

A-Engrossed
House Bill 3440

Ordered by the House April 5
Including House Amendments dated April 5

Sponsored by Representative SCHAUFLER; Representatives DINGFELDER, 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.

Provides subtraction from taxable income for unemployment benefits **under specified conditions**.

Applies to tax years beginning on or after January 1, 2006.

A BILL FOR AN ACT

1
2 Relating to subtraction of unemployment benefits for tax purposes; creating new provisions; and
3 amending ORS 657.144.

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

5 **SECTION 1. Section 2 of this 2005 Act is added to and made a part of ORS chapter 316.**

6 **SECTION 2. (1) In addition to the other modifications to federal taxable income contained**
7 **in this chapter, there shall be subtracted from federal taxable income the amount of any**
8 **unemployment compensation benefits payable under ORS chapter 657, to the extent**
9 **includable in gross income for federal income tax purposes.**

10 **(2) A taxpayer is allowed the subtraction under subsection (1) of this section only if:**

11 **(a) In the case of a taxpayer who files a joint return, the federal adjusted gross income**
12 **of the taxpayer for the tax year does not exceed \$30,000; or**

13 **(b) In the case of any other taxpayer, the federal adjusted gross income of the taxpayer**
14 **for the tax year does not exceed \$20,000.**

15 **SECTION 3. ORS 657.144 is amended to read:**

16 657.144. An individual filing a new claim for benefits under this chapter shall, at the time the
17 claim is filed with the Employment Department, be advised that:

18 **(1) Benefits are subject to federal [*and state*] income tax and may be subject to state income**
19 **tax;**

20 **(2) Federal and state law may require that a recipient of benefits make quarterly estimated tax**
21 **payments during the tax year in which the benefits are received;**

22 **(3) Federal and state law may impose penalties on a recipient of benefits for the failure to timely**
23 **make estimated tax payments; and**

24 **(4) A recipient of benefits may elect under ORS 657.146 to have amounts withheld from the re-**
25 **ipient's payment of benefits for federal and state income tax purposes at the amount specified in:**

26 **(a) The federal Internal Revenue Code for the voluntary withholding of unemployment benefits**
27 **for federal income tax purposes; and**

28 **(b) ORS 657.146 for the voluntary withholding of unemployment benefits for state income tax**

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 purposes.

2 **SECTION 4. Section 2 of this 2005 Act and the amendments to ORS 657.144 by section 3**
3 **of this 2005 Act apply to unemployment compensation benefits paid on or after January 1,**
4 **2006.**

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