

**REVENUE IMPACT OF  
PROPOSED LEGISLATION**  
82nd Oregon Legislative Assembly  
2023 Regular Session  
Legislative Revenue Office

<b>Bill Number:</b>	<b>SB 158 - A</b>
<b>Revenue Area:</b>	<b>Income Taxes</b>
<b>Economist:</b>	<b>Kyle Easton</b>
<b>Date:</b>	<b>4/6/2023</b>

*Only Impacts on Original or Engrossed  
Versions are Considered Official*

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**Measure Description:**

Extends applicability of pass-through business alternative income tax (PTE-E) and related personal income tax credit by two years. Allows trusts to be members of a pass-through entity electing to be liable for Oregon's PTE-E tax. Requires a pass-through entity to add back any amount of Oregon tax deducted by the pass-through entity at the entity level for purposes of determining liability for Oregon's PTE-E tax. Allows overpayment of PTE-E tax to be applied against an installment of taxpayer's subsequent tax year estimated tax. Applies to tax years beginning on or after January 1, 2023, and before January 1, 2026.

**Revenue Impact:**

The underlying tax and credit program is designed to be net revenue neutral for Oregon with a federal tax benefit for participating taxpayers. The Oregon income tax credit is designed to offset the tax paid by the pass-through business entity. Participation in the program is voluntary and should be driven by the extent to which personal business owners have state tax liabilities large enough to exceed the \$10,000 limit on the federal deduction for state and local taxes (SALT). To date, about 17,500 accounts have registered for the PTE-E tax and nearly \$1 billion in payments have been received.

Extending the program for two years will align Oregon's tax and credit program applicability with existing federal law limiting personal income SALT deduction which is scheduled to expire following the 2025 tax year. Allowing trusts to be members of a participating pass-through entity will expand the potential use of the tax and credit program as only grantor trusts are currently allowed to be members of a participating pass-through entity. Requiring a pass-through entity to add back pass-through entity tax deducted on their federal return in computing Oregon pass-through entity tax liability will not change net neutrality for Oregon but will potentially yield greater federal tax benefit for taxpayers. Allowing overpayments to be applied against subsequent estimated tax payments is primarily an administrative change. The PTE-E tax and credit program is designed to be revenue neutral for Oregon though there could be a temporal shift of funds across fiscal years or biennia due to changes in timing of entity tax payments and tax credits being claimed.

**Creates, Extends, or Expands Tax Expenditure:** Yes  No