

House Bill 2046

Ordered printed by the Speaker pursuant to House Rule 12.00A (5). Pre-session filed (at the request of House Interim Committee on Revenue)

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**.

Changes percentage of federal earned income credit allowable as credit against Oregon personal income tax. Requires refund of amount of Oregon earned income credit that exceeds tax liability of taxpayer.

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

A BILL FOR AN ACT

1
2 Relating to earned income tax credits; creating new provisions; amending ORS 315.266 and 316.502;
3 and appropriating money.

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

5 **SECTION 1.** ORS 315.266 is amended to read:

6 315.266. (1) In addition to any other credit available for purposes of ORS chapter 316, an eligible
7 resident individual shall be allowed a credit against the tax otherwise due under ORS chapter 316
8 for the tax year in an amount equal to *[five]* _____ percent of the earned income credit allowable
9 to the individual for the same tax year under section 32 of the Internal Revenue Code.

10 (2) An eligible nonresident individual shall be allowed the credit computed in the same manner
11 and subject to the same limitations as the credit allowed a resident by subsection (1) of this section.
12 However, the credit shall be prorated using the proportion provided in ORS 316.117.

13 (3) If a change in the taxable year of a taxpayer occurs as described in ORS 314.085, or if the
14 Department of Revenue terminates the taxpayer's taxable year under ORS 314.440, the credit al-
15 lowed by this section shall be prorated or computed in a manner consistent with ORS 314.085.

16 (4) If a change in the status of a taxpayer from resident to nonresident or from nonresident to
17 resident occurs, the credit allowed by this section shall be determined in a manner consistent with
18 ORS 316.117.

19 *[(5) The credit allowed under this section may not exceed the tax liability of the taxpayer and may
20 not be carried forward to a succeeding tax year.]*

21 **(5) If the amount allowable as a credit under this section, when added to the sum of the
22 amounts allowable as payment of tax under ORS 316.187 or 316.583, other tax prepayment
23 amounts and other refundable credit amounts, exceeds the taxes imposed by ORS chapters
24 314 and 316 for the tax year after application of any nonrefundable credits allowable for
25 purposes of ORS chapter 316 for the tax year, the amount of the excess shall be refunded to
26 the taxpayer as provided in ORS 316.502.**

27 (6) The Department of Revenue may adopt rules for purposes of this section, including but not
28 limited to rules relating to proof of eligibility and the furnishing of information regarding the federal
29 earned income credit claimed by the taxpayer for the tax year.

30 (7) Refunds attributable to the earned income credit allowed under this section shall not bear

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 interest.

2 **SECTION 2.** ORS 316.502 is amended to read:

3 316.502. (1) The net revenue from the tax imposed by this chapter, after deducting refunds, shall
4 be paid over to the State Treasurer and held in the General Fund as miscellaneous receipts avail-
5 able generally to meet any expense or obligation of the State of Oregon lawfully incurred.

6 (2) A working balance of unreceipted revenue from the tax imposed by this chapter may be re-
7 tained for the payment of refunds, but such working balance shall not at the close of any fiscal year
8 exceed the sum of \$1 million.

9 (3) Moneys are continuously appropriated to the Department of Revenue to make:

10 (a) The refunds authorized under subsection (2) of this section; and

11 (b) The refund payments in excess of tax liability authorized under ORS 315.262 **and 315.266.**

12 **SECTION 3. The amendments to ORS 315.266 and 316.502 by sections 1 and 2 of this 2005**

13 **Act apply to tax years beginning on or after January 1, 2006.**

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