

A-Engrossed
House Bill 3096

Ordered by the House May 27
Including House Amendments dated May 27

Sponsored by Representative HUNT; Representatives ACKERMAN, BARNHART, BOONE, BOQUIST, BRUUN, GALIZIO, HASS, HOLVEY, KOMP, MARCH, MERKLEY, RILEY, ROBLAN, ROSENBAUM, SCHAUFLEER, TOMEI, WITT

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.

Provides automatic connection to changes in federal tax law related to taxation of combat zone compensation received by certain members of armed forces.

Applies to tax years beginning on or after January 1, [2006] **2001, or to any tax year affected by any provision of Military Family Tax Relief Act of 2003.**

Takes effect on 91st day following adjournment sine die.

A BILL FOR AN ACT

1
2 Relating to taxation of combat zone compensation received by certain members of the armed forces;
3 creating new provisions; amending ORS 314.011 and 316.012; and prescribing an effective date.

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

5 **SECTION 1.** ORS 314.011 is amended to read:

6 314.011. (1) As used in this chapter, unless the context requires otherwise, "department" means
7 the Department of Revenue.

8 (2)(a) As used in this chapter, any term has the same meaning as when used in a comparable
9 context in the laws of the United States relating to federal income taxes, unless a different meaning
10 is clearly required or the term is specifically defined in this chapter.

11 (b) Except where the Legislative Assembly has provided otherwise, a reference to the laws of
12 the United States or to the Internal Revenue Code refers to the laws of the United States or to the
13 Internal Revenue Code as they are amended and in effect:

14 (A) On December 31, 2002; or

15 (B) If related to the definition of taxable income and attributable to a change in the laws of the
16 United States or in the Internal Revenue Code that is enacted after December 31, 2005, as applicable
17 to the tax year of the taxpayer.

18 (c) A reference to the laws of the United States or to the Internal Revenue Code refers to the
19 laws of the United States or to the Internal Revenue Code as they are amended and in effect and
20 applicable for the tax year of the taxpayer, if the reference relates to:

21 (A) Pension, profit-sharing or stock bonus plans, deferred compensation plans, employee stock
22 ownership plans, individual retirement accounts (including Roth individual retirement accounts),
23 medical savings accounts, education IRAs, qualified tuition savings programs or other tax-deferred
24 or tax-exempt savings programs benefiting individuals; [or]

25 (B) The allowance and amount of a deduction under section 167 or 168 or another provision of

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 the Internal Revenue Code, to the allowance and amount of a deduction for expensing depreciable
 2 assets under section 179 of the Internal Revenue Code or to the adjusted basis of an asset that is
 3 depreciated or expensed for federal tax purposes[.]; or

4 **(C) The allowance of an exclusion for combat zone compensation received by a member**
 5 **of the armed forces and excluded from federal taxable income under section 112 of the**
 6 **Internal Revenue Code.**

7 (d) With respect to ORS 314.105, 314.256 (relating to proxy tax on lobbying expenditures),
 8 314.260 (1)(b), 314.265 (1)(b), 314.302, 314.306, 314.330, 314.360, 314.362, 314.385, 314.402, 314.410,
 9 314.412, 314.525, 314.742 (7), 314.750 and 314.752 and other provisions of this chapter, except those
 10 described in paragraphs (b) and (c) of this subsection, any reference in this chapter to the laws of
 11 the United States or to the Internal Revenue Code means the laws of the United States relating to
 12 income taxes or the Internal Revenue Code as they are amended on or before December 31, 2002,
 13 even when the amendments take effect or become operative after that date, except where the Leg-
 14 islative Assembly has specifically provided otherwise.

15 (3) Insofar as is practicable in the administration of this chapter, the department shall apply and
 16 follow the administrative and judicial interpretations of the federal income tax law. When a pro-
 17 vision of the federal income tax law is the subject of conflicting opinions by two or more federal
 18 courts, the department shall follow the rule observed by the United States Commissioner of Internal
 19 Revenue until the conflict is resolved. Nothing contained in this section limits the right or duty of
 20 the department to audit the return of any taxpayer or to determine any fact relating to the tax li-
 21 ability of any taxpayer.

22 (4) When portions of the Internal Revenue Code incorporated by reference as provided in sub-
 23 section (2) of this section refer to rules or regulations prescribed by the Secretary of the Treasury,
 24 then such rules or regulations shall be regarded as rules adopted by the department under and in
 25 accordance with the provisions of this chapter, whenever they are prescribed or amended.

26 (5)(a) When portions of the Internal Revenue Code incorporated by reference as provided in
 27 subsection (2) of this section are later corrected by an Act or a Title within an Act of the United
 28 States Congress designated as an Act or Title making technical corrections, then notwithstanding
 29 the date that the Act or Title becomes law, those portions of the Internal Revenue Code, as so
 30 corrected, shall be the portions of the Internal Revenue Code incorporated by reference as provided
 31 in subsection (2) of this section and shall take effect, unless otherwise indicated by the Act or Title
 32 (in which case the provisions shall take effect as indicated in the Act or Title), as if originally in-
 33 cluded in the provisions of the Act being technically corrected. If, on account of this subsection, any
 34 adjustment is required to an Oregon return that would otherwise be prevented by operation of law
 35 or rule, the adjustment shall be made, notwithstanding any law or rule to the contrary, in the
 36 manner provided under ORS 314.135.

37 (b) As used in this subsection, "Act or Title" includes any subtitle, division or other part of an
 38 Act or Title.

39 **SECTION 2.** ORS 316.012 is amended to read:

40 316.012. Any term used in this chapter has the same meaning as when used in a comparable
 41 context in the laws of the United States relating to federal income taxes, unless a different meaning
 42 is clearly required or the term is specifically defined in this chapter. Except where the Legislative
 43 Assembly has provided otherwise, any reference in this chapter to the laws of the United States or
 44 to the Internal Revenue Code:

45 (1) Refers to the laws of the United States or to the Internal Revenue Code as they are amended

1 and in effect:

2 (a) On December 31, 2002; or

3 (b) If related to the definition of taxable income and attributable to a change in the laws of the
4 United States or in the Internal Revenue Code that is enacted after December 31, 2005, as applicable
5 to the tax year of the taxpayer.

6 (2) Refers to the laws of the United States or to the Internal Revenue Code as they are amended
7 and in effect and applicable for the tax year of the taxpayer, if the reference relates to:

8 (a) Pension, profit-sharing or stock bonus plans, deferred compensation plans, employee stock
9 ownership plans, individual retirement accounts (including Roth individual retirement accounts),
10 medical savings accounts, education IRAs, qualified tuition savings programs or other tax-deferred
11 or tax-exempt savings programs benefiting individuals; [or]

12 (b) The allowance and amount of a deduction under section 167 or 168 or another provision of
13 the Internal Revenue Code, to the allowance and amount of a deduction for expensing depreciable
14 assets under section 179 of the Internal Revenue Code or to the adjusted basis of an asset that is
15 depreciated or expensed for federal tax purposes[.]; or

16 (c) **The allowance of an exclusion for combat zone compensation received by a member
17 of the armed forces and excluded from federal taxable income under section 112 of the
18 Internal Revenue Code.**

19 **SECTION 3. The amendments to ORS 314.011 and 316.012 by sections 1 and 2 of this 2005
20 Act apply to:**

21 (1) **Tax years beginning on or after January 1, 2001; or**

22 (2) **Any tax year affected by any provision of the Military Family Tax Relief Act of 2003
23 (P.L. 108-121).**

24 **SECTION 4. This 2005 Act takes effect on the 91st day after the date on which the reg-
25 ular session of the Seventy-third Legislative Assembly adjourns sine die.**

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