

# Federal Tax Provisions Scheduled to Sunset in 2025

Senate Interim Committee on Finance & Revenue

Sept. 24<sup>th</sup>, 2024 | LRO





# Overview of Presentation

- Brief update on federal tax provisions sunseting in 2025
- Background and context
- Oregon's connection to federal tax law
- Summary of tax provisions
- Links to related presentations







# Background and Context

- Federal Tax Cuts and Jobs Act of 2017
  - Substantial piece of federal tax legislation
  - Personal income tax changes were largely temporary
    - Applicable for tax years 2018 through 2025 (sunset 12/31/2025)
  - Corporate tax changes were largely permanent (no sunset date)
- 34 total federal provisions scheduled to sunset as of 12/31/25
  - Not all provisions impact Oregon tax (e.g. – Premium Tax Credit)
- Absent federal legislation, applicable pre-TCJA tax provisions will once again take effect beginning with tax year 2026

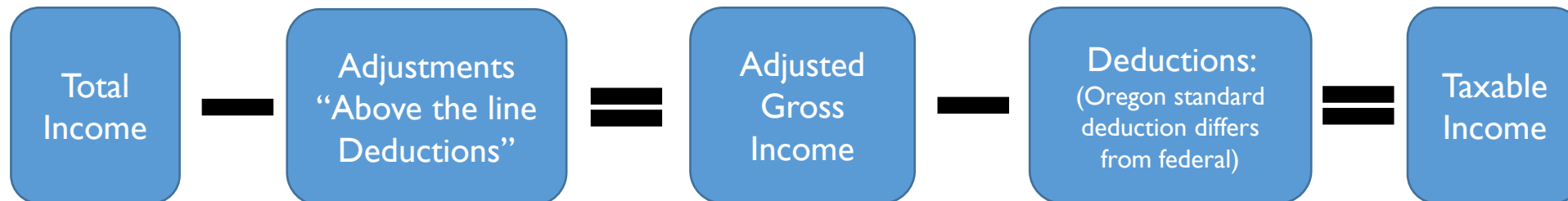






# Oregon's Connection to Federal Tax Law

- Oregon has two connection points to federal tax law
  - Continuous connection to federal definition of taxable income
  - Point-in-time connection for everything else
- Personal Income Tax (PIT connection)



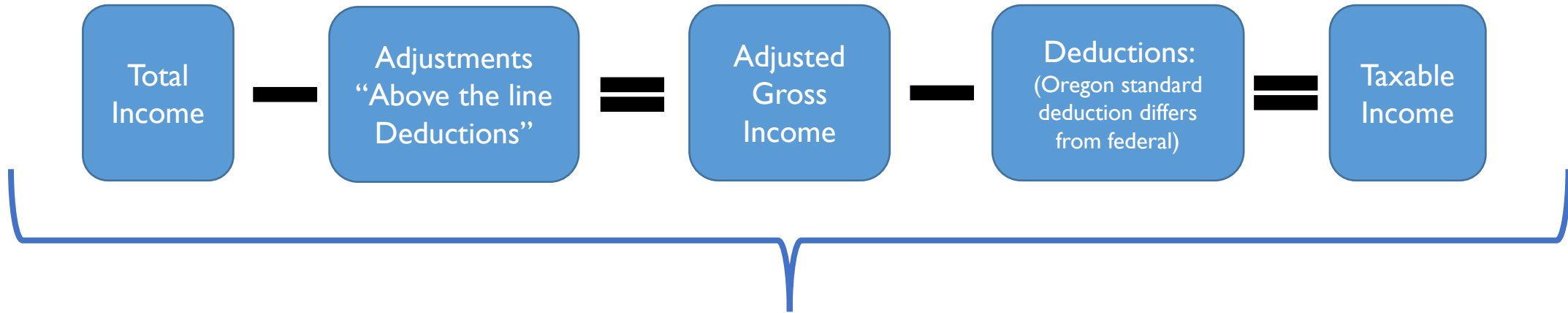
- Corporate
  - Connected to taxable income before net operating loss deduction







# Zooming in on PIT Connection



- ***Impact to tax base*** - Changes in federal tax law flow through to Oregon tax base
- ***Secondary impact*** – Results from Oregon’s income tax subtraction of federal income tax liability







# Summary of Federal Provisions

- Tax Base Changes
  - Directly flow through to Oregon tax policy through connection to taxable income
- Federal Tax Subtraction
  - Reflects Oregon's tax subtraction for federal tax liability
  - Generally, OR revenue impact response is inverse to federal tax change

Individual Provisions Effective Beginning TY 2026			
	Policy	Federal Tax	Oregon Tax
<b>Tax Base</b>	Itemized Deductions	-	-
	Moving Expenses	-	-
	Qual. Pass Thru Deduction	+	N/A
	Student Loan Forgiveness	+	+
<b>Fed. Tax Subt.</b>	Tax Rates	+	-
	Personal Exemption	-	+
	Standard Deduction	+	-
	Alternative Minimum Tax	+	-
	Child Tax Credit	+	-







# Changes to Itemized Deductions

- Deduction for state and local taxes (SALT)
  - Eliminates \$10K limit on SALT deduction
  - Federal SALT deduction: state income tax, local income tax, property tax
  - Oregon SALT deduction: ~~state income tax~~, local income tax, property tax
- Mortgage interest limitations
  - Deduction limited to ~~\$750K~~ \$1M of mortgage indebtedness
  - Home equity interest, ~~required to be used to buy, build, or substantially improve the home~~
- Charitable donation limits
  - Deduction limited to ~~60%~~ 50% of income for cash contribution

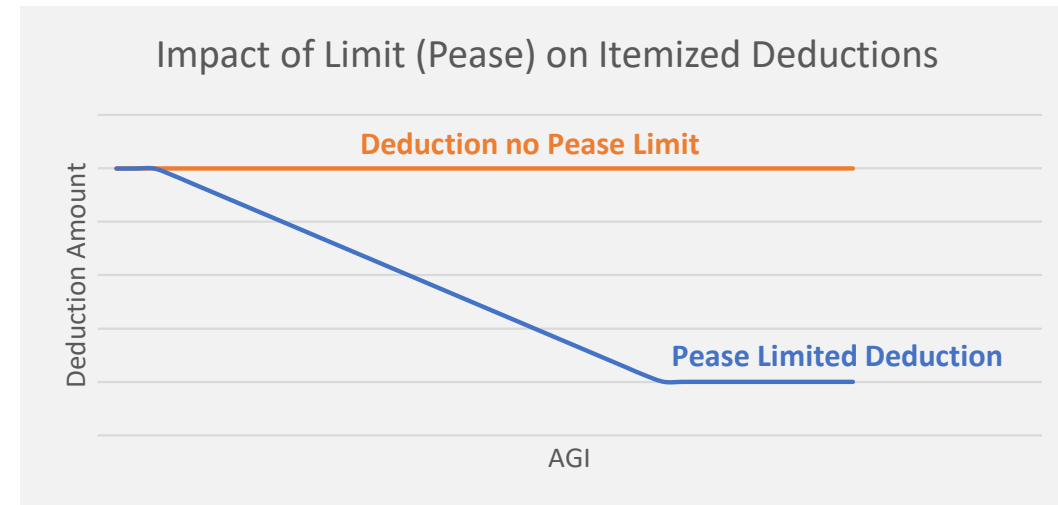






# Changes to Itemized Deductions, cont.

- Reinstate certain miscellaneous itemized deductions
  - Deduction for expenses exceeding 2% of taxpayer's AGI
  - E.G.: unreimbursed employee expenses, tax preparation fees, some legal fees
- Personal casualty losses
  - Eliminate requirement of federally declared disaster (deduction is amount exceeding 10% of AGI)
  - OR personal casualty loss subtraction - HB 2812 (2023): Applies TYs 2020-2025
- Pease limitation on itemized deductions







# Other Federal Tax Change Proposals

- Presentation specific to current law expiring tax provisions
- Expiring TCJA provisions may be impetus for other federal tax change proposals
- Timing
  - Provisions expire following tax year 2025
  - Federal legislation could come in late 2025 (if at all)







# Links to Related Presentations

- Tax Cuts and Jobs Act (TCJA) [\(2017\)](#)
- Connection to itemized deductions [\(2018\)](#)
- Federal connection [\(2020\)](#)
- Oregon's federal tax subtraction [\(2021\)](#)
- Itemized SALT deduction [\(2022\)](#)
- Joint Committee on Taxation: List of Expiring Federal Tax Provisions [2024-2034](#)





# Legislative Revenue Office

<https://www.oregonlegislature.gov/lro>

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