OREGON PERS
PUBLIC EMPLOYEES RETIREMENT SYSTEM

Nine Things You'll Want to Know: Tax Remedy

1 What is "tax remedy"?

PERS is directed to increase benefits for certain Tier One members to compensate for state income taxation on PERS benefits.

2 Who may receive a tax remedy increase?

Tier One members are eligible for tax remedy if they established PERS membership* before July 14, 1995; are Oregon residents for the purpose of paying Oregon income taxes; and meet one of the following criteria:

- Have at least 10 years of creditable service time.

OR

- Have retirement benefits resulting from service performed before October 1, 1991.

Tier Two and Oregon Public Service Retirement Plan (OPSRP) members are not eligible for tax remedy.

**When it comes to determining whether a member is eligible for tax remedy, the concept of "establishing PERS membership" is different than what it means to "become a PERS member." Usually to be considered a PERS member, you must work for six months in a PERS-qualifying job. But for tax remedy, that six-month waiting period is counted. So if you are a Tier One member and were working in your six-month waiting period before July 14, 1995, you would have met the criterion of establishing PERS membership but not have been a PERS member until you completed the six months.*

3 How is my residency determined for a tax remedy?

PERS works with the Oregon Department of Revenue (DOR) once every calendar year to determine residency based on income tax returns for the previous year. Having an Oregon address on file with PERS **does not** satisfy residency certification requirements.

Retirees can submit a **PERS Residency Status Certification** form to PERS at any time. A residency certification will supersede any tax return information that PERS receives from DOR. Residency certifications are effective for one calendar year and generally take effect on January 1 of the year following submission (refer to number 8).

4 What would cause my tax remedy to be removed?

If DOR records indicate you are not an Oregon resident for income tax purposes, the tax remedy increase will be removed from your monthly PERS benefit payments in the upcoming calendar year. PERS may not be able to determine your Oregon residency based on the information DOR provides if you:

- Requested an extension to file your Oregon tax return.

OR

- Did not file an Oregon tax return in the prior calendar year.

If you have not provided PERS with an up-to-date **PERS Residency Status Certification** form that declares you are an Oregon resident, then PERS must stop paying you the tax remedy.

5 How will PERS communicate if the tax remedy is removed or restored?

If the tax remedy will be removed from or restored to your monthly PERS benefit payment based on your residency status, you will receive a letter from PERS in January showing the change to your benefit amount. It also will explain what action you must take if you disagree with the staff determination.

Continued on reverse side

6 What forms/steps are required to update my residency status by December 15?

The **PERS Residency Status Certification** form is available on the PERS website at https://www. oregon.gov/pers/Documents/Form/665-Residency-Status-Certification.pdf. You also can update your residency status using Online Member Services (OMS); go to the OMS login page at https:// orion.pers.state.or.us/SelfServiceOMS/. Step-by-step instructions for using OMS to update your status are available at: https://www.oregon.gov/pers/RET/Pages/How-to-Update-YourResidency-Status-Through-Online-Member-Services.aspx.

7 I am not required to file Oregon state income tax returns based upon my income. Do I need to certify my residency status with PERS to continue receiving tax remedy?

If you previously filed a **PERS Residency Status Certification** form showing you are not required to file tax returns because your income is below the filing threshold, you are no longer required to submit an annual residency certification unless:

- You submit a change of address to PERS, including a move within Oregon.

OR

- You file an Oregon personal income tax return.

If either of these conditions applies, you must recertify your current residency status by submitting a **PERS Residency Status Certification** form.

PERS must receive your residency certification by December 15 to ensure the tax remedy will be included in your benefit payments in the upcoming year.

8 When is my residency status update effective?

Residency certification updates become effective as follows:

- The first day of the calendar month following receipt, if received by PERS between January 1 and April 15.

OR

- January 1 of the following year, if received by PERS on or after April 16.

9 Why does the tax remedy exist? What changes have been made by the Legislature?

Until the late 1980s, PERS benefit payments were exempt from state income taxes, while federal retirement benefits were partially exempt. In 1989, the U.S. Supreme Court ruled that states must tax federal and state retirement benefits in the same manner. In 1991, the Oregon Legislature passed a law to subject PERS benefits to state income tax.

A legal challenge to the tax on PERS benefits went to the Oregon Supreme Court, which held that the tax was a violation of the benefit contract with members. Through Senate Bill (SB) 656 (1991) and House Bill (HB) 3349 (1995), the Legislature established tax remedy payments to mitigate the effect of subjecting PERS benefits to state income tax.

Eligible members receive the higher of the two payments established in SB 656 and HB 3349. The formula under SB 656 is based on a member's total service time, and the formula under HB 3349 is based on service time before the tax was imposed. The maximum tax remedy payment is 9.89% of a member's benefit.

Senate Bill 822 (2013) eliminated the tax remedy for PERS benefit recipients who do not pay Oregon income tax on their PERS benefits because they are not Oregon residents.

OREGON
PERS
PUBLIC EMPLOYEES RETIREMENT SYSTEM

Published September 2026

11410 SW 68th Parkway, Tigard OR 97223, Mailing Address — PO Box 23700, Tigard OR 97281-3700
Toll free — 888-320-7377 Fax — 503-598-0561 Website — https://oregon.gov/pers