



State of California
Franchise Tax Board

07.29.10

Information Letter 2010-3

Debra Buchanan
Agency Legislative Coordinator
Oregon Department of Revenue
955 Center Street NE
Salem, OR 97301-2555

Dear Ms. Buchanan,

This letter is in response to your inquiry dated June 8, 2010 in which you asked whether a California resident will be allowed a credit against California taxes for Oregon taxes paid on "qualifying compensation" as defined under section 1, chapter 559, Oregon Laws 2005 ("the Act").¹ In association with this question, you represented that while Oregon generally allows a credit to nonresidents for income taxes paid to another state, the credit will not be allowed to a nonresident for taxes paid on "qualifying compensation." Additionally, you stated that the amounts withheld on "qualifying compensation" under section 4 of the Act are applied to the employee's Oregon personal income tax liability.

Under California Revenue and Taxation Code (RTC) section 18001, California residents may qualify for a credit for income taxes paid to another state when the same income is taxed by California and the other state. In order to prevent a taxpayer from receiving more than one credit on the same income, RTC section 18001(a)(2) generally provides that the credit will not be allowed if the other state allows a credit to California residents against the income taxes imposed by that state. Based on this limitation, if another state allows a credit for a particular type of income, California will not allow a credit to its residents for income taxes paid to the other state on that same income. Likewise, if another state does not allow a credit to California residents on a particular type of income, California will generally allow a credit to its residents for income taxes paid to the other state and to California on that same income.

Since Oregon does not allow California residents a credit against Oregon income taxes for income taxes paid to California on "qualifying compensation," California will generally allow a credit to its residents for income taxes paid to Oregon on "qualifying compensation," subject to any applicable limitations.

Please be advised that the tax consequences expressed in this letter are based upon and limited to the facts you have provided, including but not limited to the assumed consequences of Oregon law. You should also be aware the discussion above would

¹ All references to "qualifying compensation" hereinafter will refer to "qualifying compensation" as defined under section 1, chapter 559, Oregon Laws 2005.

no longer be applicable should a change occur in relevant statutory, administrative, or judicial interpretation of Oregon or California law. This letter is provided for information only and is not to be considered "written advice from the board" within the meaning of RTC section 21012.

Sincerely,

Jenna Mayfield
Tax Counsel