

LC 302  
2026 Regular Session  
1/5/26 (CMT/ps)

# D R A F T

## SUMMARY

Digest: The Act would reduce income taxes and other taxes if the state collects a retail sales tax. (Flesch Readability Score: 70.1).

Reduces taxes imposed under various tax programs, operative conditioned upon imposition of a statewide retail sales tax dedicated to specified purposes. Directs the Department of Revenue to estimate the revenue lost to tax reductions and to direct an equal amount of revenue to various purposes.

Takes effect on the 91st day following adjournment sine die.

## 1 A BILL FOR AN ACT

2 Relating to revenue; creating new provisions; amending ORS 316.037, 317.061,  
3 317.090 and 317A.125; and prescribing an effective date.

4 **Be It Enacted by the People of the State of Oregon:**

5 **SECTION 1.** ORS 317A.125 is amended to read:

6 317A.125. (1) The corporate activity tax imposed under ORS 317A.116 for  
7 each tax year shall equal \$250 plus the product of the taxpayer's taxable  
8 commercial activity in excess of \$1 million for the tax year multiplied by  
9 [0.57] \_\_\_\_\_ percent.

10 (2) A tax is not owed under this section if the person's taxable commercial  
11 activity does not exceed \$1 million.

12 **SECTION 2.** ORS 317.061 is amended to read:

13 317.061. The rate of the tax imposed by and computed under this chapter  
14 is:

15 (1) [*Six and six-tenths*] \_\_\_\_\_ percent of the first \$1 million of taxable  
16 income, or fraction thereof; and

17 (2) [*Seven and six-tenths*] \_\_\_\_\_ percent of any amount of taxable income  
18 in excess of \$1 million.

**NOTE:** Matter in **boldfaced** type in an amended section is new; matter [*italic and bracketed*] is existing law to be omitted.  
New sections are in **boldfaced** type.

1       **SECTION 3.** ORS 317.090 is amended to read:

2       317.090. (1) As used in this section:

3       (a) "Oregon sales" means:

4       (A) If the corporation apportions income under ORS 314.650 to 314.665 for  
5       Oregon tax purposes, the total sales of the taxpayer in this state during the  
6       tax year, as determined for purposes of ORS 314.665;

7       (B) If the corporation does not apportion income for Oregon tax purposes,  
8       the total sales in this state that the taxpayer would have had, as determined  
9       for purposes of ORS 314.665, if the taxpayer were required to apportion in-  
10      come for Oregon tax purposes; or

11      (C) If the corporation apportions income using a method different from  
12      the method prescribed by ORS 314.650 to 314.665, Oregon sales as defined by  
13      the Department of Revenue by rule.

14      (b) If the corporation is an agricultural cooperative that is a cooperative  
15      organization described in section 1381 of the Internal Revenue Code, "Oregon  
16      sales" does not include sales representing business done with or for members  
17      of the agricultural cooperative.

18      (2) Each corporation or affiliated group of corporations filing a return  
19      under ORS 317.710 shall pay annually to the state, for the privilege of car-  
20      rying on or doing business by it within this state, a minimum tax as follows:

21       (a) If Oregon sales properly reported on a return are:

22       (A) Less than \$500,000, the minimum tax is [\$150] \_\_\_\_.

23       (B) \$500,000 or more, but less than \$1 million, the minimum tax is [\$500]  
24       \_\_\_\_\_.

25       (C) \$1 million or more, but less than \$2 million, the minimum tax is  
26       [\$1,000] \_\_\_\_.

27       (D) \$2 million or more, but less than \$3 million, the minimum tax is  
28       [\$1,500] \_\_\_\_.

29       (E) \$3 million or more, but less than \$5 million, the minimum tax is  
30       [\$2,000] \_\_\_\_.

31       (F) \$5 million or more, but less than \$7 million, the minimum tax is

1    [\$4,000] \_\_\_\_\_.

2 (G) \$7 million or more, but less than \$10 million, the minimum tax is  
3 [\$7,500] \_\_\_\_.

4 (H) \$10 million or more, but less than \$25 million, the minimum tax is  
5 [\$15,000] \_\_\_\_\_.

6 (I) \$25 million or more, but less than \$50 million, the minimum tax is  
7 [\$30,000] \_\_\_\_.

8 (J) \$50 million or more, but less than \$75 million, the minimum tax is  
9 [\$50,000] \_\_\_\_.

10 (K) \$75 million or more, but less than \$100 million, the minimum tax is  
11 [\$75,000] \_\_\_\_.

12 (L) \$100 million or more, the minimum tax is [\$100,000] \_\_\_\_.

13 (b) If a corporation is an S corporation, the minimum tax is [\$150]  
14 \_\_\_\_\_.

15 (3) The minimum tax is not apportionable (except in the case of a change  
16 of accounting periods), is payable in full for any part of the year during  
17 which a corporation is subject to tax and may not be reduced, paid or oth-  
18 erwise satisfied through the use of any tax credit.

**SECTION 4.** ORS 316.037 is amended to read:

316.037. (1)(a) A tax is imposed for each taxable year on the entire taxable income of every resident of this state. The amount of the tax shall be determined in accordance with the following table:

23 [ \_\_\_\_\_ ]

24 If taxable income is:                            The tax is:

25

26 Not over \$2,000 4.75% of

27 *taxable*

28 *income*

29

### 30 Over \$2,000 but not

31      *over \$5,000*      *\$95 plus 6.75%*

12 [ \_\_\_\_\_ ]  
13 \_\_\_\_\_

14 If taxable income is: The tax is:

15  
16 Not over \$2,000 \_\_\_\_\_ % of  
17 \_\_\_\_\_ taxable  
18 \_\_\_\_\_ income

## 20 Over \$2,000 but not

## 25 Over \$5,000 but not

26 over \$125,000 \$\_\_\_\_\_ plus \_\_\_\_\_ %  
27  
28 of the excess  
over \$5,000

over \$125,000

(b) For tax years beginning in each calendar year, the Department of Revenue shall adopt a table that shall apply in lieu of the table contained in paragraph (a) of this subsection, as follows:

(A) Except as provided in subparagraph (D) of this paragraph, the minimum and maximum dollar amounts for each bracket for which a tax is imposed shall be increased by the cost-of-living adjustment for the calendar year.

10 (B) The rate applicable to any rate bracket as adjusted under subparagraph  
11 graph (A) of this paragraph may not be changed.

12 (C) The amounts setting forth the tax, to the extent necessary to reflect  
13 the adjustments in the rate brackets, shall be adjusted.

14 (D) The rate brackets applicable to taxable income in excess of \$125,000  
15 may not be adjusted.

16 (c) For purposes of paragraph (b) of this subsection, the cost-of-living ad-  
17 justment for any calendar year is the percentage (if any) by which the  
18 monthly averaged U.S. City Average Consumer Price Index for the 12 con-  
19 secutive months ending August 31 of the prior calendar year exceeds the  
20 monthly averaged index for the second quarter of the calendar year [1992]

21 2026.

22 (d) As used in this subsection, "U.S. City Average Consumer Price  
23 Index" means the U.S. City Average Consumer Price Index for All Urban  
24 Consumers (All Items) as published by the Bureau of Labor Statistics of the  
25 United States Department of Labor.

26 (e) If any increase determined under paragraph (b) of this subsection is  
27 not a multiple of \$50, the increase shall be rounded to the next lower mul-  
28 tiple of \$50.

29 (2) A tax is imposed for each taxable year upon the entire taxable income  
30 of every part-year resident of this state. The amount of the tax shall be  
31 computed under subsection (1) of this section as if the part-year resident

1 were a full-year resident and shall be multiplied by the ratio provided under  
2 ORS 316.117 to determine the tax on income derived from sources within this  
3 state.

4 (3) A tax is imposed for each taxable year on the taxable income of every  
5 full-year nonresident that is derived from sources within this state. The  
6 amount of the tax shall be determined in accordance with the table set forth  
7 in subsection (1) of this section.

8 **SECTION 5. Section 6 of this 2026 Act is added to and made a part**  
9 **of ORS chapter 118.**

10 **SECTION 6. Notwithstanding ORS 118.010 (4), no tax is due under**  
11 **this chapter with respect to the estates of decedents who die on or**  
12 **after the January 1 following the operative date set forth in section 7**  
13 **of this 2026 Act unless the value of the Oregon taxable estate exceeds**  
14 **\$13.99 million.**

15 **SECTION 7. Section 6 of this 2026 Act and the amendments to ORS**  
16 **316.037, 317.061, 317.090 and 317A.125 by sections 1 to 4 of this 2026 Act**  
17 **become operative:**

18 (1) **On the January 1 that first follows the date on which a retail**  
19 **sales tax on goods and services is first collected statewide in Oregon,**  
20 **but in no event later than January 1, 2030; and**

21 (2) **Only if:**

22 (a) **A retail sales tax on goods and services imposed at a rate of at**  
23 **least three percent is enacted and has commenced collection statewide**  
24 **in Oregon on or before January 1, 2030; and**

25 (b) **The proceeds of the retail sales tax described in this section are**  
26 **designated to be used among all of the following purposes:**

27 (A) **For the use of the Oregon Criminal Justice Commission to fund**  
28 **local public safety grants for community corrections, courthouse**  
29 **safety, indigent defense, alternative response, deflection programs,**  
30 **and firefighter and police services.**

31 (B) **For wildfire suppression, landscape resilience, community risk**

1 reduction and suppression costs.

2 (C) To fund the Oregon Conservation Corps Program.

3 (D) To replace reductions in the Fund for Student Success estab-  
4 lished in ORS 327.001 that would result from the amendments to ORS  
5 317A.125 by section 1 of this 2026 Act.

6 (E) To provide 40 additional annual instructional hours in  
7 kindergarten through grade 12 classrooms.

8 (F) To fund statewide economic development strategy, workforce  
9 development and methods for attracting jobs and business to Oregon.

10 (G) To provide for an increase in the earned income tax credit al-  
11 lowed under ORS 315.266.

12 (H) To fund the Employment Related Day Care subsidy program  
13 established under ORS 329A.500.

14 (I) To replace General Fund revenue that would be lost as a result  
15 of section 6 of this 2026 Act and amendments to ORS 316.037, 317.061,  
16 317.090 and 317A.125 by sections 1 to 4 of this 2026 Act.

17 **SECTION 8.** On or before December 31 of each year, beginning with  
18 December 31 of the year during which the operative date specified in  
19 section 7 of this 2026 Act occurs, the Department of Revenue shall:

20 (1) For tax years beginning on or after January 1 of the preceding  
21 year and ending before January 1 of the current year, and for estates  
22 of decedents dying on or after January 1 of the preceding year and  
23 before January 1 of the current year, estimate the decrease, if any, in  
24 the amount of revenue received by the department that would be at-  
25 tributable to section 6 of this 2026 Act and to the amendments to ORS  
26 316.037, 317.061, 317.090 and 317A.125 by sections 1 to 4 of this 2026 Act;  
27 and

28 (2) Transfer an amount equal to the estimate required under sub-  
29 section (1) of this section to the General Fund to be used for the pur-  
30 poses set forth in section 7 of this 2026 Act.

31 **SECTION 9.** (1) Section 6 of this 2026 Act applies to estates of

1 **decedents dying on or after the operative date specified in section 7**  
2 **of this 2026 Act.**

3 **(2) The amendments to ORS 316.037, 317.061, 317.090 and 317A.125 by**  
4 **sections 1 to 4 of this 2026 Act apply to all tax years beginning on or**  
5 **after the operative date specified in section 7 of this 2026 Act.**

6 **SECTION 10. This 2026 Act takes effect on the 91st day after the**  
7 **date on which the 2026 regular session of the Eighty-third Legislative**  
8 **Assembly adjourns sine die.**

9 \_\_\_\_\_