

**CHAPTER 4**

AN ACT HB 4079  
 [2002 Fifth Special Session]

Relating to taxation; creating new provisions; amending ORS 316.037 and 317.061; providing for revenue raising that requires approval by a three-fifths majority; and providing that this Act shall be referred to the people for their approval or rejection.

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

**SECTION 1.** ORS 316.037 is amended to read:

316.037. (1)(a) A tax is imposed for each taxable year on the entire taxable income of every resident of this state. The amount of the tax shall be determined in accordance with the following table:

If taxable income is:	The tax is:
Not over \$2,000	5% of taxable income
Over \$2,000 but not over \$5,000	\$100 plus 7% of the excess over \$2,000
Over \$5,000	\$310 plus [9%] <b>9.5%</b> of the excess over \$5,000

(b) For tax years beginning in each calendar year, the Department of Revenue shall adopt a table which shall apply in lieu of the table contained in paragraph (a) of this subsection, as follows:

(A) The minimum and maximum dollar amounts for each rate bracket for which a tax is imposed shall be increased by the cost-of-living adjustment for the calendar year.

(B) The rate applicable to any rate bracket as adjusted under subparagraph (A) of this paragraph shall not be changed.

(C) The amounts setting forth the tax, to the extent necessary to reflect the adjustments in the rate brackets, shall be adjusted.

(c) For purposes of paragraph (b) of this subsection, the cost-of-living adjustment for any calendar year is the percentage (if any) by which the monthly averaged U.S. City Average Consumer Price Index for the 12 consecutive months ending August 31 of the prior calendar year exceeds the monthly averaged index for the second quarter of the calendar year 1992.

(d) As used in this subsection, "U.S. City Average Consumer Price Index" means the U.S. City Average Consumer Price Index for All Urban Consumers (All Items) as published by the Bureau of Labor Statistics of the United States Department of Labor.

(e) If any increase determined under paragraph (b) of this subsection is not a multiple of [~~\$50~~] **\$25**, the increase shall be rounded to the next lowest multiple of [~~\$50~~] **\$25**.

(2) A tax is imposed for each taxable year upon the entire taxable income of every part-year resident of this state. The amount of the tax shall be computed under subsection (1) of this section as if the part-year resident were a full-year resident and shall be multiplied by the ratio provided under ORS 316.117 to determine the tax on income derived from sources within this state.

(3) A tax is imposed for each taxable year on the taxable income of every full-year nonresident that is derived from sources within this state. The amount of the tax shall be determined in accordance with the table set forth in subsection (1) of this section.

**SECTION 2. The amendments to ORS 316.037 by section 1 of this 2002 fifth special session Act apply to tax years beginning on or after January 1, 2002.**

**SECTION 3.** ORS 316.037, as amended by section 1 of this 2002 fifth special session Act, is amended to read:

316.037. (1)(a) A tax is imposed for each taxable year on the entire taxable income of every resident of this state. The amount of the tax shall be determined in accordance with the following table:

If taxable income is:	The tax is:
Not over \$2,000	5% of taxable income
Over \$2,000 but not over \$5,000	\$100 plus 7% of the excess over \$2,000
Over \$5,000	\$310 plus [9.5%] <b>9%</b> of the excess over \$5,000

(b) For tax years beginning in each calendar year, the Department of Revenue shall adopt a table which shall apply in lieu of the table contained in paragraph (a) of this subsection, as follows:

(A) The minimum and maximum dollar amounts for each rate bracket for which a tax is imposed shall be increased by the cost-of-living adjustment for the calendar year.

(B) The rate applicable to any rate bracket as adjusted under subparagraph (A) of this paragraph shall not be changed.

(C) The amounts setting forth the tax, to the extent necessary to reflect the adjustments in the rate brackets, shall be adjusted.

(c) For purposes of paragraph (b) of this subsection, the cost-of-living adjustment for any calendar year is the percentage (if any) by which the monthly

averaged U.S. City Average Consumer Price Index for the 12 consecutive months ending August 31 of the prior calendar year exceeds the monthly averaged index for the second quarter of the calendar year 1992.

(d) As used in this subsection, "U.S. City Average Consumer Price Index" means the U.S. City Average Consumer Price Index for All Urban Consumers (All Items) as published by the Bureau of Labor Statistics of the United States Department of Labor.

(e) If any increase determined under paragraph (b) of this subsection is not a multiple of \$25, the increase shall be rounded to the next lowest multiple of \$25.

(2) A tax is imposed for each taxable year upon the entire taxable income of every part-year resident of this state. The amount of the tax shall be computed under subsection (1) of this section as if the part-year resident were a full-year resident and shall be multiplied by the ratio provided under ORS 316.117 to determine the tax on income derived from sources within this state.

(3) A tax is imposed for each taxable year on the taxable income of every full-year nonresident that is derived from sources within this state. The amount of the tax shall be determined in accordance with the table set forth in subsection (1) of this section.

**SECTION 4. The amendments to ORS 316.037 by section 3 of this 2002 fifth special session Act apply to tax years beginning on or after January 1, 2005.**

**SECTION 5.** ORS 317.061 is amended to read:

317.061. The rate of the tax imposed by and computed under this chapter is [*six and six-tenths*] **6.93** percent.

**SECTION 6. The amendments to ORS 317.061 by section 5 of this 2002 fifth special session Act apply to tax years beginning on or after January 1, 2002.**

**SECTION 7.** ORS 317.061, as amended by section 5 of this 2002 fifth special session Act, is amended to read:

317.061. The rate of the tax imposed by and computed under this chapter is [*6.93*] **six and six-tenths** percent.

**SECTION 8. The amendments to ORS 317.061 by section 7 of this 2002 fifth special session Act apply to tax years beginning on or after January 1, 2005.**

**SECTION 9. (1) Notwithstanding ORS 316.162 to 316.212, the Department of Revenue may not adjust withholding tables for tax years beginning on or after January 1, 2002, and before January 1, 2003, to take into account the amendments to ORS 316.037 by section 1 of this 2002 fifth special session Act.**

(2) Notwithstanding ORS 316.557 to 316.589, for tax years beginning on or after January 1, 2002, and before January 1, 2003, interest resulting from the underpayment of estimated tax may not be imposed if the sum of estimated taxes paid by the taxpayer would not have constituted an underpayment of estimated tax prior to the amendments to ORS 316.037 by section 1 of this 2002 fifth special session Act.

(3) Notwithstanding ORS 314.505 to 314.525, for tax years beginning on or after January 1, 2002, and before January 1, 2003, interest resulting from the underpayment of estimated tax may not be imposed if the sum of estimated taxes paid by a corporation would not have constituted an underpayment of estimated tax prior to the amendments to ORS 317.061 by section 5 of this 2002 fifth special session Act.

**SECTION 10. This 2002 fifth special session Act shall be submitted to the people for their approval or rejection at a special election held throughout this state on January 28, 2003.**

Filed in the office of Secretary of State October 8, 2002