

# House Bill 2388

Sponsored by Representative NELSON

## SUMMARY

The following summary is not prepared by the sponsors of the measure and is not a part of the body thereof subject to consideration by the Legislative Assembly. It is an editor's brief statement of the essential features of the measure **as introduced**.

Eliminates personal income tax on taxable income below certain level.  
Applies to tax years beginning on or after January 1, 2006.

## A BILL FOR AN ACT

Relating to reduction in personal income tax rate; creating new provisions; and amending ORS 316.037 and 316.362.

**Be It Enacted by the People of the State of Oregon:**

**SECTION 1.** ORS 316.037 is amended to read:

316.037. (1)(a) A tax is imposed for each taxable year on the entire taxable income of every resident of this state. The amount of the tax shall be determined in accordance with the following table:

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If taxable income is:	The tax is:
Not over \$2,000	[5%] <b>0%</b> of taxable income
Over \$2,000 but not over \$5,000	[\$100 plus] 7% of the excess over \$2,000
Over \$5,000	[\$310] <b>\$210</b> plus 9% of the excess over \$5,000

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(b) For tax years beginning in each calendar year, the Department of Revenue shall adopt a table that shall apply in lieu of the table contained in paragraph (a) of this subsection, as follows:

(A) The minimum and maximum dollar amounts for each rate bracket for which a tax is imposed shall be increased by the cost-of-living adjustment for the calendar year.

(B) The rate applicable to any rate bracket as adjusted under subparagraph (A) of this paragraph shall not be changed.

**NOTE:** Matter in **boldfaced** type in an amended section is new; matter [*italic and bracketed*] is existing law to be omitted. New sections are in **boldfaced** type.

1 (C) The amounts setting forth the tax, to the extent necessary to reflect the adjustments in the  
2 rate brackets, shall be adjusted.

3 (c) For purposes of paragraph (b) of this subsection, the cost-of-living adjustment for any calen-  
4 dar year is the percentage (if any) by which the monthly averaged U.S. City Average Consumer  
5 Price Index for the 12 consecutive months ending August 31 of the prior calendar year exceeds the  
6 monthly averaged index for the second quarter of the calendar year 1992.

7 (d) As used in this subsection, "U.S. City Average Consumer Price Index" means the U.S. City  
8 Average Consumer Price Index for All Urban Consumers (All Items) as published by the Bureau of  
9 Labor Statistics of the United States Department of Labor.

10 (e) If any increase determined under paragraph (b) of this subsection is not a multiple of \$50,  
11 the increase shall be rounded to the next lower multiple of \$50.

12 (2) A tax is imposed for each taxable year upon the entire taxable income of every part-year  
13 resident of this state. The amount of the tax shall be computed under subsection (1) of this section  
14 as if the part-year resident were a full-year resident and shall be multiplied by the ratio provided  
15 under ORS 316.117 to determine the tax on income derived from sources within this state.

16 (3) A tax is imposed for each taxable year on the taxable income of every full-year nonresident  
17 that is derived from sources within this state. The amount of the tax shall be determined in ac-  
18 cordance with the table set forth in subsection (1) of this section.

19 **SECTION 2.** ORS 316.362 is amended to read:

20 316.362. (1) An income tax return with respect to the tax imposed by this chapter shall be made  
21 by the following:

22 (a) Every resident individual:

23 (A) Who is required to file a federal income tax return for the taxable year; or

24 (B) Who has gross income greater than the sum of:

25 (i) The basic standard deduction allowed under ORS 316.695 (1)(c)(B);

26 (ii) Any additional standard deduction allowed to the taxpayer under ORS 316.695 (7); and

27 (iii) An amount equal to the income equivalent of one personal exemption credit under ORS  
28 316.085 (3)(b) if unmarried, or equal to the income equivalent of two personal exemption credits un-  
29 der ORS 316.085 (3)(b) if married.

30 (b) Every nonresident individual who has federal gross income from sources in this state of more  
31 than the basic standard deduction allowed under ORS 316.695 (1)(c)(B).

32 (c) Every resident estate or trust that is required to file a federal income tax return.

33 (d) Every nonresident estate that has federal gross income of \$600 or more for the taxable year  
34 from sources within this state.

35 (e) Every nonresident trust that for the taxable year has from sources within this state any  
36 taxable income, or gross income of \$600 or more regardless of the amount of taxable income.

37 (2) Nothing contained in this section shall preclude the Department of Revenue from requiring  
38 any individual, estate or trust to file a return when, in the judgment of the department, a return  
39 should be filed.

40 (3) For purposes of this section, the income equivalent of a personal exemption credit under ORS  
41 316.085 (3)(b) shall be determined as follows:

42 (a) Divide the personal exemption credit amount by the rate [*applicable to the lowest income*  
43 *bracket under ORS 316.037*] **of five percent.**

44 (b) If the resulting quotient is less than the maximum amount of income subject to the rate used  
45 in paragraph (a) of this subsection, the quotient is the income equivalent.

1 (c) If the resulting quotient is more than the maximum amount of income subject to the rate  
2 used in paragraph (a) of this subsection:

3 (A) Multiply the maximum amount of income subject to the rate used in paragraph (a) of this  
4 subsection by the rate used in paragraph (a) of this subsection.

5 (B) Determine the difference between the product calculated under subparagraph (A) of this  
6 paragraph and the personal exemption credit amount.

7 (C) Divide the difference determined in subparagraph (B) of this paragraph by the rate [*appli-*  
8 *cable to the income bracket that is the next succeeding the lowest income bracket under ORS 316.037*]  
9 **of seven percent.**

10 (D) Add the quotient determined in subparagraph (C) of this paragraph to the maximum amount  
11 of income subject to the rate used in paragraph (a) of this subsection. The sum is the income  
12 equivalent.

13 **SECTION 3. The amendments to ORS 316.037 and 316.362 by sections 1 and 2 of this 2005**  
14 **Act apply to tax years beginning on or after January 1, 2006.**