

Federal Tax Provisions Scheduled to Sunset in 2025



Senate Interim Committee on Finance & Revenue

Sept. 24th, 2024 | LRO



Overview of Presentation

- Brief update on federal tax provisions sunsetting 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

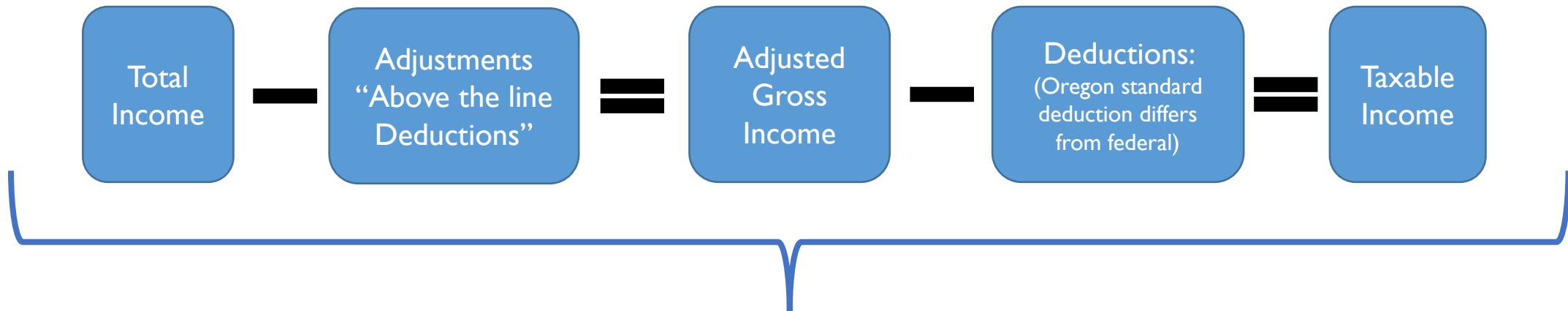
- Oregon has two connection points to federal tax law
 - Continuous connection to federal definition of taxable income
 - Point-in-time connection for everything else
- Personal Income Tax (PIT connection)



- 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	Oregon
		Tax	Tax
	Itemized Deductions	-	-
Tax	Moving Expenses	-	-
Base	Qual. Pass Thru Deduction	+	N/A
	Student Loan Forgiveness	+	+
	Tax Rates	+	-
Fed.	Personal Exemption	-	+
Tax	Standard Deduction	+	-
Subt.	Alternative Minimum Tax	+	-
	Child Tax Credit	+	-



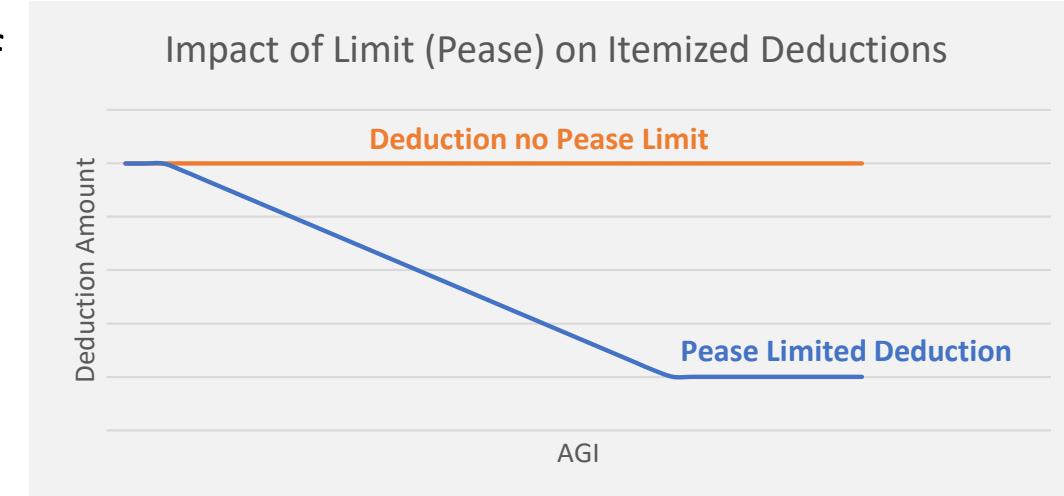
Changes to Itemized Deductions

- 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

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