

DRAFT

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.

A BILL FOR AN ACT

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

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

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

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

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

SECTION 2. ORS 317.061 is amended to read:

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

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

(2) [*Seven and six-tenths*] _____ percent of any amount of taxable income 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.

SECTION 3. ORS 317.090 is amended to read:

317.090. (1) As used in this section:

(a) “Oregon sales” means:

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

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

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

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

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

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

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

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

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

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

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

(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.

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

20 316.037. (1)(a) A tax is imposed for each taxable year on the entire taxable
21 income of every resident of this state. The amount of the tax shall be de-
22 termined 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%*

1 *of the excess*

2 *over \$2,000*

3

4 *Over \$5,000 but not*

5 *over \$125,000 \$298 plus 8.75%*

6 *of the excess*

7 *over \$5,000*

8

9 *Over \$125,000 \$10,798 plus 9.9%*

10 *of the excess*

11 *over \$125,000*

12 [_____]

13 _____

14 **If taxable income is: The tax is:**

15

16 **Not over \$2,000 _____ % of**

17 **taxable**

18 **income**

19

20 **Over \$2,000 but not**

21 **over \$5,000 \$_____ plus _____ %**

22 **of the excess**

23 **over \$2,000**

24

25 **Over \$5,000 but not**

26 **over \$125,000 \$_____ plus _____ %**

27 **of the excess**

28 **over \$5,000**

29

30 **Over \$125,000 \$_____ plus _____ %**

31 **of the excess**

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

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

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

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

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

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

(2) Only if:

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

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

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

(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.

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