

Legislative Concept 3

Revenue and Small Business Tax Cut

Corporate Income Tax

- Lowers threshold for when top 7.6% rate applies from \$10 million to \$1 million.
- Increases rate above which revenue flows to the Rainy Day Fund from 6.6% to 7.5%.
- Establishes IC-DISC for Oregon corporations.

Personal Income Tax

- Disallows personal exemption credit of up to \$183 for joint filers with more than \$200,000 in adjusted gross income and for single filers with \$100,000 or more.
- Makes the following changes to the senior medical deduction:
 - Converts deductions to a subtraction
 - Sets subtraction cap per age eligible filer based on adjusted gross income:
 - \$1,800 for joint filer with less than \$50,000
 - \$1,400 for joint filer with less than \$100,000
 - \$1,000 for joint filer with less than \$200,000
 - \$0 for joint filer with more than \$200,000
 - Caps apply to single filers at ½ the joint filer income level
 - Increases age eligibility on the following schedule:
 - 63 in 2014
 - 64 in 2016
 - 65 in 2018
 - 66 in 2020
- Establishes a taxpayer election for a separate income tax rate schedule for pass through income from S corporations and partnerships.
 - To be eligible for the lower rate, income must be:
 - Non-passive schedule E income.
 - Received by a taxpayer who materially participates in a trade or business that generated the income.
 - From a business that has at least 1 full time, non-investor employee.
 - Eligible schedule E income is treated separately and subject to the following rate schedule:
 - 7% if less than \$250,000
 - 7.2% in less than \$500,000
 - 7.6% is less than \$1,000,000
 - 8.0% if less than \$2,500,000
 - 9.0% if less than \$5 million
 - 9.9% if greater than \$5 million
- Increases Oregon earned income tax credit from 6% of the federal credit to 8%

Tobacco Taxes

- Increases cigarette taxes 13 cents in 13-15, 14 cents in 15-17, and 15 cents in 17-19.
- Dedicates new cigarette revenue to mental health programs.
- Extends the start of the moist snuff escalator 3 years to 2022.

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