



Fire & Police Disability & Retirement

Additional Tax Offset Benefits and Senate Bill 822

Senate Bill 822

Senate Bill 822 (SB 822) was passed by the 2013 Oregon Legislature and signed into law by the governor. SB 822 changes the eligibility requirements for the additional tax offset benefit authorized under Oregon Revised Statutes 237.635 and 237.637. FPDR Members who began their service prior to July 14, 1995 will be eligible for this benefit only if the Member's FPDR pension benefit will be subject to Oregon personal income tax. FPDR members whose service began on or after July 14, 1995 are not eligible to receive additional tax offset benefits.

When you retire, if you are otherwise eligible for additional tax offset benefits, you will complete a tax offset acknowledgement form indicating whether or not your pension benefits will be subject to Oregon personal income tax. You will be asked to complete this form again if you move into or out of Oregon after you retire.

SB 822 affects all retirees, new and current. Once a year, FPDR will receive a file from the Oregon Department of Revenue (DOR) indicating which FPDR participants filed an Oregon tax return for the previous year, what type of return they filed and the amount of any pension income included on a nonresident return. Depending on this information and your indication on the tax offset acknowledgement form when you move into or out of Oregon, FPDR will eliminate or restore your additional tax offset benefits effective January 1 of the following year. For example, your status in filing a return for 2013 will be reported to FPDR in 2014 to determine your eligibility for additional tax offset benefits in 2015.

Additional Tax Offset Benefits

Additional tax offset benefits were mandated by the Oregon Legislature in 1991 and 1995 as a result of the State of Oregon's decision to tax state and local pension benefits. By statute, only Members who began their service prior to July 14, 1995 are eligible to receive the offset benefit.

The benefits are a percentage of your base pension that is calculated as the greater of:

- 0% to 4.0%, based on years of creditable service (0-9 years, 0%; 10-19 years, 1.0%, 20-24 years, 2.5%; 25 or more years, 4.0%)
- 9.89% times the proportion of creditable service prior to October 1, 1991

The 9.89% figure is the result of a calculation that is:

$$1 / (1 - 9\% \text{ Oregon personal income tax rate})$$

The greater percentage is multiplied by your base pension amount to get the additional tax offset amount.

Am I Affected?

If either of the following statements apply to you, you are not affected by SB 822:

- You are not affected if your sworn service began on or after July 14, 1995. You are ineligible for tax offset benefits in general.
- You are not affected while your pension benefits are subject to Oregon personal income tax.

Survivors and Alternate Payees

If a Member is eligible for additional tax offset benefits, his or her survivor(s) will also be eligible, subject to the requirement that their pension benefits be subject to Oregon personal income tax. Alternate payees may be eligible depending on the Member's eligibility at the time the pension benefit was divided. If eligible, alternate payees will also be subject to the requirement that their pension benefits be subject to Oregon personal income tax in order to receive additional tax offset benefits.