

## PROPOSED AMENDMENT TO R-4

Amending MCC Chapter 11.500 - Preschool For All Personal Income Tax.

(Language ~~\*stricken~~ is deleted; underlined language is new.)

**The Findings Section is Amended to include the following:**

5. The income thresholds set in the County's Preschool program's personal income tax are not indexed for inflation.

6. Tax indexing links the incomes and tax rate to an index, in this case the Consumer Price Index - West Size A (all items) (CPI-W) as published by the U.S. Department of Labor, Bureau of Labor Statistics, to maintain a taxpayers purchasing power during the period of inflation. This is the same measure of inflation the County uses in its labor contracts.

7. The indexing effective date is tax year 2025 to provide additional time for implementation. The new thresholds effective in tax year 2025 are not retroactive for taxes already paid from 2021-2024.

**Section 1. MCC § 11.512 is amended as follows:**

### **§ 11.512 - PERSONAL INCOME TAX IMPOSED.**

(A) A tax of 1.5% is imposed on the entire Oregon taxable income over the thresholds set forth in subsection (A)(1) below ~~\$200,000 for joint filers and \$125,000 for single filers~~ on every Resident subject to tax under ORS Chapter 316, and upon that taxable income derived from sources within Multnomah County over the thresholds set forth in subsection (A)(1) below ~~\$200,000 if filing jointly and \$125,000 if filing singly~~ of every Nonresident that is subject to tax under ORS Chapter 316. On January 1, 2026, the tax imposed will be increased by 0.8%.

(1) For tax years from January 1, 2021, to December 31, 2024, the thresholds are \$200,000 for Resident and Nonresident joint filers and \$125,000 for Resident and Nonresident single filers.

(2) For tax years beginning on or after January 1, 2025, the thresholds are indexed by the Consumer Price Index - West Size A (all items) (CPI-W) as published by the U.S. Department of Labor, Bureau of Labor Statistics, using the September-to-September index, not seasonally adjusted (unadjusted index).

(a) For the tax year beginning January 1, 2025, the thresholds are \$236,000 for Resident and Nonresident joint filers and \$148,000 for Resident and Nonresident single filers.

(b) For tax years beginning on or after January 1, 2026, the Administrator shall determine the exact threshold amount and annually adopt and publish a table setting forth the updated income thresholds for each tax year. Any increase or

decrease under this subsection which is not a multiple of \$500 will be rounded up or down to the next multiple of \$500 at the Administrator's discretion.

(B) An additional tax of 1.5% is imposed on the entire Oregon taxable income over the thresholds set forth in subsection (B)(1) below ~~\$400,000 if filing jointly and \$250,000 if filing singly~~ on every Resident subject to tax under ORS Chapter 316, and upon the taxable income derived from sources within Multnomah County the thresholds set forth in subsection (B)(1) below ~~over \$400,000 if filing jointly and \$250,000 if filing singly~~ of every Nonresident that is subject to tax under ORS Chapter 316.

(1) For tax years from January 1, 2021, to December 31, 2024, the thresholds are \$400,000 for Resident and Nonresident joint filers and \$250,000 for Resident and Nonresident single filers.

(2) For tax years beginning on or after January 1, 2025, the thresholds are indexed by the Consumer Price Index – West Size A (all items) (CPI-W) as published by the U.S. Department of Labor, Bureau of Labor Statistics, using the September-to-September index, not seasonally adjusted (unadjusted index).

(a) For the tax year beginning January 1, 2025, the thresholds are \$471,000 for Resident and Nonresident joint filers and \$295,000 for Resident and Nonresident single filers.

(b) For tax years beginning on or after January 1, 2026, the Administrator shall determine the exact threshold amount and annually adopt and publish a table setting forth the updated income thresholds for each tax year. Any increase or decrease under this subsection which is not a multiple of \$500 will be rounded up or down to the next multiple of \$500 at the Administrator's discretion.

(C) Taxfiler filing status must follow the filing status of the Taxfiler's Oregon income tax return.

(1) Taxfilers using Oregon filing statuses married filing jointly, head of household, and qualifying widow(er) with dependent child must file a joint County return.

(2) Taxfilers using Oregon filing statuses single and married filing separately must file a single County return.

(D) As allowed by the Multnomah County Home Rule Charter, the Board may adjust the income tax rate to fully fund the Preschool For All Program. A technical team will be convened by the Chair's Office and will report to the Board before January 1, 2026, with a recommendation regarding the increase in subsection (A) and the future revenue requirements to ensure the Program is fully funded.

**Section 2. MCC § 11.520 is amended as follows:**

**§ 11.520 - INDIVIDUALS REQUIRED TO FILE A TAX RETURN.**

(A) A Resident is required to file a Preschool For All Personal Income Tax return if they are required to file an Oregon income tax return for the Tax Year and report Oregon taxable income ~~at or of~~ over the relevant threshold set forth in § 11.512(A): (a) \$200,000 for Taxfilers using the Oregon filing status married filing jointly, head of household, or qualifying widow(er); or (b) \$125,000 for Taxfilers using the Oregon filing status single or married filing separately.

(B) A Nonresident is required to file a Preschool For All Personal Income Tax return if they are required to file an Oregon income tax return for the Tax Year and have Taxable Income derived from or sourced to Multnomah County ~~at or of~~ over the relevant threshold set forth in § 11.512(A).

(C) Nothing contained in this section shall preclude the Administrator from requiring any individual to file a return when, in the judgment of the Administrator, a return should be filed.

(D) The Administrator will release the form(s) that Taxfilers must file. The Administrator may accept substitute forms (such as created by tax software) provided the forms include identical information in comparable format as provided on the Preschool For All Personal Income Tax return form.

(E) A copy of the Taxfiler's Oregon tax return is required to be filed with the Preschool For All Personal Income Tax return. If the personal income tax payments have been withheld from wages, a copy of Form W-2 is required to be filed with the Preschool For All Personal Income Tax return unless otherwise notified by the Administrator. The Administrator is authorized to require a Taxfiler to submit additional information with the Taxfiler's return if, in the Administrator's sole discretion, such information is necessary to effectively administer the tax imposed under this subchapter.

### **Section 3. MCC § 11.534 is amended as follows:**

#### **§ 11.534 - WITHHOLDING TAX ON WAGES.**

(A) During Tax Year 2021, withholding will be voluntary. However, in that first Tax Year, an employer must offer in writing to its employees to withhold the County Preschool For All Personal Income Tax from their wages as soon as the employer's payroll system(s) can be configured to capture and remit the taxes withheld.

(B) Beginning with January 1, 2022, and each year thereafter, withholding is mandatory for all employees - Resident and Nonresident alike - that work in Multnomah County and earn:

(1) For tax years from January 1, 2022, to December 1, 2024, withholding is mandatory for employees earning \$200,000 or more during the calendar year. This applies to Resident and Nonresident employees:

(2) For tax years beginning on or after January 1, 2025, the withholding thresholds are indexed by the Consumer Price Index – West Size A (all items) (CPI-W) as published by the U.S. Department of Labor, Bureau of Labor Statistics, using the September-to-September index, not seasonally adjusted (unadjusted index).

(a) For the tax year beginning January 1, 2025, the withholding threshold is \$236,000.

(b) For tax years beginning on or after January 1, 2026, the Administrator shall determine the exact threshold amount and annually adopt and publish a table setting forth the updated income thresholds for each tax year. Any increase or decrease under this subsection which is not a multiple of \$500 will be rounded up or down to the next multiple of \$500 at the Administrator's discretion.

(C) An employee earning below the ~~\$200,000~~ income threshold in subsection (B) may choose to “opt in” to withholding with the employer, based on their tax situation. An employee who meets the mandatory withholding criteria in subsection (B) may choose to “opt out” of withholding by the employer based on their tax situation. The Administrator will provide guidance to employers on the information required to be filed with the employer by the Taxfiler (employee) to “opt in” or “opt out” of withholding. Once provided, the employer will honor the withholding election of the employee until notified by the employee of a change.