

**CHAPTER 7.06  
PERSONAL INCOME TAX**

1. Amend Section 7.06.090 as follows, with red text representing inserted text and ~~strikethrough~~ representing deleted text.
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**7.06.090 Deduction for Pass-through Income**

- (a) A taxfiler is allowed a deduction from taxable income for pass-through income subject to tax under Metro Chapter 7.07 Business Income Tax. Pass-through income comes from a business whose net income is taxed on the owners' or partners' personal tax returns. This includes, but is not limited to, entities taxed as partnerships and S corporations.
- (b) The deduction amount allowed in subsection (a) is the individual owners' or partners' distributive share of income **apportionable to Metro** on the **pass-through entity's** Metro Business Income Tax return, as calculated and reported to the owner or partner by the business. **The administrator will provide guidance in calculating this amount. If the Metro Business Income Tax return has not been filed for the relevant tax year, then no deduction is allowed.**
- (c) If the taxable income per the Metro Business Income Tax return is zero, **or a net operating loss**, the taxfiler is not allowed a deduction **under subsection (a)**. **The amount of the deduction cannot exceed the amount determined under subsection (b).**
- (d) A taxfiler is allowed a deduction for a pass-through net operating loss from a business subject to tax under Metro Code Chapter 7.07, Business Income Tax.**
- (e) The deduction amount allowed in subsection (d) is limited to the current year's pass-through net operating loss included in Oregon taxable income for a resident or Metro sourced income for a nonresident. This net operating loss can only be used in the current year and cannot be carried to any other year to be used as a deduction. Any carryover deduction of this net operating loss included in federal or Oregon taxable income in another tax year must be added back to the extent it is included in federal or Oregon taxable income.**
- (f) A taxfiler is allowed a deduction for a pass-through net operating loss or net operating loss deductions from businesses not subject to tax under Metro Code Chapter 7.07, Business Income Tax.**
- (g) The deduction amount allowed in subsection (f) is limited to the pass-through net operating loss or net operating loss deduction included in Oregon taxable income for a resident or Multnomah County sourced income for a nonresident.**

(h) Passive activity losses that are not from a pass-through entity will be treated similarly to Oregon for personal income tax purposes to the extent they are included in Oregon taxable income or, for a nonresident, included in County sourced income.