

Oregon National Guard Tax Change

The Oregon Legislature made an important change to tax law for Oregon National Guard members this year with House Bill 2071 (2023). Military pay while in active service of the state or on state active duty is no longer taxed by Oregon.¹ To take advantage of this change, you can claim the military pay subtraction on Schedule OR-ASC when filing a tax return, up to the amount of eligible pay that is included in your federal taxable income.

Applicable to Past Years

This change applies to tax years 2021 and forward.

If you have already filed a tax return for a year in which you had eligible pay, you may amend your return to claim the subtraction. If you need to amend a return for a past year, be sure to file the amended return within three years after the date you filed or the due date, whichever is later.

If you haven't filed yet, a refund can generally only be claimed within three years of the due date of the return.

Oregon Withholding

You should review your Oregon withholding due to this change. With these recent changes to current law, most National Guard military pay resulting from a published order to active service will be exempt from state tax. In cases involving being called into federal service, your pay may not be exempt. You should work with your tax professional in that instance.

Every tax situation is unique. We encourage you to review the instructions for Form OR-W-4 and to speak with your tax professional to make the best withholding decision for your situation. Neither the Oregon Military Department nor the Oregon National Guard can offer tax advice or has additional information beyond what is provided by the Department of Revenue.

Resources

The Department of Revenue is in the process of updating our informational materials for this very recent change. For more information on the Oregon military subtraction in general, please visit:

- Our page for military personnel:
<https://www.oregon.gov/dor/programs/individuals/pages/military.aspx>
- Publication OR-17, the Oregon Individual Income Tax Guide, which can be found at:
<https://www.oregon.gov/dor/forms/Pages/default.aspx>

¹ "Active service of the state" means service performed while on full-time duty status for training, operational duty or other service of the organized militia under the authority of the Governor, whether paid from state funds or federal funds under Title 32 of the United States Code. "State active duty" means full-time duty status for training, operational duty or other service, other than inactive duty, of the organized militia performed under the authority of the Governor and paid from state funds.