

House Bill 3440

Sponsored by Representative SCHAUFLEER

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**.

Provides subtraction from taxable income for unemployment benefits.
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 and 657.146.

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. 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 federal taxable income for federal tax purposes.**

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

11 657.144. An individual filing a new claim for benefits under this chapter shall, at the time the
12 claim is filed with the Employment Department, be advised that:

13 (1) Benefits are subject to federal [*and state*] income tax;

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

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

18 (4) A recipient of benefits may elect under ORS 657.146 to have amounts withheld from the re-
19 cipient's payment of benefits for federal [*and state*] income tax purposes at the amount specified
20 in[.]

21 [(a)] the federal Internal Revenue Code for the voluntary withholding of unemployment benefits
22 for federal income tax purposes[; and]

23 [(b) *ORS 657.146 for the voluntary withholding of unemployment benefits for state income tax*
24 *purposes*].

25 **SECTION 4. ORS 657.146 is amended to read:**

26 657.146. (1) A claimant may elect to have an amount withheld from benefits otherwise payable
27 to the claimant.

28 (2) An election made under this section shall be on such form and in such manner as prescribed
29 by the Employment Department.

30 (3) A claimant making an election under this section may terminate the election at any time.

31 (4) The amount to be withheld by the Employment Department from a payment of benefits to a

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 claimant making the election under this section shall be [*the total of:*]

2 [(a)] the amount determined under the rules of the federal Internal Revenue Code relating to the
3 voluntary withholding of amounts from unemployment benefits[,] for federal income tax purposes[;
4 and]

5 [(b) An amount equal to six percent of the payment to which the claimant would be entitled but for
6 the election made under this section, for state income tax purposes].

7 (5) Amounts withheld by the Employment Department pursuant to an election made under this
8 section shall [*remain*] **be deposited** in the Unemployment Compensation Trust Fund established un-
9 der ORS 657.805[. *Those amounts allocable to federal income tax withholding*] **and** shall be transferred
10 by the Employment Department to the federal Internal Revenue Service in the time and manner
11 provided by federal law [*and those amounts allocable to state income tax withholding shall be trans-*
12 *ferred to the Department of Revenue in the time and manner provided by the Department of Revenue*
13 *by rule*].

14 **SECTION 5. Section 2 of this 2005 Act and the amendments to ORS 657.144 and 657.146**
15 **by sections 3 and 4 of this 2005 Act apply to unemployment compensation benefits paid on**
16 **or after the effective date of this 2005 Act and to tax years beginning on or after January**
17 **1, 2006.**

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