted in 1991 as part of broader legislation
  - Credit replaced previous income tax subtraction of up to \$5,000 for federal retirement income
- Underlying dispute in the late 80's and 90's relating to tax treatment of PERS pensions and federal pensions
- Federal pension income attributable to employment prior to Oct. 1991 is exempt from Oregon personal income tax (1998, Vogl v. DOR)

# Illustrative Examples

Scenario 1: All income derived from taxable pension income

Scenario 2: How Social Security reduces the credit

Scenario 3: Credit phased out

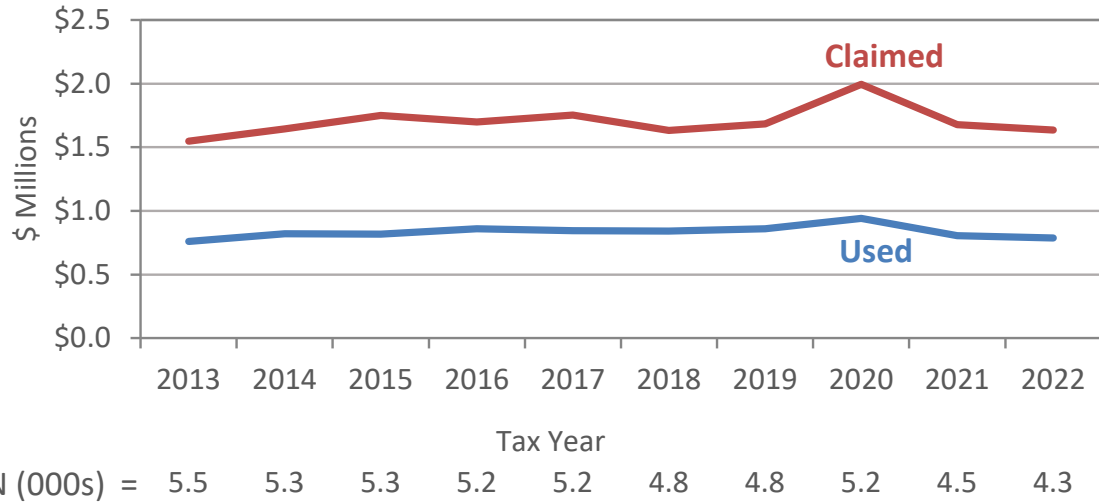
Illustrative Examples of Oregon's Certain Retirement Income Credit - Single Filer					
Scenario 1 - Single Filer		Scenario 2 - Single Filer		Scenario 3 - Single Filer	
Pension Income	\$15,000	Pension Income	\$10,000	Pension Income	\$7,500
Social Security	\$0	Social Security	\$5,000	Social Security	\$7,500
Total Income	\$15,000	Total Income	\$15,000	Total Income	\$15,000
Net Pension Income	\$7,500	Net Pension Income	\$2,500	Net Pension Income	\$0
<b>Credit</b>	<b>\$675</b>	<b>Credit</b>	<b>\$225</b>	<b>Credit</b>	<b>\$0</b>
Net Tax Liability	\$675	Net Tax Liability	\$675	Net Tax Liability	\$675

Note: Net tax liability is computed assuming 9% tax rate on all income. This is incorrect due to Oregon's multiple rates and brackets, but aligns with discussion of credit design during enactment in 1991 as presented during legislative committee discussions.

# Cost of the Credit

- Cost steady over past 10 years
- Number of taxpayers using credit is declining
- Used by lower income taxpayers
- Estimated to cost about \$400K per year to extend

Cost of Certain Retirement Income



Certain Retirement Income   2022 Personal Income Tax Filers				
Income Group of Full-Year Filers	Number of Filers Using Credit	Avg. Revenue Impact of Credit	Revenue Impact (\$ millions)	Percent of Revenue Impact by Income Group
< \$19,400	2,650	\$80	\$0.2	34%
\$19,400 - \$40,400	1,360	\$270	\$0.4	61%
\$40,400 - \$67,700	180	\$180	\$0.0	5%
\$67,700 - \$117,800	0	\$0	\$0.0	0%
> \$117,800	0	\$0	\$0.0	0%
<b>Total Full-Year Filers</b>	<b>4,190</b>	<b>\$150</b>	<b>\$0.6</b>	<b>100%</b>

Source: 2025-27 Tax Expenditure Report

[Link](#) to full tax credit report

