

HB 2050 A STAFF MEASURE SUMMARY

House Committee On Emergency Management, General Government, and Veterans

Action Date: 04/03/25

Action: Do pass with amendments and be referred to Revenue by prior reference. (Printed A-Eng.)

Vote: 6-0-1-0

Yeas: 6 - Boice, Grayber, Lewis, Skarlatos, Tran, Watanabe

Exc: 1 - Evans

Fiscal: Has minimal fiscal impact

Revenue: Revenue impact issued

Prepared By: Beverly Anderson, LPRO Analyst

Meeting Dates: 3/18, 4/3, 4/8

WHAT THE MEASURE DOES:

The measure exempts from state income tax all retirement pay, or pension received for services in the Armed Forces, that is included in the taxpayer's federal taxable income for the tax year for 100 percent disabled veterans and members of a reserve component or the National Guard.

Detailed Summary

- Subtracts from federal taxable income all retirement pay or pension received for service in the Armed Forces of the United States that is included in their federal taxable income for the tax year for 100 percent disabled veterans or member of a reserve component or the National Guard.
- Limits subtraction to not exceed the taxpayer's total retirement pay or pension received that is included in the taxpayer federal taxable income for the tax year.
- Limits subtraction to not include any amount of retirement pay or pension subtracted under ORS 316.680.
- Allows for the adoption of rules.
- Takes effect to tax years beginning on or after January 1, 2026.

ISSUES DISCUSSED:

- Concerns that state taxation on military retirement might impact out migration
- Questions about the fiscal impact and suggestions for other revenue sources
- Questions about the condition of discharge that veterans would need to qualify

EFFECT OF AMENDMENT:

The amendment replaces the original measure.

BACKGROUND:

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.