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
- Dedictees new cigarette revenue to mental health programs.
- Extends the start of the moist snuff escalator 3 years to 2022.

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