

HB 2050 A -A9 STAFF MEASURE SUMMARY

House Committee On Revenue

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Meeting Dates: 6/5

WHAT THE MEASURE DOES:

Creates personal income tax subtraction for all federal retirement pay or pension received for service in the Armed Forces of the United States. To qualify, requires taxpayer to be a disabled veteran, or a member of a reserve component or the National Guard. Defines "disabled veteran" as a veteran with a total disability rating of 100 percent as a result of an injury or illness that the veteran incurred, or that was aggravated, during active military service. Further defines terms. Subtraction made applicable for tax years 2026 through 2031.

ISSUES DISCUSSED:

EFFECT OF AMENDMENT:

-A9 Makes subtraction available to a surviving spouse of a disabled veteran or member of a reserve component or the National Guard.

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.

Measure makes subtraction applicable to tax years beginning on or after January 1, 2026. Per ORS 315.037, tax expenditures enacted after January 1, 2014, shall apply for a maximum of six tax years unless the Legislative Assembly expressly provides for another period of applicability. This causes the proposed subtraction to sunset following the 2031 tax year.