

DRAFT

SUMMARY

Digest: Updates the tie date to the federal Internal Revenue Code and other federal tax laws. Becomes law 91 days from sine die. (Flesch Readability Score: 64.9).

Updates the connection date to the federal Internal Revenue Code and other provisions of federal tax law.

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

A BILL FOR AN ACT

Relating to connection to federal tax law; creating new provisions; amending ORS 178.300, 178.375, 238A.005, 238A.125, 238A.150, 238A.170, 238A.230, 238A.370, 238A.400, 238A.410, 238A.415, 238A.430, 238A.435, 305.239, 305.494, 305.690, 305.842, 314.011, 314.306, 315.004, 316.012, 316.147, 316.157, 317.010, 317.097, 317A.100, 458.670, 657.010 and 657B.010; and prescribing an effective date.

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

SECTION 1. ORS 178.300 is amended to read:

178.300. As used in ORS 178.300 to 178.360:

(1) “Account” means an individual account established in accordance with ORS 178.300 to 178.360.

(2) “Account owner” means the person who has the right to withdraw funds from the account. The account owner may also be the designated beneficiary of the account.

(3) “Board” means the Oregon 529 Savings Board established under ORS 178.310.

(4) “Designated beneficiary” means, except as provided in ORS 178.350,

1 the individual designated at the time the account is opened as having the
2 right to receive a qualified withdrawal for the payment of qualified higher
3 education expenses, or if the designated beneficiary is replaced in accordance
4 with ORS 178.350, the replacement.

5 (5) “Financial institution” means a bank, a commercial bank, a national
6 bank, a savings bank, a savings and loan, a thrift institution, a credit union,
7 an insurance company, a trust company, a mutual fund, an investment firm
8 or other similar entity authorized to do business in this state.

9 (6) “Higher education institution” means an eligible education institution
10 as defined in section 529(e)(5) of the Internal Revenue Code.

11 (7) “Internal Revenue Code” means the federal Internal Revenue Code as
12 amended and in effect on December 31, [2023] **2025**.

13 (8) “Member of the family” shall have the same meaning as contained in
14 section 529(e) of the Internal Revenue Code.

15 (9) “Network” means the Oregon 529 Savings Network established under
16 ORS 178.305.

17 (10) “Nonqualified withdrawal” means a withdrawal from an account that
18 is not a qualified withdrawal.

19 (11) “Qualified higher education expenses” means tuition and other per-
20 mitted expenses as set forth in section 529(e) of the Internal Revenue Code
21 for the enrollment or attendance of a designated beneficiary at a higher ed-
22 ucation institution, expenses associated with registered apprenticeship pro-
23 grams described in section 529(c)(8) of the Internal Revenue Code and
24 amounts paid as principal or interest on a qualified education loan to the
25 extent allowed under section 529(c)(9) of the Internal Revenue Code.

26 (12) “Qualified withdrawal” means a withdrawal made as prescribed under
27 ORS 178.355 and made:

28 (a) From an account to pay the qualified higher education expenses of the
29 designated beneficiary;

30 (b) As the result of the death or disability of the designated beneficiary;

31 (c) As the result of a scholarship, allowance or payment described in

1 section 135(d)(1)(A), (B) or (C) of the Internal Revenue Code that is received
2 by the designated beneficiary, but only to the extent of the amount of the
3 scholarship, allowance or payment; or

4 (d) As a rollover or change in the designated beneficiary described in ORS
5 178.350.

6 **SECTION 2.** ORS 178.375 is amended to read:

7 178.375. As used in this section and ORS 178.380 and 178.385:

8 (1) “ABLE account” means an account established by an eligible individ-
9 ual, owned by the eligible individual and maintained under the qualified
10 ABLE program established by the Oregon 529 Savings Board under ORS
11 178.380.

12 (2) “ABLE Act” means the Stephen Beck, Jr., Achieving a Better Life
13 Experience Act of 2014 (Division B of P.L. 113-295).

14 (3) “Designated beneficiary” has the same meaning as contained in section
15 529A of the Internal Revenue Code.

16 (4) “Eligible individual” has the same meaning as contained in section
17 529A of the Internal Revenue Code.

18 (5) “Internal Revenue Code” means the federal Internal Revenue Code as
19 amended and in effect on December 31, [2023] **2025**.

20 (6) “Qualified disability expense” has the same meaning as contained in
21 section 529A of the Internal Revenue Code.

22 **SECTION 3.** ORS 238A.005 is amended to read:

23 238A.005. For the purposes of this chapter:

24 (1) “Active member” means a member of the pension program or the in-
25 dividual account program of the Oregon Public Service Retirement Plan who
26 is actively employed in a qualifying position.

27 (2) “Actuarial equivalent” means a payment or series of payments having
28 the same value as the payment or series of payments replaced, computed on
29 the basis of interest rate and mortality assumptions adopted by the board.

30 (3) “Board” means the Public Employees Retirement Board.

31 (4) “Eligible employee” means a person who performs services for a par-

1 participating public employer, including persons considered employees of a par-
2 ticipating public employer under 26 U.S.C. 3121(d)(2), as in effect on January
3 1, [2024] **2026**, and elected officials other than judges. “Eligible employee”
4 does not include:

5 (a) Persons engaged as independent contractors;

6 (b) Aliens working under a training or educational visa;

7 (c) Persons provided sheltered employment or make-work by a public em-
8 ployer;

9 (d) Persons categorized by a participating public employer as student
10 employees;

11 (e) Any person who is in custody in a state institution;

12 (f) Employees of foreign trade offices of the Oregon Business Development
13 Department who live and perform services in foreign countries under the
14 provisions of ORS 285A.075 (1)(g);

15 (g) An employee actively participating in an alternative retirement pro-
16 gram established under ORS 353.250 or an optional retirement plan estab-
17 lished under ORS 341.551;

18 (h) Employees of a public university listed in ORS 352.002 who are ac-
19 tively participating in an optional retirement plan offered under ORS 243.815;

20 (i) Persons employed in positions classified as post-doctoral scholar posi-
21 tions by a public university listed in ORS 352.002, or by the Oregon Health
22 and Science University, under ORS 350.370;

23 (j) Any employee who belongs to a class of employees that was not eligi-
24 ble on August 28, 2003, for membership in the system under the provisions
25 of ORS chapter 238 or other law;

26 (k) Any person who belongs to a class of employees who are not eligible
27 to become members of the Oregon Public Service Retirement Plan under the
28 provisions of ORS 238A.070 (2);

29 (L) Any person who is retired under ORS 238A.100 to 238A.250 or ORS
30 chapter 238 and who continues to receive retirement benefits while employed;
31 and

1 (m) Judges.

2 (5) "Firefighter" means:

3 (a) A person employed by a local government, as defined in ORS 174.116,
4 whose primary job duties include the fighting of fires;

5 (b) The State Fire Marshal, chief deputy state fire marshals and deputy
6 state fire marshals;

7 (c) An employee of the State Fire Marshal whose primary duties include
8 fire investigation, fire prevention, fire safety, fire control or fire suppression;

9 (d) An employee of the State Forestry Department who is certified by the
10 State Forester as a professional wildland firefighter and whose primary du-
11 ties include the abatement of uncontrolled fires as described in ORS 477.064;
12 and

13 (e) An employee of the Oregon Military Department whose primary duties
14 include fighting structural, aircraft, wildland or other fires.

15 (6) "Fund" means the Public Employees Retirement Fund.

16 (7)(a) "Hour of service" means:

17 (A) An hour for which an eligible employee is directly or indirectly paid
18 or entitled to payment by a participating public employer for performance
19 of duties in a qualifying position; and

20 (B) An hour of vacation, holiday, illness, incapacity, jury duty, military
21 duty or authorized leave during which an employee does not perform duties
22 but for which the employee is directly or indirectly paid or entitled to pay-
23 ment by a participating public employer for services in a qualifying position,
24 as long as the hour is within the number of hours regularly scheduled for
25 the performance of duties during the period of vacation, holiday, illness, in-
26 capacity, jury duty, military duty or authorized leave.

27 (b) "Hour of service" does not include any hour for which payment is
28 made or due under a plan maintained solely for the purpose of complying
29 with applicable unemployment compensation laws.

30 (8) "Inactive member" means a member of the pension program or the
31 individual account program of the Oregon Public Service Retirement Plan

1 whose membership has not been terminated, who is not a retired member and
2 who is not employed in a qualifying position.

3 (9) "Individual account program" means the defined contribution individ-
4 ual account program of the Oregon Public Service Retirement Plan estab-
5 lished under ORS 238A.025.

6 (10) "Institution of higher education" means a public university listed in
7 ORS 352.002, the Oregon Health and Science University or a community
8 college, as defined in ORS 341.005.

9 (11) "Member" means an eligible employee who has established member-
10 ship in the pension program or the individual account program of the Oregon
11 Public Service Retirement Plan and whose membership has not been termi-
12 nated under ORS 238A.110 or 238A.310.

13 (12) "Participating public employer" means a public employer as defined
14 in ORS 238.005 that provides retirement benefits for employees of the public
15 employer under the system.

16 (13) "Pension program" means the defined benefit pension program of the
17 Oregon Public Service Retirement Plan established under ORS 238A.025.

18 (14) "Police officer" means a police officer as described in ORS 238.005.

19 (15) "Qualifying position" means one or more jobs with one or more par-
20 ticipating public employers in which an eligible employee performs 600 or
21 more hours of service in a full calendar year, or would perform 600 or more
22 hours of service if the employee were employed for the full calendar year,
23 excluding any service in a job for which benefits are not provided under the
24 Oregon Public Service Retirement Plan pursuant to ORS 238A.070 (2).

25 (16) "Retired member" means a pension program member who is receiving
26 a pension as provided in ORS 238A.180 to 238A.195.

27 (17)(a) "Salary" means the remuneration paid to an active member in re-
28 turn for services to the participating public employer, including
29 remuneration in the form of living quarters, board or other items of value,
30 to the extent the remuneration is, or would be if the member were an Oregon
31 resident, includable in the employee's taxable income under Oregon law.

1 “Salary” includes the additional amounts specified in paragraph (b) of this
2 subsection, but does not include the amounts specified in paragraph (c) of
3 this subsection, regardless of whether those amounts are includable in taxa-
4 ble income.

5 (b) “Salary” includes the following amounts:

6 (A) Payments of employee and employer money into a deferred compen-
7 sation plan that are made at the election of the employee.

8 (B) Contributions to a tax-sheltered or deferred annuity that are made at
9 the election of the employee.

10 (C) Any amount that is contributed to a cafeteria plan or qualified
11 transportation fringe benefit plan by the employer at the election of the
12 employee and that is not includable in the taxable income of the employee
13 by reason of 26 U.S.C. 125 or 132(f)(4), as in effect on December 31, [2023]
14 **2025**.

15 (D) Any amount that is contributed to a cash or deferred arrangement by
16 the employer at the election of the employee and that is not included in the
17 taxable income of the employee by reason of 26 U.S.C. 402(e)(3), as in effect
18 on December 31, [2023] **2025**.

19 (E) Retroactive payments described in ORS 238.008.

20 (F) The amount of an employee contribution to the individual account
21 program that is paid by the employer and deducted from the compensation
22 of the employee, as provided under ORS 238A.335 (1) and (2)(a).

23 (G) The amount of an employee contribution to the individual account
24 program that is not paid by the employer under ORS 238A.335.

25 (H) Wages of a deceased member paid to a surviving spouse or dependent
26 children under ORS 652.190.

27 (c) “Salary” does not include the following amounts:

28 (A) Travel or any other expenses incidental to employer’s business which
29 is reimbursed by the employer.

30 (B) Payments made on account of an employee’s death.

31 (C) Any lump sum payment for accumulated unused sick leave, vacation

1 leave or other paid leave.

2 (D) Any severance payment, accelerated payment of an employment con-
3 tract for a future period or advance against future wages.

4 (E) Any retirement incentive, retirement bonus or retirement gratuitous
5 payment.

6 (F) Payment for a leave of absence after the date the employer and em-
7 ployee have agreed that no future services in a qualifying position will be
8 performed.

9 (G) Payments for instructional services rendered to public universities
10 listed in ORS 352.002 or the Oregon Health and Science University when
11 those services are in excess of full-time employment subject to this chapter.
12 A person employed under a contract for less than 12 months is subject to this
13 subparagraph only for the months covered by the contract.

14 (H) The amount of an employee contribution to the individual account
15 program that is paid by the employer and is not deducted from the compen-
16 sation of the employee, as provided under ORS 238A.335 (1) and (2)(b).

17 (I) Compensation described and authorized under ORS 341.556 that is not
18 paid by the community college employing the faculty member.

19 (J) Compensation described and authorized under ORS 352.232 that is not
20 paid by the public university employing the officer or employee.

21 (K) Compensation described and authorized under ORS 353.270 that is not
22 paid by Oregon Health and Science University.

23 (L) For years before 2020, any amount in excess of \$200,000 for a calendar
24 year. If any period over which salary is determined is less than 12 months,
25 the \$200,000 limitation for that period shall be multiplied by a fraction, the
26 numerator of which is the number of months in the determination period and
27 the denominator of which is 12. The board shall adopt rules adjusting this
28 dollar limit to incorporate cost-of-living adjustments authorized by the
29 Internal Revenue Service.

30 (M) For years beginning on or after January 1, 2020, any amount in excess
31 of \$195,000 for a calendar year. If any period over which salary is determined

1 is less than 12 months, the \$195,000 limitation for that period shall be
2 multiplied by a fraction, the numerator of which is the number of months in
3 the determination period and the denominator of which is 12. On January 1
4 of each year, the board shall adjust the dollar limit provided by this sub-
5 paragraph to reflect any percentage changes in the Consumer Price Index for
6 All Urban Consumers, West Region (All Items), as published by the Bureau
7 of Labor Statistics of the United States Department of Labor.

8 (18) “System” means the Public Employees Retirement System.

9 (19) “Workers’ compensation benefits” means:

10 (a) Payments made under ORS chapter 656; or

11 (b) Payments provided in lieu of workers’ compensation benefits under
12 ORS 656.027 (6).

13 **SECTION 4.** ORS 238A.005, as amended by section 2, chapter 101, Oregon
14 Laws 2024, is amended to read:

15 238A.005. For the purposes of this chapter:

16 (1) “Active member” means a member of the pension program or the in-
17 dividual account program of the Oregon Public Service Retirement Plan who
18 is actively employed in a qualifying position.

19 (2) “Actuarial equivalent” means a payment or series of payments having
20 the same value as the payment or series of payments replaced, computed on
21 the basis of interest rate and mortality assumptions adopted by the board.

22 (3) “Board” means the Public Employees Retirement Board.

23 (4) “Eligible employee” means a person who performs services for a par-
24 ticipating public employer, including persons considered employees of a par-
25 ticipating public employer under 26 U.S.C. 3121(d)(2), as in effect on January
26 1, [2024] **2026**, and elected officials other than judges. “Eligible employee”
27 does not include:

28 (a) Persons engaged as independent contractors;

29 (b) Aliens working under a training or educational visa;

30 (c) Persons provided sheltered employment or make-work by a public em-
31 ployer;

1 (d) Persons categorized by a participating public employer as student
2 employees;

3 (e) Any person who is in custody in a state institution;

4 (f) Employees of foreign trade offices of the Oregon Business Development
5 Department who live and perform services in foreign countries under the
6 provisions of ORS 285A.075 (1)(g);

7 (g) An employee actively participating in an alternative retirement pro-
8 gram established under ORS 353.250 or an optional retirement plan estab-
9 lished under ORS 341.551;

10 (h) Employees of a public university listed in ORS 352.002 who are ac-
11 tively participating in an optional retirement plan offered under ORS 243.815;

12 (i) Persons employed in positions classified as post-doctoral scholar posi-
13 tions by a public university listed in ORS 352.002, or by the Oregon Health
14 and Science University, under ORS 350.370;

15 (j) Any employee who belongs to a class of employees that was not eligi-
16 ble on August 28, 2003, for membership in the system under the provisions
17 of ORS chapter 238 or other law;

18 (k) Any person who belongs to a class of employees who are not eligible
19 to become members of the Oregon Public Service Retirement Plan under the
20 provisions of ORS 238A.070 (2);

21 (L) Any person who is retired under ORS 238A.100 to 238A.250 or ORS
22 chapter 238 and who continues to receive retirement benefits while employed;
23 and

24 (m) Judges.

25 (5) "Firefighter" means:

26 (a) A person employed by a local government, as defined in ORS 174.116,
27 whose primary job duties include the fighting of fires;

28 (b) The State Fire Marshal, chief deputy state fire marshals and deputy
29 state fire marshals;

30 (c) An employee of the State Fire Marshal whose primary duties include
31 fire investigation, fire prevention, fire safety, fire control or fire suppression;

1 (d) An employee of the State Forestry Department who is certified by the
2 State Forester as a professional wildland firefighter and whose primary du-
3 ties include the abatement of uncontrolled fires as described in ORS 477.064;
4 and

5 (e) An employee of the Oregon Military Department whose primary duties
6 include fighting structural, aircraft, wildland or other fires.

7 (6) "Fund" means the Public Employees Retirement Fund.

8 (7)(a) "Hazardous position" means a position that does not meet the defi-
9 nition of a qualified public safety employee under section 72(t)(10)(B) of the
10 Internal Revenue Code, but that:

11 (A) Requires the person holding the position to work with or manage
12 emergency or traumatic events in the regular course of work; or

13 (B) Carries a high risk of physical harm.

14 (b) "Hazardous position" includes and is limited to:

15 (A) Employees of the Oregon State Hospital who have direct contact with
16 patients; and

17 (B) Telecommunicators, as defined in ORS 181A.355.

18 (8)(a) "Hour of service" means:

19 (A) An hour for which an eligible employee is directly or indirectly paid
20 or entitled to payment by a participating public employer for performance
21 of duties in a qualifying position; and

22 (B) An hour of vacation, holiday, illness, incapacity, jury duty, military
23 duty or authorized leave during which an employee does not perform duties
24 but for which the employee is directly or indirectly paid or entitled to pay-
25 ment by a participating public employer for services in a qualifying position,
26 as long as the hour is within the number of hours regularly scheduled for
27 the performance of duties during the period of vacation, holiday, illness, in-
28 capacity, jury duty, military duty or authorized leave.

29 (b) "Hour of service" does not include any hour for which payment is
30 made or due under a plan maintained solely for the purpose of complying
31 with applicable unemployment compensation laws.

1 (9) "Inactive member" means a member of the pension program or the
2 individual account program of the Oregon Public Service Retirement Plan
3 whose membership has not been terminated, who is not a retired member and
4 who is not employed in a qualifying position.

5 (10) "Individual account program" means the defined contribution indi-
6 vidual account program of the Oregon Public Service Retirement Plan es-
7 tablished under ORS 238A.025.

8 (11) "Institution of higher education" means a public university listed in
9 ORS 352.002, the Oregon Health and Science University or a community
10 college, as defined in ORS 341.005.

11 (12) "Member" means an eligible employee who has established member-
12 ship in the pension program or the individual account program of the Oregon
13 Public Service Retirement Plan and whose membership has not been termi-
14 nated under ORS 238A.110 or 238A.310.

15 (13) "Participating public employer" means a public employer as defined
16 in ORS 238.005 that provides retirement benefits for employees of the public
17 employer under the system.

18 (14) "Pension program" means the defined benefit pension program of the
19 Oregon Public Service Retirement Plan established under ORS 238A.025.

20 (15) "Police officer" means a police officer as described in ORS 238.005.

21 (16) "Qualifying position" means one or more jobs with one or more par-
22 ticipating public employers in which an eligible employee performs 600 or
23 more hours of service in a full calendar year, or would perform 600 or more
24 hours of service if the employee were employed for the full calendar year,
25 excluding any service in a job for which benefits are not provided under the
26 Oregon Public Service Retirement Plan pursuant to ORS 238A.070 (2).

27 (17) "Retired member" means a pension program member who is receiving
28 a pension as provided in ORS 238A.180 to 238A.195.

29 (18)(a) "Salary" means the remuneration paid to an active member in re-
30 turn for services to the participating public employer, including
31 remuneration in the form of living quarters, board or other items of value,

1 to the extent the remuneration is, or would be if the member were an Oregon
2 resident, includable in the employee's taxable income under Oregon law.
3 "Salary" includes the additional amounts specified in paragraph (b) of this
4 subsection, but does not include the amounts specified in paragraph (c) of
5 this subsection, regardless of whether those amounts are includable in taxa-
6 ble income.

7 (b) "Salary" includes the following amounts:

8 (A) Payments of employee and employer money into a deferred compen-
9 sation plan that are made at the election of the employee.

10 (B) Contributions to a tax-sheltered or deferred annuity that are made at
11 the election of the employee.

12 (C) Any amount that is contributed to a cafeteria plan or qualified
13 transportation fringe benefit plan by the employer at the election of the
14 employee and that is not includable in the taxable income of the employee
15 by reason of 26 U.S.C. 125 or 132(f)(4), as in effect on December 31, [2023]
16 **2025**.

17 (D) Any amount that is contributed to a cash or deferred arrangement by
18 the employer at the election of the employee and that is not included in the
19 taxable income of the employee by reason of 26 U.S.C. 402(e)(3), as in effect
20 on December 31, [2023] **2025**.

21 (E) Retroactive payments described in ORS 238.008.

22 (F) The amount of an employee contribution to the individual account
23 program that is paid by the employer and deducted from the compensation
24 of the employee, as provided under ORS 238A.335 (1) and (2)(a).

25 (G) The amount of an employee contribution to the individual account
26 program that is not paid by the employer under ORS 238A.335.

27 (H) Wages of a deceased member paid to a surviving spouse or dependent
28 children under ORS 652.190.

29 (c) "Salary" does not include the following amounts:

30 (A) Travel or any other expenses incidental to employer's business which
31 is reimbursed by the employer.

1 (B) Payments made on account of an employee's death.

2 (C) Any lump sum payment for accumulated unused sick leave, vacation
3 leave or other paid leave.

4 (D) Any severance payment, accelerated payment of an employment con-
5 tract for a future period or advance against future wages.

6 (E) Any retirement incentive, retirement bonus or retirement gratuitous
7 payment.

8 (F) Payment for a leave of absence after the date the employer and em-
9 ployee have agreed that no future services in a qualifying position will be
10 performed.

11 (G) Payments for instructional services rendered to public universities
12 listed in ORS 352.002 or the Oregon Health and Science University when
13 those services are in excess of full-time employment subject to this chapter.
14 A person employed under a contract for less than 12 months is subject to this
15 subparagraph only for the months covered by the contract.

16 (H) The amount of an employee contribution to the individual account
17 program that is paid by the employer and is not deducted from the compen-
18 sation of the employee, as provided under ORS 238A.335 (1) and (2)(b).

19 (I) Compensation described and authorized under ORS 341.556 that is not
20 paid by the community college employing the faculty member.

21 (J) Compensation described and authorized under ORS 352.232 that is not
22 paid by the public university employing the officer or employee.

23 (K) Compensation described and authorized under ORS 353.270 that is not
24 paid by Oregon Health and Science University.

25 (L) For years before 2020, any amount in excess of \$200,000 for a calendar
26 year. If any period over which salary is determined is less than 12 months,
27 the \$200,000 limitation for that period shall be multiplied by a fraction, the
28 numerator of which is the number of months in the determination period and
29 the denominator of which is 12. The board shall adopt rules adjusting this
30 dollar limit to incorporate cost-of-living adjustments authorized by the
31 Internal Revenue Service.

1 (M) For years beginning on or after January 1, 2020, any amount in excess
2 of \$195,000 for a calendar year. If any period over which salary is determined
3 is less than 12 months, the \$195,000 limitation for that period shall be
4 multiplied by a fraction, the numerator of which is the number of months in
5 the determination period and the denominator of which is 12. On January 1
6 of each year, the board shall adjust the dollar limit provided by this sub-
7 paragraph to reflect any percentage changes in the Consumer Price Index for
8 All Urban Consumers, West Region (All Items), as published by the Bureau
9 of Labor Statistics of the United States Department of Labor.

10 (19) “System” means the Public Employees Retirement System.

11 (20) “Workers’ compensation benefits” means:

12 (a) Payments made under ORS chapter 656; or

13 (b) Payments provided in lieu of workers’ compensation benefits under
14 ORS 656.027 (6).

15 **SECTION 5.** ORS 238A.125 is amended to read:

16 238A.125. (1) Upon retiring at normal retirement age, a vested pension
17 program member shall be paid an annual pension for the life of the member
18 as follows:

19 (a) For service as a police officer or firefighter, 1.8 percent of final aver-
20 age salary multiplied by the number of years of retirement credit attributable
21 to service as a police officer or firefighter.

22 (b) For service as other than a police officer or firefighter, 1.5 percent
23 of final average salary multiplied by the number of years of retirement credit
24 attributable to service as other than a police officer or firefighter.

25 (2) Notwithstanding any provision of ORS 238A.100 to 238A.250, the an-
26 nual benefit payable to a member under the pension program and under any
27 other tax-qualified defined benefit plan maintained by the participating pub-
28 lic employer may not exceed the applicable limitations set forth in 26 U.S.C.
29 415(b), as in effect on December 31, [2023] **2025**. The Public Employees Re-
30 tirement Board shall adopt rules for the administration of this limitation,
31 including adjustments in the annual dollar limitation to reflect cost-of-living

1 adjustments authorized by the Internal Revenue Service.

2 (3) The board shall make no actuarial adjustment in a member's pension
3 calculated under this section by reason of the member's retirement after
4 normal retirement age.

5 **SECTION 6.** ORS 238A.125, as amended by section 3, chapter 101, Oregon
6 Laws 2024, is amended to read:

7 238A.125. (1) Upon retiring at normal retirement age, a vested pension
8 program member shall be paid an annual pension for the life of the member
9 as follows:

10 (a) For service as a police officer or firefighter, 1.8 percent of final aver-
11 age salary multiplied by the number of years of retirement credit attributable
12 to service as a police officer or firefighter.

13 (b) For service in a hazardous position, 1.8 percent of final average salary
14 multiplied by the number of years of retirement credit attributable to service
15 in a hazardous position.

16 (c) For service as other than a police officer or firefighter or in a haz-
17 ardous position, 1.5 percent of final average salary multiplied by the number
18 of years of retirement credit attributable to service as other than a police
19 officer or firefighter or in a hazardous position.

20 (2) Notwithstanding any provision of ORS 238A.100 to 238A.250, the an-
21 nual benefit payable to a member under the pension program and under any
22 other tax-qualified defined benefit plan maintained by the participating pub-
23 lic employer may not exceed the applicable limitations set forth in 26 U.S.C.
24 415(b), as in effect on December 31, [~~2023~~] **2025**. The Public Employees Re-
25 tirement Board shall adopt rules for the administration of this limitation,
26 including adjustments in the annual dollar limitation to reflect cost-of-living
27 adjustments authorized by the Internal Revenue Service.

28 (3) The board shall make no actuarial adjustment in a member's pension
29 calculated under this section by reason of the member's retirement after
30 normal retirement age.

31 **SECTION 7.** ORS 238A.150 is amended to read:

1 238A.150. (1) Notwithstanding any other provision of ORS 238A.100 to
2 238A.250, an eligible employee who leaves a qualifying position for the pur-
3 pose of performing service in the uniformed services, and who subsequently
4 returns to employment with a participating public employer with reemploy-
5 ment rights under federal law, is entitled to accrue retirement credit, credit
6 toward the probationary period required by ORS 238A.100 and credit toward
7 the vesting requirements of ORS 238A.115 under rules adopted by the Public
8 Employees Retirement Board pursuant to subsection (2) of this section.

9 (2) The board shall adopt rules establishing benefits and service credit for
10 any period of service in the uniformed services by an employee described in
11 subsection (1) of this section. For the purpose of adopting rules under this
12 subsection, the board shall consider and take into account all federal law
13 relating to benefits and service credit for any period of service in the uni-
14 formed services, including 26 U.S.C. 414(u), as in effect on December 31,
15 [2023] **2025**. Benefits and service credit under rules adopted by the board
16 pursuant to this subsection may not exceed benefits and service credit re-
17 quired under federal law for periods of service in the uniformed services.

18 **SECTION 8.** ORS 238A.170 is amended to read:

19 238A.170. (1) An active member of the pension program who is 72 years
20 of age or older must retire not later than April 1 of the calendar year fol-
21 lowing the calendar year in which the member terminates employment with
22 all participating public employers. An inactive member of the pension pro-
23 gram must retire not later than April 1 of the calendar year following the
24 calendar year in which the member attains 72 years of age.

25 (2) Notwithstanding any other provision of ORS 238A.100 to 238A.250, the
26 entire interest of a member of the pension program must be distributed over
27 a time period commencing no later than the required beginning date set forth
28 in subsection (1) of this section, and must be distributed in a manner that
29 satisfies all other minimum distribution requirements of 26 U.S.C. 401(a)(9)
30 and regulations implementing that section, as in effect on January 1, [2024]
31 **2026**. The Public Employees Retirement Board shall adopt rules implementing

1 those minimum distribution requirements.

2 **SECTION 9.** ORS 238A.230 is amended to read:

3 238A.230. (1) If a member of the pension program who is vested dies before
4 the member's effective date of retirement, the Public Employees Retirement
5 Board shall pay the death benefit provided for in this section to:

6 (a) The spouse of the member to the extent not provided to a former
7 spouse in accordance with a judgment or order under ORS 238.465;

8 (b) The former spouse of the member as provided in a judgment or order
9 under ORS 238.465; or

10 (c) Any other person who is constitutionally required to be treated in the
11 same manner as a spouse for the purpose of retirement benefits.

12 (2) The death benefit to be paid under this subsection is for the life of the
13 member's spouse, former spouse or other person who is constitutionally re-
14 quired to be treated in the same manner as a spouse, and is:

15 (a) If the member dies before the earliest retirement date for the member
16 under ORS 238A.165, the actuarial equivalent of 50 percent of the pension
17 that would otherwise have been paid to the deceased member, which shall
18 be calculated as if the member became an inactive member on the date of
19 death and retired at the earliest retirement date for the member as described
20 in ORS 238A.165;

21 (b) If the member dies on or after the earliest retirement date for the
22 member under ORS 238A.165 and before normal retirement age under ORS
23 238A.160, the actuarial equivalent of the pension that would otherwise have
24 been paid to the deceased member, which shall be calculated as if the mem-
25 ber retired under ORS 238A.185 and as if the member's retirement date was
26 the first of the month following the date of death of the member; or

27 (c) If the member dies on or after reaching normal retirement age as de-
28 scribed in ORS 238A.160, the actuarial equivalent of the pension that would
29 otherwise have been paid to the deceased member, which shall be calculated
30 under ORS 238A.125 as if the member's retirement date was the first of the
31 month following the date of death of the member.

1 (3) The death benefit provided under this section is first effective on the
2 first day of the month following the date of death of the member.

3 (4) The surviving spouse or other person who is constitutionally required
4 to be treated in the same manner as a spouse for the purpose of retirement
5 benefits may elect to delay payment of the death benefit, which shall be
6 actuarially adjusted for age and interest when payments commence, but
7 payment must commence no later than December 31 of the calendar year in
8 which the member would have reached 72 years of age. If a person who de-
9 lays payment under this subsection dies before payments commence:

10 (a) The person's beneficiary shall receive, in a lump sum, the sum of the
11 payments the person would have received had the person not elected to delay
12 payment of the death benefit.

13 (b) If the person who delays payment under this subsection has not des-
14 ignated a beneficiary, the person's benefit shall be paid to a personal repre-
15 sentative appointed for the person's estate.

16 (5) Notwithstanding any other provision of ORS 238A.100 to 238A.250,
17 distributions of death benefits under the pension program must comply with
18 the minimum distribution requirements of 26 U.S.C. 401(a)(9) and the regu-
19 lations implementing that section, as in effect on January 1, [2024] **2026**. The
20 board shall adopt rules implementing those minimum distribution require-
21 ments.

22 **SECTION 10.** ORS 238A.370 is amended to read:

23 238A.370. Notwithstanding any other provision of ORS 238A.300 to
24 238A.415, the annual addition to the employee and employer accounts of a
25 member of the individual account program for a calendar year, together with
26 the annual additions to the accounts of the member under any other defined
27 contribution plan maintained by the participating public employer for a cal-
28 endar year, may not exceed the lesser of \$40,000, or 100 percent of the
29 member's compensation for that calendar year. For purposes of this section,
30 "annual addition" has the meaning given that term in 26 U.S.C. 415(c)(2),
31 as in effect on December 31, [2023] **2025**, and "compensation" has the meaning

1 given the term “participant’s compensation” in 26 U.S.C. 415(c)(3), as in ef-
2 fect on December 31, [2023] **2025**. The Public Employees Retirement Board
3 shall adopt rules for the administration of this limitation, including adjust-
4 ments in the annual dollar limitation to reflect cost-of-living adjustments
5 authorized by the Internal Revenue Service.

6 **SECTION 11.** ORS 238A.400 is amended to read:

7 238A.400. (1) Upon retirement on or after the earliest retirement date, as
8 described in ORS 238A.165, a member of the individual account program shall
9 receive in a lump sum the amounts in the member’s employee account,
10 rollover account and employer account to the extent the member is vested
11 in those accounts under ORS 238A.320.

12 (2) In lieu of a lump sum payment under subsection (1) of this section, a
13 member of the individual account program may elect to receive the amounts
14 in the member’s employee account and employer account, to the extent the
15 member is vested in those accounts under ORS 238A.320, in substantially
16 equal installments paid over a period of 5, 10, 15 or 20 years, or over a period
17 that is equal to the anticipated life span of the member as actuarially de-
18 termined by the Public Employees Retirement Board. Installments may be
19 made on a monthly, quarterly or annual basis. In no event may the period
20 selected by the member exceed the time allowed by the minimum distribution
21 requirements described in subsection (5) of this section. The board shall by
22 rule establish the manner in which installments will be adjusted to reflect
23 investment gains and losses on the unpaid balance during the payout period
24 elected by the member under this subsection. The board by rule may estab-
25 lish minimum monthly amounts payable under this subsection. The board
26 may require that a lump sum payment, or an installment schedule different
27 than the schedules provided for in this subsection, be used to pay the vested
28 amounts in the member’s accounts if those amounts are not adequate to
29 generate the minimum monthly amounts specified by the rule.

30 (3) A member of the individual account program electing to receive in-
31 stallments under subsection (2) of this section must designate a beneficiary

1 or beneficiaries. In the event the member dies before all amounts in the
2 employee and vested employer accounts are paid, the remaining account
3 balance shall be paid in a lump sum distribution to the beneficiary or bene-
4 ficiaries designated by the member.

5 (4) A member who is entitled to receive retirement benefits under ORS
6 chapter 238 may receive vested amounts in the member's employee account,
7 rollover account and employer account in the manner provided by this sec-
8 tion when the member retires for service under the provisions of ORS chap-
9 ter 238.

10 (5) Notwithstanding any other provision of ORS 238A.300 to 238A.415, the
11 entire interest of a member of the individual account program must be dis-
12 tributed over a time period commencing no later than the latest retirement
13 date set forth in ORS 238A.170, and must be distributed in a manner that
14 satisfies all other minimum distribution requirements of 26 U.S.C. 401(a)(9)
15 and regulations implementing that section, as in effect on January 1, [2024]
16 **2026**. The board shall adopt rules implementing those minimum distribution
17 requirements.

18 **SECTION 12.** ORS 238A.410 is amended to read:

19 238A.410. (1)(a) If a member of the individual account program dies before
20 retirement, the amounts in the member's employee account, rollover account
21 and employer account, to the extent the member is vested in those accounts
22 under ORS 238A.320, shall be paid in a lump sum to the beneficiary or ben-
23 eficiaries designated by the member for the purposes of this section.

24 (b) If a member of the individual account program dies before retirement,
25 the amounts in the employee pension stability account established for the
26 member under ORS 238A.353 shall be applied by the Public Employees Re-
27 tirement Board to pay the costs of any benefit payable under ORS 238.395
28 or 238A.230 that accrues on or after July 1, 2020. If the amounts in the em-
29 ployee pension stability account exceed the costs of the benefit payable under
30 ORS 238.395 or 238A.230 that accrues on or after July 1, 2020, the excess
31 amounts shall be paid in a lump sum to the beneficiary or beneficiaries

1 designated by the member for the purposes of this section.

2 (2) If a member of the individual account program is married at the time
3 of death, or there exists at the time of death any other person who is con-
4 stitutionally required to be treated in the same manner as a spouse for the
5 purpose of retirement benefits, the spouse or other person shall be the ben-
6 eficiary for purposes of the death benefit payable under this section unless
7 the spouse or other person consents to the designation of a different benefi-
8 ciary or beneficiaries before the designation has been made and the consent
9 has not been revoked by the spouse or other person as of the time of the
10 member's death. Consent and revocation of consent must be in writing, ac-
11 knowledged by a notary public, and submitted to the Public Employees Re-
12 tirement Board in accordance with rules adopted by the board. If the
13 member's spouse is designated as the member's beneficiary and the marriage
14 of the member and spouse is subsequently dissolved, the former spouse shall
15 be treated as predeceasing the member for purposes of this section, unless
16 the member expressly designates the former spouse as beneficiary after the
17 effective date of the dissolution or the former spouse is required to be des-
18 igned as a beneficiary under the provisions of ORS 238.465.

19 (3) For purposes of this section and ORS 238A.400 (3), if a member fails
20 to designate a beneficiary, or if the person or persons designated do not
21 survive the member, the death benefit provided for in this section shall be
22 paid to the following person or persons, in the following order of priority:

23 (a) The member's surviving spouse or other person who is constitutionally
24 required to be treated in the same manner as a spouse;

25 (b) The member's surviving children, in equal shares; or

26 (c) The member's estate.

27 (4) If a small estate affidavit has been filed under ORS 114.505 to 114.560,
28 and the death benefit does not exceed the maximum amount of personal
29 property for which a small estate affidavit may be filed under ORS 114.505
30 to 114.560, the board shall pay the death benefit to the person who filed the
31 affidavit, if the member's estate is the designated beneficiary or is receiving

1 the payment under subsection (3) of this section.

2 (5) The entire amount of a deceased member's vested accounts must be
3 distributed by December 31 of the fifth calendar year after the year in which
4 the member died. Notwithstanding any other provision of this chapter, dis-
5 tributions of death benefits under the individual account program must
6 comply with the minimum distribution requirements of 26 U.S.C. 401(a)(9)
7 and the regulations implementing that section, as in effect on January 1,
8 [2024] **2026**. The Public Employees Retirement Board shall adopt rules im-
9 plementing those minimum distribution requirements.

10 **SECTION 13.** ORS 238A.415 is amended to read:

11 238A.415. (1) Notwithstanding any other provision of ORS 238A.300 to
12 238A.415, an eligible employee who leaves a qualifying position for the pur-
13 pose of performing service in the uniformed services, and who subsequently
14 returns to employment with a participating public employer with reemploy-
15 ment rights under federal law, is entitled to credit toward the probationary
16 period required by ORS 238A.300, credit toward the vesting requirements of
17 ORS 238A.320 and contributions under rules adopted by the Public Employ-
18 ees Retirement Board pursuant to subsection (2) of this section.

19 (2) The board shall adopt rules establishing contributions and service
20 credit for any period of service in the uniformed services by an employee
21 described in subsection (1) of this section. For the purpose of adopting rules
22 under this subsection, the board shall consider and take into account all
23 federal law relating to benefits and service credit for any period of service
24 in the uniformed services, including 26 U.S.C. 414(u), as in effect on Decem-
25 ber 31, [2023] **2025**. Contributions and service credit under rules adopted by
26 the board pursuant to this subsection may not exceed contributions and
27 service credit required under federal law for periods of service in the uni-
28 formed services.

29 **SECTION 14.** ORS 238A.430 is amended to read:

30 238A.430. (1) To the extent required by law, and except as otherwise pro-
31 vided by rules adopted by the Public Employees Retirement Board under

1 subsection (4) of this section, any portion of a distribution of benefits de-
2 scribed in subsection (2) of this section shall, at the election of and in lieu
3 of distribution to the distributee, be paid directly to an eligible retirement
4 plan specified by the distributee.

5 (2) The provisions of subsection (1) of this section apply to a distribution
6 of any benefit under the pension program or the individual account program
7 except:

8 (a) A distribution that is one of a series of substantially equal periodic
9 payments made at least annually for the life or life expectancy of the
10 distributee, or for the joint lives or life expectancies of the distributee and
11 a designated beneficiary;

12 (b) A distribution that is one of a series of substantially equal periodic
13 payments made at least annually for a specified period of 10 years or more;
14 and

15 (c) A distribution to the extent that the distribution is required under 26
16 U.S.C. 401(a)(9).

17 (3) The provisions of subsection (1) of this section apply to any portion
18 of a distribution of benefits under the pension program or the individual
19 account program even though the portion consists of after-tax employee
20 contributions that are not includable in gross income. Any portion of a dis-
21 tribution that consists of after-tax employee contributions that are not
22 includable in gross income may be transferred only to an individual retire-
23 ment account or annuity described in 26 U.S.C. 408(a) or (b), or to a quali-
24 fied defined contribution or defined benefit plan described in 26 U.S.C. 401(a)
25 or 403(b) that agrees to account separately for amounts transferred, including
26 accounting separately for the portion of the distribution that is includable
27 in gross income and the portion of the distribution that is not includable in
28 gross income. The amount transferred shall be treated as consisting first of
29 the portion of the distribution that is includable in gross income, determined
30 without regard to 26 U.S.C. 402(c)(1).

31 (4) The board shall adopt rules implementing the direct rollover require-

1 ments of 26 U.S.C. 401(a)(31) and the regulations implementing that section,
2 and may adopt administrative exceptions to the direct rollover requirements
3 to the extent permitted by 26 U.S.C. 401(a)(31) and the regulations imple-
4 menting that section.

5 (5) All references in this section to federal laws and regulations are to
6 the laws and regulations in effect on December 31, [2023] **2025**.

7 (6) For purposes of this section:

8 (a) “Distributee” means a member, a member’s surviving spouse or a
9 member’s alternate payee under ORS 238.465.

10 (b) “Eligible retirement plan” means:

11 (A) An individual retirement account described in 26 U.S.C. 408(a);

12 (B) An individual retirement annuity described in 26 U.S.C. 408(b), other
13 than an endowment contract;

14 (C) A qualified trust under 26 U.S.C. 401(a), that is a defined contribution
15 or defined benefit plan and permits the acceptance of rollover contributions;

16 (D) An annuity plan described in 26 U.S.C. 403(a);

17 (E) An eligible deferred compensation plan described in 26 U.S.C. 457(b)
18 that is maintained by an eligible governmental employer described in 26
19 U.S.C. 457(e)(1)(A) and that agrees to account separately for amounts trans-
20 ferred into such plan from the distributing plan; or

21 (F) An annuity contract described in 26 U.S.C. 403(b).

22 **SECTION 15.** ORS 238A.435 is amended to read:

23 238A.435. (1) If a benefit is payable under this chapter to a beneficiary
24 by reason of the death of a member of the system, the beneficiary may elect
25 to have all or part of the distribution of the death benefit paid in an eligible
26 rollover distribution to an individual retirement plan described in 26 U.S.C.
27 408(a), or an individual retirement annuity, other than an endowment con-
28 tract, described in 26 U.S.C. 408(b), if the plan or annuity is established for
29 the purpose of receiving the eligible rollover distribution on behalf of the
30 designated beneficiary.

31 (2) Subsection (1) of this section applies to an eligible rollover distrib-

1 ution of death benefits to a beneficiary who is not treated as the spouse of
2 the decedent for federal tax purposes and who is the decedent's designated
3 beneficiary for the purposes of the minimum required distribution require-
4 ments of 26 U.S.C. 401(a)(9). To the extent provided by rules of the Public
5 Employees Retirement Board, a trust maintained for the benefit of one or
6 more beneficiaries must be treated by the board in the same manner as a
7 trust that is designated as a beneficiary for the purposes of the minimum
8 required distribution requirements of 26 U.S.C. 401(a)(9).

9 (3) As used in this section, "eligible rollover distribution" has the mean-
10 ing given that term in 26 U.S.C. 402(c)(4), as in effect on December 31,
11 [2023] **2025**.

12 **SECTION 16.** ORS 305.239 is amended to read:

13 305.239. (1) Notwithstanding ORS 9.320:

14 (a) Any person who is qualified to practice law or public accountancy in
15 this state, any person who has been granted active enrollment to practice
16 before the Internal Revenue Service and who is qualified to prepare tax re-
17 turns in this state or any person who is the authorized employee of a tax-
18 payer and is regularly employed by the taxpayer in tax matters may
19 represent the taxpayer before a tax court magistrate or the Department of
20 Revenue in any conference or proceeding with respect to the administration
21 of any tax.

22 (b) Any person who is licensed by the State Board of Tax Practitioners
23 or who is exempt from such licensing requirement as provided for and limited
24 by ORS 673.610 may represent a taxpayer before a tax court magistrate or
25 the department in any conference or proceeding with respect to the admin-
26 istration of any tax on or measured by net income.

27 (c) Any shareholder of an S corporation, as defined in section 1361 of the
28 Internal Revenue Code, as amended and in effect on December 31, [2023]
29 **2025**, may represent the corporation in any proceeding before a tax court
30 magistrate or the department in the same manner as if the shareholder were
31 a partner and the S corporation were a partnership. The S corporation must

1 designate in writing a tax matters shareholder authorized to represent the
2 S corporation.

3 (d) An individual who is licensed as a real estate broker or principal real
4 estate broker under ORS 696.022 or is a state certified appraiser or state li-
5 censed appraiser under ORS 674.310 or is a registered appraiser under ORS
6 308.010 may represent a taxpayer before a tax court magistrate or the de-
7 partment in any conference or proceeding with respect to the administration
8 of any ad valorem property tax.

9 (e) A general partner who has been designated by members of a partner-
10 ship as their tax matters partner under ORS 305.242 may represent those
11 partners in any conference or proceeding with respect to the administration
12 of any tax on or measured by net income.

13 (f) Any person authorized under rules adopted by the department may
14 represent a taxpayer before the department in any conference or proceeding
15 with respect to any tax. Rules adopted under this paragraph, to the extent
16 feasible, shall be consistent with federal law that governs representation
17 before the Internal Revenue Service, as federal law is amended and in effect
18 on December 31, [2023] **2025**.

19 (g) Any person authorized under rules adopted by the tax court may rep-
20 resent a taxpayer in a proceeding before a tax court magistrate.

21 (2) A person may not be recognized as representing a taxpayer pursuant
22 to this section unless there is first filed with the magistrate or department
23 a written authorization, or unless it appears to the satisfaction of the
24 magistrate or department that the representative does in fact have authority
25 to represent the taxpayer. A person recognized as an authorized represen-
26 tative under rules or procedures adopted by the tax court shall be considered
27 an authorized representative by the department.

28 (3) A taxpayer represented by someone other than an attorney is bound
29 by all things done by the authorized representative, and may not thereafter
30 claim any proceeding was legally defective because the taxpayer was not
31 represented by an attorney.

1 (4) Prior to the holding of a conference or proceeding before the tax court
2 magistrate or department, written notice shall be given by the magistrate
3 or department to the taxpayer of the provisions of subsection (3) of this
4 section.

5 **SECTION 17.** ORS 305.494 is amended to read:

6 305.494. Notwithstanding ORS 9.320, any shareholder of an S corporation
7 as defined in section 1361 of the Internal Revenue Code, as amended and in
8 effect on December 31, [2023] **2025**, may represent the corporation in any
9 proceeding before the Oregon Tax Court in the same manner as if the
10 shareholder were a partner and the S corporation were a partnership.

11 **SECTION 18.** ORS 305.690 is amended to read:

12 305.690. As used in ORS 305.690 to 305.753, unless the context otherwise
13 requires:

14 (1) “Commission” means the Oregon Charitable Checkoff Commission.

15 (2) “Department” means the Department of Revenue.

16 (3) “Internal Revenue Code” means the federal Internal Revenue Code as
17 amended and in effect on December 31, [2023] **2025**.

18 **SECTION 19.** ORS 305.842 is amended to read:

19 305.842. As used in ORS 307.130, 307.147, 307.580, 308A.450, 310.140, 310.800
20 and 311.666, “Internal Revenue Code” means the federal Internal Revenue
21 Code as amended and in effect on December 31, [2023] **2025**.

22 **SECTION 20.** ORS 314.011 is amended to read:

23 314.011. (1) As used in this chapter, unless the context requires otherwise,
24 “department” means the Department of Revenue.

25 (2) As used in this chapter:

26 (a) Any term has the same meaning as when used in a comparable context
27 in the laws of the United States relating to federal income taxes, unless a
28 different meaning is clearly required or the term is specifically defined in
29 this chapter.

30 (b) Except where the Legislative Assembly has provided otherwise, a ref-
31 erence to the laws of the United States or to the Internal Revenue Code re-

1 fers to the laws of the United States or to the Internal Revenue Code as they
2 are amended and in effect:

3 (A) On December 31, [2023] **2025**; or

4 (B) If related to the definition of taxable income, as applicable to the tax
5 year of the taxpayer.

6 (c) With respect to ORS 314.105, 314.256 (relating to proxy tax on lobbying
7 expenditures), 314.260 (1)(b), 314.302, 314.306, 314.330, 314.360, 314.362, 314.385,
8 314.402, 314.410, 314.412, 314.525, 314.767 (7), 314.771 and 314.772 and other
9 provisions of this chapter, except those described in paragraph (b) of this
10 subsection, any reference to the laws of the United States or to the Internal
11 Revenue Code means the laws of the United States relating to income taxes
12 or the Internal Revenue Code as they are amended on or before December
13 31, [2023] **2025**, even when the amendments take effect or become operative
14 after that date, except where the Legislative Assembly has specifically pro-
15 vided otherwise.

16 (3) Insofar as is practicable in the administration of this chapter, the de-
17 partment shall apply and follow the administrative and judicial interpreta-
18 tions of the federal income tax law. When a provision of the federal income
19 tax law is the subject of conflicting opinions by two or more federal courts,
20 the department shall follow the rule observed by the United States Commis-
21 sioner of Internal Revenue until the conflict is resolved. Nothing contained
22 in this section limits the right or duty of the department to audit the return
23 of any taxpayer or to determine any fact relating to the tax liability of any
24 taxpayer.

25 (4) When portions of the Internal Revenue Code incorporated by reference
26 as provided in subsection (2) of this section refer to rules or regulations
27 prescribed by the Secretary of the Treasury, then such rules or regulations
28 shall be regarded as rules adopted by the department under and in accord-
29 ance with the provisions of this chapter, whenever they are prescribed or
30 amended.

31 (5)(a) When portions of the Internal Revenue Code incorporated by refer-

1 ence as provided in subsection (2) of this section are later corrected by an
2 Act or a Title within an Act of the United States Congress designated as an
3 Act or Title making technical corrections, then notwithstanding the date
4 that the Act or Title becomes law, those portions of the Internal Revenue
5 Code, as so corrected, shall be the portions of the Internal Revenue Code
6 incorporated by reference as provided in subsection (2) of this section and
7 shall take effect, unless otherwise indicated by the Act or Title (in which
8 case the provisions shall take effect as indicated in the Act or Title), as if
9 originally included in the provisions of the Act being technically corrected.
10 If, on account of this subsection, any adjustment is required to an Oregon
11 return that would otherwise be prevented by operation of law or rule, the
12 adjustment shall be made, notwithstanding any law or rule to the contrary,
13 in the manner provided under ORS 314.135.

14 (b) As used in this subsection, “Act or Title” includes any subtitle, divi-
15 sion or other part of an Act or Title.

16 **SECTION 21.** ORS 314.306 is amended to read:

17 314.306. (1) If a taxpayer excludes an amount from federal gross income
18 by reason of the discharge of indebtedness of the taxpayer under section
19 108(a)(1)(A) of the Internal Revenue Code (relating to discharge of indebt-
20 edness in a bankruptcy declared under U.S.C. Title 11), then, with respect
21 to that portion of the excluded amount that is apportioned to Oregon, the
22 taxpayer shall apply the rules in 11 U.S.C. 346(j), as amended and in effect
23 on December 31, [2023] **2025**.

24 (2) If a taxpayer excludes an amount from federal gross income by reason
25 of the discharge of indebtedness of the taxpayer under section 108(a)(1)(B)
26 or (C) of the Internal Revenue Code (relating to discharge of indebtedness
27 in insolvency or discharge of qualified farm indebtedness), then, with respect
28 to that portion of the excluded amount that is apportioned to Oregon, the
29 following paragraphs shall apply, in the following order:

30 (a) If the taxpayer has made the election under section 108(b)(5) of the
31 Internal Revenue Code to first reduce the basis of the depreciable property

1 of the taxpayer, the election shall also be effective for Oregon tax purposes.
2 A corresponding reduction in the basis of the depreciable property of the
3 taxpayer shall be made for Oregon tax purposes.

4 (b) The amount, if any, by which the following attributes are reduced
5 under section 108(b)(1) of the Internal Revenue Code for federal tax purposes
6 shall be added back for Oregon tax purposes:

7 (A) Federal net operating loss.

8 (B) Capital loss carryover.

9 (C) Basis of the property of the taxpayer, excluding amounts subject to
10 the election under section 108(b)(5) of the Internal Revenue Code.

11 (D) Passive activity loss carryover.

12 (c) Excluding amounts subject to the election in section 108(b)(5) of the
13 Internal Revenue Code:

14 (A) Any Oregon net operating loss of an individual or corporate taxpayer,
15 including a net operating loss carryover to the taxpayer, shall be reduced
16 by the amount of discharged indebtedness.

17 (B) Any net capital loss for the taxable year of the discharge, and any
18 capital loss carryover to the taxable year, shall be reduced by the amount
19 of discharged indebtedness minus the total amount taken into account under
20 subparagraph (A) of this paragraph.

21 (C) The basis of the property of the taxpayer shall be reduced by the
22 amount of discharged indebtedness minus the total amount taken into ac-
23 count under subparagraphs (A) and (B) of this paragraph.

24 (D) The passive activity loss carryover under section 469(b) of the Inter-
25 nal Revenue Code from the taxable year of the discharge shall be reduced
26 by the amount of discharged indebtedness minus the total amount taken into
27 account under subparagraphs (A), (B) and (C) of this paragraph.

28 **SECTION 22.** ORS 315.004 is amended to read:

29 315.004. (1) Except when the context requires otherwise, the definitions
30 contained in ORS chapters 314, 316, 317 and 318 are applicable in the con-
31 struction, interpretation and application of the personal and corporate in-

1 come and excise tax credits contained in this chapter.

2 (2)(a) For purposes of the tax credits contained in this chapter, any term
3 has the same meaning as when used in a comparable context in the laws of
4 the United States relating to federal income taxes, unless a different meaning
5 is clearly required or the term is specifically defined for purposes of con-
6 struing, interpreting and applying the credit.

7 (b) With respect to the tax credits contained in this chapter, any refer-
8 ence to the laws of the United States or to the Internal Revenue Code means
9 the laws of the United States relating to income taxes or the Internal Rev-
10 enue Code as they are amended on or before December 31, [2023] **2025**, even
11 when the amendments take effect or become operative after that date.

12 (3) Insofar as is practicable in the administration of this chapter, the
13 Department of Revenue shall apply and follow the administrative and judi-
14 cial interpretations of the federal income tax law. When a provision of the
15 federal income tax law is the subject of conflicting opinions by two or more
16 federal courts, the department shall follow the rule observed by the United
17 States Commissioner of Internal Revenue until the conflict is resolved.
18 Nothing contained in this section limits the right or duty of the department
19 to audit the return of any taxpayer or to determine any fact relating to the
20 tax liability of any taxpayer.

21 (4) When portions of the Internal Revenue Code incorporated by reference
22 as provided in subsection (2) of this section refer to rules or regulations
23 prescribed by the Secretary of the Treasury, then such rules or regulations
24 shall be regarded as rules adopted by the department under and in accord-
25 ance with the provisions of this chapter, whenever they are prescribed or
26 amended.

27 (5)(a) When portions of the Internal Revenue Code incorporated by refer-
28 ence as provided in subsection (2) of this section are later corrected by an
29 Act or a Title within an Act of the United States Congress designated as an
30 Act or Title making technical corrections, then notwithstanding the date
31 that the Act or Title becomes law, those portions of the Internal Revenue

1 Code, as so corrected, shall be the portions of the Internal Revenue Code
2 incorporated by reference as provided in subsection (2) of this section and
3 shall take effect, unless otherwise indicated by the Act or Title (in which
4 case the provisions shall take effect as indicated in the Act or Title), as if
5 originally included in the provisions of the Act being technically corrected.
6 If, on account of this subsection, any adjustment is required to an Oregon
7 return that would otherwise be prevented by operation of law or rule, the
8 adjustment shall be made, notwithstanding any law or rule to the contrary,
9 in the manner provided under ORS 314.135.

10 (b) As used in this subsection, “Act or Title” includes any subtitle, divi-
11 sion or other part of an Act or Title.

12 **SECTION 23.** ORS 316.012 is amended to read:

13 316.012. Any term used in this chapter has the same meaning as when
14 used in a comparable context in the laws of the United States relating to
15 federal income taxes, unless a different meaning is clearly required or the
16 term is specifically defined in this chapter. Except where the Legislative
17 Assembly has provided otherwise, any reference in this chapter to the laws
18 of the United States or to the Internal Revenue Code refers to the laws of
19 the United States or to the Internal Revenue Code as they are amended and
20 in effect:

21 (1) On December 31, [2023] **2025**; or

22 (2) If related to the definition of taxable income, as applicable to the tax
23 year of the taxpayer.

24 **SECTION 24.** ORS 316.147 is amended to read:

25 316.147. As used in ORS 316.147 to 316.149, unless the context requires
26 otherwise:

27 (1) “Eligible taxpayer” includes any individual who must pay taxes oth-
28 erwise imposed by this chapter and:

29 (a) Who pays or incurs expenses for the care of a qualified individual,
30 through a payment method determined by rule of the Department of Revenue;
31 and

1 (b) Who has a household income, for the taxable year, not to exceed the
2 maximum amount of household income allowed in ORS 310.640 (1989 Edition)
3 for a homeowner or renter refund.

4 (2) "Household income" means the aggregate income of the eligible tax-
5 payer and the spouse of the taxpayer who reside in the household, that was
6 received during a calendar year. "Household income" includes payments re-
7 ceived by the eligible taxpayer or the spouse of the taxpayer under the fed-
8 eral Social Security Act for the benefit of a minor child or minor children
9 who reside in the household.

10 (3) "Income" means "adjusted gross income" as defined in the federal
11 Internal Revenue Code, as amended and in effect on December 31, [2023]
12 **2025**, even when the amendments take effect or become operative after that
13 date, relating to the measurement of taxable income of individuals, estates
14 and trusts, with the following modifications:

15 (a) There shall be added to adjusted gross income the following items of
16 otherwise exempt income:

17 (A) The gross amount of any otherwise exempt pension less return of in-
18 vestment, if any.

19 (B) Child support received by the taxpayer.

20 (C) Inheritances.

21 (D) Gifts and grants, the sum of which are in excess of \$500 per year.

22 (E) Amounts received by a taxpayer or spouse of a taxpayer for support
23 from a parent who is not a member of the taxpayer's household.

24 (F) Life insurance proceeds.

25 (G) Accident and health insurance proceeds, except reimbursement of in-
26 curred medical expenses.

27 (H) Personal injury damages.

28 (I) Sick pay that is not included in federal adjusted gross income.

29 (J) Strike benefits excluded from federal gross income.

30 (K) Worker's compensation, except for reimbursement of medical expense.

31 (L) Military pay and benefits.

1 (M) Veteran's benefits.

2 (N) Payments received under the federal Social Security Act that are ex-
3 cluded from federal gross income.

4 (O) Welfare payments, except as follows:

5 (i) Payments for medical care, drugs and medical supplies, if the payments
6 are not made directly to the welfare recipient;

7 (ii) In-home services authorized and approved by the Department of Hu-
8 man Services; and

9 (iii) Direct or indirect reimbursement of expenses paid or incurred for
10 participation in work or training programs.

11 (P) Nontaxable dividends.

12 (Q) Nontaxable interest not included in federal adjusted gross income.

13 (R) Rental allowance paid to a minister that is excluded from federal
14 gross income.

15 (S) Income from sources without the United States that is excluded from
16 federal gross income.

17 (b) Adjusted gross income shall be increased due to the disallowance of
18 the following deductions:

19 (A) The amount of the net loss, in excess of \$1,000, from all dispositions
20 of tangible or intangible properties.

21 (B) The amount of the net loss, in excess of \$1,000, from the operation of
22 a farm or farms.

23 (C) The amount of the net loss, in excess of \$1,000, from all operations
24 of a trade or business, profession or other activity entered into for the pro-
25 duction or collection of income.

26 (D) The amount of the net loss, in excess of \$1,000, from tangible or in-
27 tangible property held for the production of rents, royalties or other income.

28 (E) The amount of any net operating loss carryovers or carrybacks in-
29 cluded in federal adjusted gross income.

30 (F) The amount, in excess of \$5,000, of the combined deductions or other
31 allowances for depreciation, amortization or depletion.

1 (G) The amount added or subtracted, as required within the context of
2 this section, for adjustments made under ORS 316.680 (2)(d) and 316.707 to
3 316.737.

4 (c) “Income” does not include the following:

5 (A) Any governmental grant that must be used by the taxpayer for reha-
6 bilitation of the homestead of the taxpayer.

7 (B) Any refund of Oregon personal income taxes that were imposed under
8 this chapter.

9 (4) “Qualified individual” includes an individual at least 60 years of age
10 on the date that the expenses described in subsection (1)(a) of this section
11 are paid or incurred by the eligible taxpayer:

12 (a) Whose household income does not exceed \$7,500 for the calendar year
13 in which the taxable year of the taxpayer begins;

14 (b) Who is eligible for authorized services as defined in ORS 410.410 under
15 Oregon Project Independence;

16 (c) Who is certified by the Department of Human Services; and

17 (d) Whose care or any portion thereof is not paid for under ORS chapter
18 414.

19 **SECTION 25.** ORS 316.157 is amended to read:

20 316.157. (1) In the case of an eligible individual, there shall be allowed
21 as a credit against the taxes otherwise due under this chapter for the taxable
22 year an amount equal to the lesser of the tax liability of the taxpayer or nine
23 percent of net pension income.

24 (2) For purposes of this section:

25 (a) “Eligible individual” means any individual who is receiving pension
26 income and who has attained 62 years of age before the close of the taxable
27 year.

28 (b) “Household income” means the aggregate income of the taxpayer and
29 the spouse of the taxpayer who reside in the household, that was received
30 during the taxable year for which a credit is claimed, except that “household
31 income” does not include Social Security benefits received by the taxpayer

1 or the spouse of the taxpayer.

2 (c) "Income" means "adjusted gross income" as defined in the federal
3 Internal Revenue Code, as amended and in effect on December 31, [2023]
4 2025, even when the amendments take effect or become operative after that
5 date, relating to the measurement of taxable income of individuals, estates
6 and trusts, with the following modifications:

7 (A) There shall be added to adjusted gross income the following items of
8 otherwise exempt income:

9 (i) The gross amount of any otherwise exempt pension less return of in-
10 vestment, if any.

11 (ii) Child support received by the taxpayer.

12 (iii) Inheritances.

13 (iv) Gifts and grants, the sum of which are in excess of \$500 per year.

14 (v) Amounts received by a taxpayer or spouse of a taxpayer for support
15 from a parent who is not a member of the taxpayer's household.

16 (vi) Life insurance proceeds.

17 (vii) Accident and health insurance proceeds, except reimbursement of
18 incurred medical expenses.

19 (viii) Personal injury damages.

20 (ix) Sick pay that is not included in federal adjusted gross income.

21 (x) Strike benefits excluded from federal gross income.

22 (xi) Worker's compensation, except for reimbursement of medical expense.

23 (xii) Military pay and benefits.

24 (xiii) Veteran's benefits.

25 (xiv) Payments received under the federal Social Security Act that are
26 excluded from federal gross income.

27 (xv) Welfare payments, except as follows:

28 (I) Payments for medical care, drugs and medical supplies, if the payments
29 are not made directly to the welfare recipient;

30 (II) In-home services authorized and approved by the Department of Hu-
31 man Services; and

1 (III) Direct or indirect reimbursement of expenses paid or incurred for
2 participation in work or training programs.

3 (xvi) Nontaxable dividends.

4 (xvii) Nontaxable interest not included in federal adjusted gross income.

5 (xviii) Rental allowance paid to a minister that is excluded from federal
6 gross income.

7 (xix) Income from sources without the United States that is excluded from
8 federal gross income.

9 (B) Adjusted gross income shall be increased due to the disallowance of
10 the following deductions:

11 (i) The amount of the net loss, in excess of \$1,000, from all dispositions
12 of tangible or intangible properties.

13 (ii) The amount of the net loss, in excess of \$1,000, from the operation of
14 a farm or farms.

15 (iii) The amount of the net loss, in excess of \$1,000, from all operations
16 of a trade or business, profession or other activity entered into for the pro-
17 duction or collection of income.

18 (iv) The amount of the net loss, in excess of \$1,000, from tangible or in-
19 tangible property held for the production of rents, royalties or other income.

20 (v) The amount of any net operating loss carryovers or carrybacks in-
21 cluded in federal adjusted gross income.

22 (vi) The amount, in excess of \$5,000, of the combined deductions or other
23 allowances for depreciation, amortization or depletion.

24 (vii) The amount added or subtracted, as required within the context of
25 this section, for adjustments made under ORS 316.680 (2)(d) and 316.707 to
26 316.737.

27 (C) "Income" does not include the following:

28 (i) Any governmental grant that must be used by the taxpayer for reha-
29 bilitation of the homestead of the taxpayer.

30 (ii) Any refund of Oregon personal income taxes that were imposed under
31 this chapter.

1 (d) "Net pension income" means:

2 (A) For eligible individuals filing a joint return, the lesser of the pension
3 income of the eligible individuals received during the taxable year or the
4 excess, if any, of \$15,000 over the sum of the following amounts:

5 (i) Any Social Security benefits received by the eligible individual, or by
6 the spouse of the individual, during the taxable year; and

7 (ii) The excess, if any, of household income over \$30,000.

8 (B) For an eligible individual filing a return other than a joint return,
9 the lesser of the pension income of the eligible individual received during the
10 taxable year or the excess, if any, of \$7,500 over the sum of the following
11 amounts:

12 (i) Any Social Security benefits received by the eligible individual during
13 the taxable year; and

14 (ii) The excess, if any, of household income over \$15,000.

15 (e) "Pension income" means income included in Oregon taxable income
16 from:

17 (A) Distributions from or pursuant to an employee pension benefit plan,
18 as defined in section 3(2) of the Employee Retirement Income Security Act
19 of 1974, which satisfies the requirements of section 401 of the Internal Rev-
20 enue Code;

21 (B) Distributions from or pursuant to a public retirement system of this
22 state or a political subdivision of this state, or a public retirement system
23 created by an Act of this state or a political subdivision of this state, or the
24 public retirement system of any other state or local government;

25 (C) Distributions from or pursuant to a federal retirement system created
26 by the federal government for any officer or employee of the United States,
27 including any person retired from service in the United States Civil Service,
28 the Armed Forces of the United States or any agency or subdivision thereof;

29 (D) Distributions or withdrawals from or pursuant to an eligible deferred
30 compensation plan which satisfies the requirements of section 457 of the
31 Internal Revenue Code;

1 (E) Distributions or withdrawals from or pursuant to an individual re-
2 tirement account, annuity or trust or simplified employee pension which
3 satisfies the requirements of section 408 of the Internal Revenue Code; and

4 (F) Distributions or withdrawals from or pursuant to an employee annu-
5 ity, including custodial accounts treated as annuities, subject to section 403
6 (a) or (b) of the Internal Revenue Code.

7 (f) "Social Security benefits" means Social Security benefits, as defined
8 in section 86 of the Internal Revenue Code (Title II Social Security or tier
9 1 railroad retirement benefits).

10 (3) If a change in the taxable year of the eligible individual occurs as
11 described in ORS 314.085, or if the Department of Revenue terminates the tax
12 year of the eligible individual under ORS 314.440, the credit allowed by this
13 section shall be prorated or computed in a manner consistent with ORS
14 314.085.

15 (4) If a change in the status of the eligible individual from resident to
16 nonresident or from nonresident to resident occurs, the credit allowed by this
17 section shall be determined in a manner consistent with subsection (1) of this
18 section.

19 **SECTION 26.** ORS 317.010 is amended to read:

20 317.010. As used in this chapter, unless the context requires otherwise:

21 (1) "Centrally assessed corporation" means every corporation the property
22 of which is assessed by the Department of Revenue under ORS 308.505 to
23 308.674.

24 (2) "Department" means the Department of Revenue.

25 (3)(a) "Consolidated federal return" means the return permitted or re-
26 quired to be filed by a group of affiliated corporations under section 1501 of
27 the Internal Revenue Code.

28 (b) "Consolidated state return" means the return required to be filed un-
29 der ORS 317.710 (5).

30 (4) "Doing business" means any transaction or transactions in the course
31 of its activities conducted within the state by a national banking association,

1 or any other corporation; provided, however, that a foreign corporation
2 whose activities in this state are confined to purchases of personal property,
3 and the storage thereof incident to shipment outside the state, shall not be
4 deemed to be doing business unless such foreign corporation is an affiliate
5 of another foreign or domestic corporation which is doing business in
6 Oregon. Whether or not corporations are affiliated shall be determined as
7 provided in section 1504 of the Internal Revenue Code.

8 (5) "Excise tax" means a tax measured by or according to net income
9 imposed upon national banking associations, all other banks, and financial,
10 centrally assessed, mercantile, manufacturing and business corporations for
11 the privilege of carrying on or doing business in this state.

12 (6) "Financial institution" has the meaning given that term in ORS
13 314.610 except that it does not include a credit union as defined in ORS
14 723.006, an interstate credit union as defined in ORS 723.001 or a federal
15 credit union.

16 (7) "Internal Revenue Code," except where the Legislative Assembly has
17 provided otherwise, refers to the laws of the United States or to the Internal
18 Revenue Code as they are amended and in effect:

19 (a) On December 31, [2023] **2025**; or

20 (b) If related to the definition of taxable income, as applicable to the tax
21 year of the taxpayer.

22 (8) "Oregon taxable income" means taxable income, less the deduction
23 allowed under ORS 317.476, except as otherwise provided with respect to
24 insurers in subsection (11) of this section and ORS 317.650 to 317.665.

25 (9) "Oregon net loss" means taxable loss, except as otherwise provided
26 with respect to insurers in subsection (11) of this section and ORS 317.650
27 to 317.665.

28 (10) "Taxable income or loss" means the taxable income or loss deter-
29 mined, or in the case of a corporation for which no federal taxable income
30 or loss is determined, as would be determined, under chapter 1, Subtitle A
31 of the Internal Revenue Code and any other laws of the United States re-

1 lating to the determination of taxable income or loss of corporate taxpayers,
2 with the additions, subtractions, adjustments and other modifications as are
3 specifically prescribed by this chapter except that in determining taxable
4 income or loss for any year, no deduction under ORS 317.476 or 317.478 and
5 section 45b, chapter 293, Oregon Laws 1987, shall be allowed. If the corpo-
6 ration is a corporation to which ORS 314.280 or 314.605 to 314.675 (requiring
7 or permitting apportionment of income from transactions or activities carried
8 on both within and without the state) applies, to derive taxable income or
9 loss, the following shall occur:

10 (a) From the amount otherwise determined under this subsection, subtract
11 nonapportionable income, or add nonapportionable loss, whichever is appli-
12 cable.

13 (b) Multiply the amount determined under paragraph (a) of this sub-
14 section by the Oregon apportionment percentage defined under ORS 314.280,
15 314.650 or 314.667, whichever is applicable. The resulting product shall be
16 Oregon apportioned income or loss.

17 (c) To the amount determined as Oregon apportioned income or loss under
18 paragraph (b) of this subsection, add nonapportionable income allocable en-
19 tirely to Oregon under ORS 314.280 or 314.625 to 314.645, or subtract
20 nonapportionable loss allocable entirely to Oregon under ORS 314.280 or
21 314.625 to 314.645. The resulting figure is “taxable income or loss” for those
22 corporations carrying on taxable transactions or activities both within and
23 without Oregon.

24 (11) As used in ORS 317.650 to 317.665, “insurer” means any domestic,
25 foreign or alien insurer as defined in ORS 731.082 and any interinsurance
26 and reciprocal exchange and its attorney in fact with respect to its attorney
27 in fact net income as a corporate attorney in fact acting as attorney in
28 compliance with ORS 731.458, 731.462, 731.466 and 731.470 for the reciprocal
29 or interinsurance exchange. However, “insurer” does not include title insur-
30 ers or health care service contractors operating pursuant to ORS 750.005 to
31 750.095.

1 **SECTION 27.** ORS 317.097 is amended to read:

2 317.097. (1) As used in this section:

3 (a) “Annual rate” means the yearly interest rate specified on the note,
4 and not the annual percentage rate, if any, disclosed to the applicant to
5 comply with the federal Truth in Lending Act.

6 (b) “Bonds” means a bond, as defined in ORS 286A.001, if issued on behalf
7 of the Housing and Community Services Department, or bonds, as defined in
8 ORS 456.055, if issued by a housing authority.

9 (c) “Finance charge” means the total of all interest, loan fees, interest
10 on any loan fees financed by the lending institution, and other charges re-
11 lated to the cost of obtaining credit.

12 (d) “Lending institution” means any insured institution, as that term is
13 defined in ORS 706.008, any mortgage banking company that maintains an
14 office in this state or any community development corporation that is or-
15 ganized under the Oregon Nonprofit Corporation Law.

16 (e) “Limited equity cooperative” means a cooperative corporation formed
17 under ORS chapter 62 whose articles of incorporation, in addition to the
18 other requirements of ORS chapter 62, prohibit members from selling their
19 ownership interests:

20 (A) To any person other than a low income person; or

21 (B) For a sales price that exceeds the sum of:

22 (i) The price the member paid for the ownership interest;

23 (ii) The cost of any permanent improvements the member made to the
24 housing unit during the member’s ownership;

25 (iii) Any special assessments the member paid to the limited equity co-
26 operative during the member’s ownership that were expended to make per-
27 manent improvements to the building in which the member’s housing unit is
28 located; and

29 (iv) A return on the amounts described in sub-subparagraphs (i) to (iii)
30 of this subparagraph, computed from the year in which the respective amount
31 was paid, that equals the greater of the result of adjusting each amount by

1 the percentage increase, if any, in the Consumer Price Index for All Urban
2 Consumers, West Region (All Items), as published by the Bureau of Labor
3 Statistics of the United States Department of Labor, or of increasing each
4 amount by three percent compounded annually.

5 (f) “Manufactured dwelling park” has the meaning given that term in
6 ORS 446.003.

7 (g) “Nonprofit corporation” means a corporation that is exempt from in-
8 come taxes under section 501(c)(3) or (4) of the Internal Revenue Code as
9 amended and in effect on December 31, [2023] **2025**.

10 (h) “Preservation project” means housing that was previously developed
11 as affordable housing with a contract for rent assistance from the United
12 States Department of Housing and Urban Development or the United States
13 Department of Agriculture and that is being acquired by a sponsoring entity.

14 (i) “Qualified assignee” means any investor participating in the secondary
15 market for real estate loans.

16 (j) “Qualified borrower” means any borrower that is a sponsoring entity
17 that has a controlling interest in the real property that is financed by a
18 qualified loan. A controlling interest includes a controlling interest in the
19 general partner of a limited partnership that owns the real property.

20 (k) “Qualified loan” means:

21 (A) A loan that meets the criteria stated in subsection (5) of this section
22 or that is made to refinance a loan that meets the criteria described in sub-
23 section (5) of this section;

24 (B) The purchase by a lending institution of bonds, the proceeds of which
25 are used to finance or refinance a loan that meets the criteria described in
26 subsection (5) of this section; or

27 (C) A qualified mortgage loan fund.

28 (L) “Qualified mortgage loan fund” means a fund that:

29 (A) Is operated by a lending institution described in subsection (12) of this
30 section;

31 (B) Makes mortgages to first-time home buyers;

1 (C) Makes mortgages for homes subject to a land trust mortgage; and

2 (D) Makes mortgages to households that, at the time of mortgage origi-
3 nation, have income that is 80 percent or less of area median income as de-
4 fined in ORS 458.610.

5 (m) "Sponsoring entity" means a nonprofit corporation, nonprofit cooper-
6 ative, state governmental entity, local unit of government as defined in ORS
7 466.706, housing authority or any other person, provided that the person has
8 agreed to restrictive covenants imposed by a nonprofit corporation, nonprofit
9 cooperative, state governmental entity, local unit of government or housing
10 authority.

11 (2) The Department of Revenue shall allow a credit against taxes other-
12 wise due under this chapter for the tax year to a lending institution that
13 makes a qualified loan certified by the Housing and Community Services
14 Department as provided in subsection (7) of this section. The amount of the
15 credit is equal to the difference between:

16 (a) The amount of finance charge charged by the lending institution dur-
17 ing the tax year at an annual rate less than the market rate for a qualified
18 loan that complies with the requirements of this section; and

19 (b) The amount of finance charge that would have been charged during
20 the tax year by the lending institution for the qualified loan for housing
21 construction, development, acquisition or rehabilitation measured at the an-
22 nual rate charged by the lending institution for nonsubsidized loans made
23 under like terms and conditions at the time the qualified loan for housing
24 construction, development, acquisition or rehabilitation is made.

25 (3) The maximum amount of credit for the difference between the amounts
26 described in subsection (2)(a) and (b) of this section may not exceed four
27 percent of the average unpaid balance of the qualified loan during the tax
28 year for which the credit is claimed.

29 (4) Any tax credit allowed under this section that is not used by the
30 taxpayer in a particular year may be carried forward and offset against the
31 taxpayer's tax liability for the next succeeding tax year. Any credit remain-

1 ing unused in the next succeeding tax year may be carried forward and used
2 in the second succeeding tax year, and likewise, any credit not used in that
3 second succeeding tax year may be carried forward and used in the third
4 succeeding tax year, and any credit not used in that third succeeding tax
5 year may be carried forward and used in the fourth succeeding tax year, and
6 any credit not used in that fourth succeeding tax year may be carried for-
7 ward and used in the fifth succeeding tax year, but may not be carried for-
8 ward for any tax year thereafter.

9 (5) To be eligible for the tax credit allowable under this section, a lending
10 institution must make a qualified loan by either purchasing bonds, the pro-
11 ceeds of which are used to finance or refinance a loan that meets the criteria
12 stated in this subsection, or making a loan directly to:

13 (a) An individual or individuals who own a dwelling, participate in an
14 owner-occupied community rehabilitation program and are certified by the
15 local government or its designated agent as having an income level when the
16 loan is made of 80 percent of the area median income or less;

17 (b) A qualified borrower who:

18 (A) Uses the loan proceeds to finance construction, development, acqui-
19 sition or rehabilitation of housing, including housing in the form of a limited
20 equity cooperative; and

21 (B) Provides a written certification executed by the Housing and Com-
22 munity Services Department that the:

23 (i) Housing created by the loan is or will be occupied by households
24 earning 80 percent of the area median income or less; and

25 (ii) Full amount of savings from the reduced interest rate provided by the
26 lending institution is or will be passed on, in the form of reduced housing
27 payments, to the tenants or to the holders of proprietary leases in a limited
28 equity cooperative;

29 (c) Subject to subsection (14) of this section, a qualified borrower who:

30 (A) Uses the loan proceeds to finance construction, development, acqui-
31 sition or rehabilitation of housing consisting of a manufactured dwelling

1 park; and

2 (B) Provides a written certification executed by the Housing and Com-
3 munity Services Department that the housing will continue to be operated
4 as a manufactured dwelling park during the period for which the tax credit
5 is allowed;

6 (d) A qualified borrower who:

7 (A) Uses the loan proceeds to finance acquisition or rehabilitation of
8 housing consisting of a preservation project; and

9 (B) Provides a written certification executed by the Housing and Com-
10 munity Services Department that the housing preserved by the loan:

11 (i) Is or will be occupied by households earning 80 percent of the area
12 median income or less; and

13 (ii) Is the subject of a rent assistance contract with the United States
14 Department of Housing and Urban Development or the United States De-
15 partment of Agriculture that will be maintained by the qualified borrower;

16 (e) A qualified borrower who:

17 (A) Uses the loan proceeds to finance construction, development, acqui-
18 sition or rehabilitation of housing; and

19 (B) Provides a written certification executed by the Housing and Com-
20 munity Services Department or the governmental party to the rent assistance
21 contract that the housing preserved by the loan:

22 (i) Is or will be occupied by households earning 80 percent of the area
23 median income or less; and

24 (ii) Is the subject of a rent assistance contract with the federal govern-
25 ment or with a state or local government that will be maintained by the
26 qualified borrower and that limits a tenant's rent to no more than 30 percent
27 of their income;

28 (f) A qualified borrower who:

29 (A) Uses the loan proceeds to finance preservation or rehabilitation of
30 housing; and

31 (B) Provides a written certification executed by the Housing and Com-

1 munity Services Department that the housing preserved or rehabilitated by
2 the loan:

3 (i) Is or will be occupied by households earning 80 percent of the area
4 median income or less; and

5 (ii) Is currently characterized by financial or physical distress that
6 threatens its ongoing viability as an affordable housing resource; or

7 (g) A qualified mortgage loan fund.

8 (6) A loan made to refinance a loan that meets the criteria stated in
9 subsection (5) of this section must be treated the same as a loan that meets
10 the criteria stated in subsection (5) of this section.

11 (7) For a qualified loan to be eligible for the tax credit allowable under
12 this section, the Housing and Community Services Department must execute
13 a written certification for the qualified loan that:

14 (a) States that the qualified loan is within the limitation imposed by
15 subsection (8) of this section; and

16 (b) Specifies the period, as determined by the Housing and Community
17 Services Department, during which the tax credit is allowed for the qualified
18 loan, not to exceed:

19 (A) 30 years, for a qualified loan with a contract for rent assistance or
20 financing resources from the United States Department of Agriculture, for
21 new housing construction, acquisition of housing or a preservation project;
22 or

23 (B) 20 years, for any other type of qualified loan.

24 (8) The Housing and Community Services Department may certify quali-
25 fied loans that are eligible under subsection (5) of this section if the total
26 credits attributable to all qualified loans eligible for credits under this sec-
27 tion and then outstanding do not exceed \$35 million for any fiscal year. In
28 making loan certifications under subsection (7) of this section, the Housing
29 and Community Services Department shall attempt to distribute the tax
30 credits statewide, but shall concentrate the tax credits in those areas of the
31 state that are determined by the Oregon Housing Stability Council to have

1 the greatest need for affordable housing.

2 (9) The tax credit provided for in this section may be taken whether or
3 not:

4 (a) The financial institution is eligible to take a federal income tax credit
5 under section 42 of the Internal Revenue Code with respect to the project
6 financed by the qualified loan;

7 (b) The project receives financing from bonds, the interest on which is
8 exempt from federal taxation under section 103 of the Internal Revenue Code;
9 or

10 (c) The project receives moneys from the Elderly and Disabled Housing
11 Fund under ORS 456.535.

12 (10) For a qualified loan defined in subsection (1)(k)(B) of this section fi-
13 nanced through the purchase of bonds, the interest of which is exempt from
14 federal taxation under section 103 of the Internal Revenue Code, the amount
15 of finance charge that would have been charged under subsection (2)(b) of
16 this section is determined by reference to the finance charge that would have
17 been charged if the federally tax exempt bonds had been issued and the tax
18 credit under this section did not apply.

19 (11) A lending institution may sell a qualified loan for which a certifica-
20 tion has been executed to a qualified assignee whether or not the lending
21 institution retains servicing of the qualified loan so long as a designated
22 lending institution maintains records, annually verified by a loan servicer,
23 that establish the amount of tax credit earned by the taxpayer throughout
24 each year of eligibility.

25 (12) Notwithstanding any other provision of law, a lending institution
26 that is a community development corporation organized under the Oregon
27 Nonprofit Corporation Law may transfer all or part of a tax credit allowed
28 under this section to one or more other lending institutions that are stock-
29 holders or members of the community development corporation or that oth-
30 erwise participate through the community development corporation in the
31 making of one or more qualified loans for which the tax credit under this

1 section is allowed.

2 (13) The lending institution shall file an annual statement with the
3 Housing and Community Services Department, specifying that it has con-
4 formed with all requirements imposed by law to qualify for a tax credit under
5 this section.

6 (14) Notwithstanding subsection (1)(j) and (m) of this section, a qualified
7 borrower on a loan to finance the construction, development, acquisition or
8 rehabilitation of a manufactured dwelling park under subsection (5)(c) of this
9 section must be:

10 (a) A nonprofit corporation, manufactured dwelling park nonprofit coop-
11 erative, state governmental entity, local unit of government as defined in
12 ORS 466.706 or housing authority; or

13 (b) A nonprofit corporation or housing authority that has a controlling
14 interest in the real property that is financed by a qualified loan. A control-
15 ling interest includes a controlling interest in the general partner of a lim-
16 ited partnership that owns the real property.

17 (15) The Department of Revenue may require that a lending institution
18 that has earned the credit and a lending institution that intends to claim the
19 credit jointly file a notice, as prescribed by the Department of Revenue. The
20 notice must comply with ORS 315.056 (2) or 315.058 (2).

21 (16) The Housing and Community Services Department shall provide in-
22 formation to the Department of Revenue about all certifications executed
23 under this section, if required by ORS 315.058.

24 (17) The Housing and Community Services Department and the Depart-
25 ment of Revenue may adopt rules to carry out the provisions of this section.

26 **SECTION 28.** ORS 317A.100, as amended by section 6, chapter 502,
27 Oregon Laws 2025, is amended to read:

28 317A.100. As used in ORS 317A.100 to 317A.158:

29 (1)(a) “Commercial activity” means:

30 (A) The total amount realized by a person, arising from transactions and
31 activity in the regular course of the person’s trade or business, without de-

1 duction for expenses incurred by the trade or business;

2 (B) If received by a financial institution:

3 (i) If the reporting person for a financial institution is a holding company,
4 all items of income reported on the FR Y-9 filed by the holding company;

5 (ii) If the reporting person for a financial institution is a bank organiza-
6 tion, all items of income reported on the call report filed by the bank or-
7 ganization; and

8 (iii) If the reporting person for a financial institution is a nonbank fi-
9 nancial organization, all items of income reported in accordance with gen-
10 erally accepted accounting principles; and

11 (C)(i) If received by an insurer, as reported on the statement of premiums
12 accompanying the annual statement required under ORS 731.574 to be filed
13 with the Director of the Department of Consumer and Business Services, all
14 gross direct life insurance premiums, gross direct accident and health insur-
15 ance premiums and gross direct property and casualty insurance premiums;
16 and

17 (ii) The gross amount of surplus lines premiums received on Oregon home
18 state risks as shown in the report required by ORS 735.465.

19 (b) "Commercial activity" does not include:

20 (A) Interest income except:

21 (i) Interest on credit sales; or

22 (ii) Interest income, including service charges, received by financial in-
23 stitutions;

24 (B) Receipts from the sale, exchange or other disposition of an asset de-
25 scribed in section 1221 or 1231 of the Internal Revenue Code, without regard
26 to the length of time the person held the asset;

27 (C) If received by an insurer, federally reinsured premiums or income from
28 transactions between a reciprocal insurer and its attorney in fact operating
29 under ORS 731.142;

30 (D) Receipts from hedging transactions, to the extent that the trans-
31 actions are entered into primarily to protect a financial position, including

1 transactions intended to manage the risk of exposure to foreign currency
2 fluctuations that affect assets, liabilities, profits, losses, equity or invest-
3 ments in foreign operations, risk of exposure to interest rate fluctuations or
4 risk of commodity price fluctuations;

5 (E) Proceeds received attributable to the repayment, maturity or redemp-
6 tion of the principal of a loan, bond, mutual fund, certificate of deposit or
7 marketable instrument;

8 (F) The principal amount received under a repurchase agreement or on
9 account of any transaction properly characterized as a loan to the person;

10 (G) Contributions received by a trust, plan or other arrangement, any of
11 which is described in section 501(a) of the Internal Revenue Code, or to
12 which title 26, subtitle A, chapter 1, subchapter (D) of the Internal Revenue
13 Code applies;

14 (H) Compensation, whether current or deferred, and whether in cash or
15 in kind, received or to be received by an employee, a former employee or the
16 employee's legal successor for services rendered to or for an employer, in-
17 cluding reimbursements received by or for an individual for medical or edu-
18 cation expenses, health insurance premiums or employee expenses or on
19 account of a dependent care spending account, legal services plan, any cafe-
20 teria plan described in section 125 of the Internal Revenue Code or any
21 similar employee reimbursement;

22 (I) Proceeds received from the issuance of the taxpayer's own stock,
23 options, warrants, puts or calls, or from the sale of the taxpayer's treasury
24 stock;

25 (J) Proceeds received on the account of payments from insurance policies,
26 including crop insurance policies, owned by the taxpayer, except those pro-
27 ceeds received for the loss of commercial activity;

28 (K) Gifts or charitable contributions received, membership dues received
29 by trade, professional, homeowners' or condominium associations, payments
30 received for educational courses, meetings or meals, or similar payments to
31 a trade, professional or other similar association, and fundraising receipts

1 received by any person when any excess receipts are donated or used exclu-
2 sively for charitable purposes;

3 (L) Damages received as the result of litigation in excess of amounts that,
4 if received without litigation, would be treated as commercial activity;

5 (M) Property, money and other amounts received or acquired by an agent
6 on behalf of another in excess of the agent's commission, fee or other
7 remuneration;

8 (N) Tax refunds from any tax program, other tax benefit recoveries and
9 reimbursements for the tax imposed under ORS 317A.100 to 317A.158 made
10 by entities that are part of the same unitary group as provided under ORS
11 317A.106, and reimbursements made by entities that are not members of a
12 unitary group that are required to be made for economic parity among mul-
13 tiple owners of an entity whose tax obligation under ORS 317A.100 to
14 317A.158 is required to be reported and paid entirely by one owner, as pro-
15 vided in ORS 317A.106;

16 (O) Pension reversions;

17 (P) Contributions to capital;

18 (Q) Receipts from the sale, transfer, exchange or other disposition of mo-
19 tor vehicle fuel or any other product used for the propulsion of motor vehi-
20 cles;

21 (R) In the case of receipts from the sale of cigarettes or tobacco products
22 by a wholesale dealer, retail dealer, distributor, manufacturer or seller, an
23 amount equal to the federal and state excise taxes paid by any person on or
24 for such cigarettes or tobacco products under subtitle E of the Internal
25 Revenue Code or ORS chapter 323;

26 (S) In the case of receipts from the sale of malt beverages or wine, as
27 defined in ORS 471.001, cider, as defined in ORS 471.023 or distilled liquor,
28 as defined in ORS 471.001, by a person holding a license issued under ORS
29 chapter 471, an amount equal to the federal and state excise taxes paid by
30 any person on or for such malt beverages, wine or distilled liquor under
31 subtitle E of the Internal Revenue Code or ORS chapter 471 or 473, and any

1 amount paid to the Oregon Liquor and Cannabis Commission for sales of
2 distilled spirits by an agent appointed under ORS 471.750;

3 (T) In the case of receipts from the sale of marijuana items, as defined in
4 ORS 475C.009, by a person holding a license issued under ORS 475C.005 to
5 475C.525, an amount equal to the federal and state excise taxes paid by any
6 person on or for such marijuana items under subtitle E of the Internal Rev-
7 enue Code or ORS 475C.670 to 475C.734 and any local retail taxes authorized
8 under ORS 475C.453;

9 (U) Local taxes collected by a restaurant or other food establishment on
10 sales of meals, prepared food or beverages;

11 (V) Tips or gratuities collected by a restaurant or other food establish-
12 ment and passed on to employees;

13 (W) Receipts realized by a vehicle dealer certified under ORS 822.020 or
14 a person described in ORS 320.400 (8)(a)(B) from the sale or other transfer
15 of a motor vehicle, as defined in ORS 801.360, to another vehicle dealer for
16 the purpose of resale by the transferee vehicle dealer, but only if the sale
17 or other transfer was based upon the transferee's need to meet a specific
18 customer's preference for a motor vehicle or is an exchange of new vehicles
19 between franchised motor vehicle dealerships;

20 (X) Registration fees or taxes collected by a vehicle dealer certified under
21 ORS 822.020 or a person described in ORS 320.400 (8)(a)(B) at the sale or
22 other transfer of a motor vehicle, as defined in ORS 801.360, that are owed
23 to a third party by the purchaser of the motor vehicle and passed to the third
24 party by the dealer;

25 (Y) Receipts from a financial institution for services provided to the fi-
26 nancial institution in connection with the issuance, processing, servicing and
27 management of loans or credit accounts, if the financial institution and the
28 recipient of the receipts have at least 50 percent of their ownership interests
29 owned or controlled, directly or constructively through related interests, by
30 common owners;

31 (Z) In the case of amounts retained as commissions by a holder of a li-

1 cense under ORS chapter 462, an amount equal to the amounts specified un-
2 der ORS chapter 462 that must be paid to or collected by the Department of
3 Revenue as a tax and the amounts specified under ORS chapter 462 to be
4 used as purse money;

5 (AA) Receipts of residential care facilities as defined in ORS 443.400 or
6 in-home care agencies as defined in ORS 443.305, to the extent that the re-
7 ceipts are derived from or received as compensation for providing services
8 to a medical assistance or Medicare recipient;

9 (BB) Dividends received;

10 (CC) Distributive income received from a pass-through entity;

11 (DD) Receipts from sales to a wholesaler in this state, if the seller re-
12 ceives certification at the time of sale from the wholesaler that the whole-
13 saler will sell the purchased property outside this state;

14 (EE) Receipts from the wholesale or retail sale of groceries, including
15 receipts of a person that owns groceries at the time of sale and compensation
16 of any consignee engaged in effecting the sale of groceries on behalf the
17 owner of the groceries, but only to the extent that the compensation relates
18 to grocery sales;

19 (FF) Receipts from transactions among members of a unitary group;

20 (GG) Moneys, including public purpose charge moneys collected under
21 ORS 757.612 and moneys collected to plan for and pursue cost-effective en-
22 ergy efficiency resources under ORS 757.054, that are collected from cus-
23 tomers, passed to a utility and approved by the Public Utility Commission
24 and that support energy conservation, renewable resource acquisition and
25 low-income assistance programs;

26 (HH) Moneys collected by a utility from customers for the payment of
27 loans through on-bill financing;

28 (II) Surcharges collected under ORS 757.736;

29 (JJ) Moneys passed to a utility by the Bonneville Power Administration
30 for the purpose of effectuating the Regional Power Act Exchange credits or
31 pursuant to any settlement associated with the exchange credit;

1 (KK) Moneys collected or recovered, by entities listed in ORS 756.310,
2 cable operators as defined in 47 U.S.C. 522(5), telecommunications carriers
3 as defined in 47 U.S.C. 153(51) and providers of information services as de-
4 fined in 47 U.S.C. 153(24), for fees payable under ORS 756.310, right-of-way
5 fees, franchise fees, privilege taxes, federal taxes and local taxes;

6 (LL) Charges assessed under ORS 759.685 and paid into the Residential
7 Service Protection Fund;

8 (MM) Universal service surcharge moneys collected or recovered and paid
9 into the universal service fund established in ORS 759.425;

10 (NN) Moneys collected for public purpose funding as described in ORS
11 759.430;

12 (OO) Moneys collected or recovered and paid into the federal universal
13 service fund as determined by the Federal Communications Commission;

14 (PP) In the case of a seller or provider of telecommunications services,
15 the amount of tax imposed under ORS 403.200 for access to the emergency
16 communications system that is collected from subscribers or consumers;

17 (QQ) In the case of a transient lodging tax collector, the amount of tax
18 imposed under ORS 320.305 and of any local transient lodging tax imposed
19 upon the occupancy of transit lodging;

20 (RR) In the case of a seller of bicycles, the amount of tax imposed under
21 ORS 320.415 upon retail sales of bicycles;

22 (SS) In the case of a qualified heavy equipment provider, the amount of
23 tax imposed under ORS 307.872 upon the rental price of heavy equipment;

24 (TT) Farmer sales to an agricultural cooperative in this state that is a
25 cooperative organization described in section 1381 of the Internal Revenue
26 Code;

27 (UU) Revenue received by a business entity that is mandated by contract
28 or subcontract to be distributed to another person or entity if the revenue
29 constitutes sales commissions that are paid to a person who is not an em-
30 ployee of the business entity, including, without limitation, a split-fee real
31 estate commission;

1 (VV) Receipts from the sale of fluid milk by dairy farmers that are not
2 members of an agricultural cooperative; and

3 (WW)(i) Cost paid by a dealer for items of precious metal.

4 (ii) As used in this subparagraph, “item of precious metal” means an item
5 of gold, silver, platinum, rhodium or palladium that has been put through a
6 process of smelting or refining and that is in a state or condition that its
7 value depends on its contents and not its form.

8 (2) “Cost inputs” means:

9 (a) The cost of goods sold as calculated in arriving at federal taxable in-
10 come under the Internal Revenue Code; or

11 (b) In the case of a taxpayer that is engaged in a farming operation, as
12 defined in ORS 317A.102, and that does not report cost of goods sold for
13 federal tax purposes, the taxpayer’s operating expenses excluding labor costs.

14 (3) “Doing business” means engaging in any activity, whether legal or il-
15 legal, that is conducted for, or results in, the receipt of commercial activity
16 at any time during a calendar year.

17 (4) “Excluded person” means any of the following:

18 (a) Organizations described in sections 501(c) and 501(j) of the Internal
19 Revenue Code, unless the exemption is denied under section 501(h), (i) or (m)
20 or under section 502, 503 or 505 of the Internal Revenue Code.

21 (b) Organizations described in section 501(d) of the Internal Revenue
22 Code, unless the exemption is denied under section 502 or 503 of the Internal
23 Revenue Code.

24 (c) Organizations described in section 501(e) of the Internal Revenue
25 Code.

26 (d) Organizations described in section 501(f) of the Internal Revenue Code.

27 (e) Charitable risk pools described in section 501(n) of the Internal Reve-
28 nue Code.

29 (f) Organizations described in section 521 of the Internal Revenue Code.

30 (g) Qualified state tuition programs described in section 529 of the Inter-
31 nal Revenue Code.

1 (h) Foreign or alien insurance companies, but only with respect to the
2 underwriting profit derived from writing wet marine and transportation in-
3 surance subject to tax under ORS 731.824 and 731.828 or if an insurance
4 company is subject to the retaliatory tax under ORS 731.854 and 731.859.

5 (i) Governmental entities.

6 (j) Any person with commercial activity that does not exceed \$750,000 for
7 the tax year, other than a person that is part of a unitary group as provided
8 in ORS 317A.106 with commercial activity in excess of \$750,000.

9 (k) Hospitals subject to assessment under ORS 414.855, long term care
10 facilities subject to assessment under ORS 409.801 or any entity subject to
11 assessment under ORS 414.880 or section 3 or 5, chapter 538, Oregon Laws
12 2017.

13 (L) Manufactured dwelling park nonprofit cooperatives organized under
14 ORS chapter 62.

15 (5) "Financial institution" has the meaning given that term in ORS
16 314.610, except that "financial institution" does not include a credit union.

17 (6)(a) "FR Y-9" means the consolidated or parent-only financial state-
18 ments that a holding company is required to file with the Federal Reserve
19 Board pursuant to 12 U.S.C. 1844.

20 (b) In the case of a holding company required to file both consolidated
21 and parent-only financial statements, "FR Y-9" means the consolidated fi-
22 nancial statements that the holding company is required to file.

23 (7) "Governmental entity" means:

24 (a) The United States and any of its unincorporated agencies and instru-
25 mentalities.

26 (b) Any incorporated agency or instrumentality of the United States
27 wholly owned by the United States or by a corporation wholly owned by the
28 United States.

29 (c) The State of Oregon and any of its unincorporated agencies and in-
30 strumentalities.

31 (d) Any county, city, district or other political subdivision of the state.

1 (e) A special government body as defined in ORS 174.117.

2 (f) A federally recognized Indian tribe.

3 (8) “Groceries” means food as defined in 7 U.S.C. 2012(k), but does not
4 include cannabinoid edibles or marijuana seeds.

5 (9)(a) “Hedging transaction” means a hedging transaction as defined in
6 section 1221 of the Internal Revenue Code or a transaction accorded hedge
7 accounting treatment under Financial Accounting Standards Board State-
8 ment No. 133.

9 (b) “Hedging transaction” does not include a transaction in which an ac-
10 tual transfer of title of real or tangible property to another entity occurs.

11 (10) “Insurer” has the meaning given that term in ORS 317.010.

12 (11) “Internal Revenue Code,” except where the Legislative Assembly has
13 provided otherwise, refers to the laws of the United States or to the Internal
14 Revenue Code as they are amended and in effect on December 31, [2023]
15 **2025**.

16 (12) “Labor costs” means total compensation of all employees, not to in-
17 clude compensation paid to any single employee in excess of \$500,000.

18 (13)(a) “Motor vehicle fuel or any other product used for the propulsion
19 of motor vehicles” means:

20 (A) Motor vehicle fuel as defined in ORS 319.010; and

21 (B) Fuel the use of which in a motor vehicle is subject to taxation under
22 ORS 319.530.

23 (b) “Motor vehicle fuel or any other product used for the propulsion of
24 motor vehicles” does not mean:

25 (A) Electricity; or

26 (B) Electric batteries or any other mechanical or physical component or
27 accessory of a motor vehicle.

28 (14) “Person” includes individuals, combinations of individuals of any
29 form, receivers, assignees, trustees in bankruptcy, firms, companies, joint-
30 stock companies, business trusts, estates, partnerships, limited liability
31 partnerships, limited liability companies, associations, joint ventures, clubs,

1 societies, entities organized as for-profit corporations under ORS chapter 60,
2 C corporations, S corporations, qualified subchapter S subsidiaries, qualified
3 subchapter S trusts, trusts, entities that are disregarded for federal income
4 tax purposes and any other entities.

5 (15) “Retailer” means a person doing business by selling tangible personal
6 property to a purchaser for a purpose other than:

7 (a) Resale by the purchaser of the property as tangible personal property
8 in the regular course of business;

9 (b) Incorporation by the purchaser of the property in the course of regular
10 business as an ingredient or component of real or personal property; or

11 (c) Consumption by the purchaser of the property in the production for
12 sale of a new article of tangible personal property.

13 (16) “Taxable commercial activity” means commercial activity sourced to
14 this state under ORS 317A.128, less any subtraction pursuant to ORS
15 317A.119.

16 (17)(a) “Taxpayer” means any person or unitary group required to regis-
17 ter, file or pay tax under ORS 317A.100 to 317A.158.

18 (b) “Taxpayer” does not include excluded persons, except to the extent
19 that a tax-exempt entity has unrelated business income as described in the
20 Internal Revenue Code.

21 (18) “Tax year” means, except as otherwise provided in ORS 317A.103, a
22 taxpayer’s annual accounting period used for federal income tax purposes
23 under section 441 of the Internal Revenue Code.

24 (19)(a) “Unitary business” means a business enterprise in which there
25 exists directly or indirectly between the members or parts of the enterprise
26 a sharing or exchange of value as demonstrated by:

27 (A) Centralized management or a common executive force;

28 (B) Centralized administrative services or functions resulting in econo-
29 mies of scale; or

30 (C) Flow of goods, capital resources or services demonstrating functional
31 integration.

1 (b) “Unitary business” may include a business enterprise the activities
2 of which:

3 (A) Are in the same general line of business, such as manufacturing,
4 wholesaling or retailing; or

5 (B) Constitute steps in a vertically integrated process, such as the steps
6 involved in the production of natural resources, which might include explo-
7 ration, mining, refining and marketing.

8 (20) “Unitary group” means a group of persons with more than 50 percent
9 common ownership, either direct or indirect, that is engaged in business ac-
10 tivities that constitute a unitary business.

11 (21) “Wholesaler” means a person primarily doing business by merchant
12 distribution of tangible personal property to retailers or to other whole-
13 salers.

14 **SECTION 29.** ORS 317A.100, as amended by section 20, chapter 4, Oregon
15 Laws 2025, and section 6, chapter 502, Oregon Laws 2025, is amended to read:
16 317A.100. As used in ORS 317A.100 to 317A.158:

17 (1)(a) “Commercial activity” means:

18 (A) The total amount realized by a person, arising from transactions and
19 activity in the regular course of the person’s trade or business, without de-
20 duction for expenses incurred by the trade or business;

21 (B) If received by a financial institution:

22 (i) If the reporting person for a financial institution is a holding company,
23 all items of income reported on the FR Y-9 filed by the holding company;

24 (ii) If the reporting person for a financial institution is a bank organiza-
25 tion, all items of income reported on the call report filed by the bank or-
26 ganization; and

27 (iii) If the reporting person for a financial institution is a nonbank fi-
28 nancial organization, all items of income reported in accordance with gen-
29 erally accepted accounting principles; and

30 (C)(i) If received by an insurer, as reported on the statement of premiums
31 accompanying the annual statement required under ORS 731.574 to be filed

1 with the Director of the Department of Consumer and Business Services, all
2 gross direct life insurance premiums, gross direct accident and health insur-
3 ance premiums and gross direct property and casualty insurance premiums;
4 and

5 (ii) The gross amount of surplus lines premiums received on Oregon home
6 state risks as shown in the report required by ORS 735.465.

7 (b) "Commercial activity" does not include:

8 (A) Interest income except:

9 (i) Interest on credit sales; or

10 (ii) Interest income, including service charges, received by financial in-
11 stitutions;

12 (B) Receipts from the sale, exchange or other disposition of an asset de-
13 scribed in section 1221 or 1231 of the Internal Revenue Code, without regard
14 to the length of time the person held the asset;

15 (C) If received by an insurer, federally reinsured premiums or income from
16 transactions between a reciprocal insurer and its attorney in fact operating
17 under ORS 731.142;

18 (D) Receipts from hedging transactions, to the extent that the trans-
19 actions are entered into primarily to protect a financial position, including
20 transactions intended to manage the risk of exposure to foreign currency
21 fluctuations that affect assets, liabilities, profits, losses, equity or invest-
22 ments in foreign operations, risk of exposure to interest rate fluctuations or
23 risk of commodity price fluctuations;

24 (E) Proceeds received attributable to the repayment, maturity or redemp-
25 tion of the principal of a loan, bond, mutual fund, certificate of deposit or
26 marketable instrument;

27 (F) The principal amount received under a repurchase agreement or on
28 account of any transaction properly characterized as a loan to the person;

29 (G) Contributions received by a trust, plan or other arrangement, any of
30 which is described in section 501(a) of the Internal Revenue Code, or to
31 which title 26, subtitle A, chapter 1, subchapter (D) of the Internal Revenue

1 Code applies;

2 (H) Compensation, whether current or deferred, and whether in cash or
3 in kind, received or to be received by an employee, a former employee or the
4 employee's legal successor for services rendered to or for an employer, in-
5 cluding reimbursements received by or for an individual for medical or edu-
6 cation expenses, health insurance premiums or employee expenses or on
7 account of a dependent care spending account, legal services plan, any cafe-
8 teria plan described in section 125 of the Internal Revenue Code or any
9 similar employee reimbursement;

10 (I) Proceeds received from the issuance of the taxpayer's own stock,
11 options, warrants, puts or calls, or from the sale of the taxpayer's treasury
12 stock;

13 (J) Proceeds received on the account of payments from insurance policies,
14 including crop insurance policies, owned by the taxpayer, except those pro-
15 ceeds received for the loss of commercial activity;

16 (K) Gifts or charitable contributions received, membership dues received
17 by trade, professional, homeowners' or condominium associations, payments
18 received for educational courses, meetings or meals, or similar payments to
19 a trade, professional or other similar association, and fundraising receipts
20 received by any person when any excess receipts are donated or used exclu-
21 sively for charitable purposes;

22 (L) Damages received as the result of litigation in excess of amounts that,
23 if received without litigation, would be treated as commercial activity;

24 (M) Property, money and other amounts received or acquired by an agent
25 on behalf of another in excess of the agent's commission, fee or other
26 remuneration;

27 (N) Tax refunds from any tax program, other tax benefit recoveries and
28 reimbursements for the tax imposed under ORS 317A.100 to 317A.158 made
29 by entities that are part of the same unitary group as provided under ORS
30 317A.106, and reimbursements made by entities that are not members of a
31 unitary group that are required to be made for economic parity among mul-

1 multiple owners of an entity whose tax obligation under ORS 317A.100 to
2 317A.158 is required to be reported and paid entirely by one owner, as pro-
3 vided in ORS 317A.106;

4 (O) Pension reversions;

5 (P) Contributions to capital;

6 (Q) Receipts from the sale, transfer, exchange or other disposition of mo-
7 tor vehicle fuel or any other product used for the propulsion of motor vehi-
8 cles;

9 (R) In the case of receipts from the sale of cigarettes or tobacco products
10 by a wholesale dealer, retail dealer, distributor, manufacturer or seller, an
11 amount equal to the federal and state excise taxes paid by any person on or
12 for such cigarettes or tobacco products under subtitle E of the Internal
13 Revenue Code or ORS chapter 323;

14 (S) In the case of receipts from the sale of malt beverages or wine, as
15 defined in ORS 471.001, cider, as defined in ORS 471.023 or distilled liquor,
16 as defined in ORS 471.001, by a person holding a license issued under ORS
17 chapter 471, an amount equal to the federal and state excise taxes paid by
18 any person on or for such malt beverages, wine or distilled liquor under
19 subtitle E of the Internal Revenue Code or ORS chapter 471 or 473, and any
20 amount paid to the Oregon Liquor and Cannabis Commission for sales of
21 distilled spirits by an agent appointed under ORS 471.750;

22 (T) In the case of receipts from the sale of marijuana items, as defined in
23 ORS 475C.009, by a person holding a license issued under ORS 475C.005 to
24 475C.525, an amount equal to the federal and state excise taxes paid by any
25 person on or for such marijuana items under subtitle E of the Internal Rev-
26 enue Code or ORS 475C.670 to 475C.734 and any local retail taxes authorized
27 under ORS 475C.453;

28 (U) Local taxes collected by a restaurant or other food establishment on
29 sales of meals, prepared food or beverages;

30 (V) Tips or gratuities collected by a restaurant or other food establish-
31 ment and passed on to employees;

1 (W) Receipts realized by a vehicle dealer certified under ORS 822.020 or
2 a person described in ORS 320.400 (8)(a)(B) from the sale or other transfer
3 of a motor vehicle, as defined in ORS 801.360, to another vehicle dealer for
4 the purpose of resale by the transferee vehicle dealer, but only if the sale
5 or other transfer was based upon the transferee's need to meet a specific
6 customer's preference for a motor vehicle or is an exchange of new vehicles
7 between franchised motor vehicle dealerships;

8 (X) Registration fees or taxes collected by a vehicle dealer certified under
9 ORS 822.020 or a person described in ORS 320.400 (8)(a)(B) at the sale or
10 other transfer of a motor vehicle, as defined in ORS 801.360, that are owed
11 to a third party by the purchaser of the motor vehicle and passed to the third
12 party by the dealer;

13 (Y) Receipts from a financial institution for services provided to the fi-
14 nancial institution in connection with the issuance, processing, servicing and
15 management of loans or credit accounts, if the financial institution and the
16 recipient of the receipts have at least 50 percent of their ownership interests
17 owned or controlled, directly or constructively through related interests, by
18 common owners;

19 (Z) In the case of amounts retained as commissions by a holder of a li-
20 cense under ORS chapter 462, an amount equal to the amounts specified un-
21 der ORS chapter 462 that must be paid to or collected by the Department of
22 Revenue as a tax and the amounts specified under ORS chapter 462 to be
23 used as purse money;

24 (AA) Receipts of residential care facilities as defined in ORS 443.400 or
25 in-home care agencies as defined in ORS 443.305, to the extent that the re-
26 cepts are derived from or received as compensation for providing services
27 to a medical assistance or Medicare recipient;

28 (BB) Dividends received;

29 (CC) Distributive income received from a pass-through entity;

30 (DD) Receipts from sales to a wholesaler in this state, if the seller re-
31 ceives certification at the time of sale from the wholesaler that the whole-

1 saler will sell the purchased property outside this state;

2 (EE) Receipts from the wholesale or retail sale of groceries, including
3 receipts of a person that owns groceries at the time of sale and compensation
4 of any consignee engaged in effecting the sale of groceries on behalf the
5 owner of the groceries, but only to the extent that the compensation relates
6 to grocery sales;

7 (FF) Receipts from transactions among members of a unitary group;

8 (GG) Moneys, including public purpose charge moneys collected under
9 ORS 757.612 and moneys collected to plan for and pursue cost-effective en-
10 ergy efficiency resources under ORS 757.054, that are collected from cus-
11 tomers, passed to a utility and approved by the Public Utility Commission
12 and that support energy conservation, renewable resource acquisition and
13 low-income assistance programs;

14 (HH) Moneys collected by a utility from customers for the payment of
15 loans through on-bill financing;

16 (II) Surcharges collected under ORS 757.736;

17 (JJ) Moneys passed to a utility by the Bonneville Power Administration
18 for the purpose of effectuating the Regional Power Act Exchange credits or
19 pursuant to any settlement associated with the exchange credit;

20 (KK) Moneys collected or recovered, by entities listed in ORS 756.310,
21 cable operators as defined in 47 U.S.C. 522(5), telecommunications carriers
22 as defined in 47 U.S.C. 153(51) and providers of information services as de-
23 fined in 47 U.S.C. 153(24), for fees payable under ORS 756.310, right-of-way
24 fees, franchise fees, privilege taxes, federal taxes and local taxes;

25 (LL) Charges assessed under ORS 759.685 and paid into the Residential
26 Service Protection Fund;

27 (MM) Universal service surcharge moneys collected or recovered and paid
28 into the universal service fund established in ORS 759.425;

29 (NN) Moneys collected for public purpose funding as described in ORS
30 759.430;

31 (OO) Moneys collected or recovered and paid into the federal universal

1 service fund as determined by the Federal Communications Commission;

2 (PP) In the case of a seller or provider of telecommunications services,
3 the amount of tax imposed under ORS 403.200 for access to the emergency
4 communications system that is collected from subscribers or consumers;

5 (QQ) In the case of a transient lodging tax collector, the amount of tax
6 imposed under ORS 320.305 and of any local transient lodging tax imposed
7 upon the occupancy of transit lodging;

8 (RR) In the case of a seller of bicycles, the amount of tax imposed under
9 ORS 320.415 upon retail sales of bicycles;

10 (SS) In the case of a qualified heavy equipment provider, the amount of
11 tax imposed under ORS 307.872 upon the rental price of heavy equipment;

12 (TT) Farmer sales to an agricultural cooperative in this state that is a
13 cooperative organization described in section 1381 of the Internal Revenue
14 Code;

15 (UU) Revenue received by a business entity that is mandated by contract
16 or subcontract to be distributed to another person or entity if the revenue
17 constitutes sales commissions that are paid to a person who is not an em-
18 ployee of the business entity, including, without limitation, a split-fee real
19 estate commission;

20 (VV) Receipts from the sale of fluid milk by dairy farmers that are not
21 members of an agricultural cooperative; and

22 (WW)(i) Cost paid by a dealer for items of precious metal.

23 (ii) As used in this subparagraph, "item of precious metal" means an item
24 of gold, silver, platinum, rhodium or palladium that has been put through a
25 process of smelting or refining and that is in a state or condition that its
26 value depends on its contents and not its form.

27 (2) "Cost inputs" means:

28 (a) The cost of goods sold as calculated in arriving at federal taxable in-
29 come under the Internal Revenue Code; or

30 (b) In the case of a taxpayer that is engaged in a farming operation, as
31 defined in ORS 317A.102, and that does not report cost of goods sold for

1 federal tax purposes, the taxpayer's operating expenses excluding labor costs.

2 (3) "Doing business" means engaging in any activity, whether legal or il-
3 legal, that is conducted for, or results in, the receipt of commercial activity
4 at any time during a calendar year.

5 (4) "Excluded person" means any of the following:

6 (a) Organizations described in sections 501(c) and 501(j) of the Internal
7 Revenue Code, unless the exemption is denied under section 501(h), (i) or (m)
8 or under section 502, 503 or 505 of the Internal Revenue Code.

9 (b) Organizations described in section 501(d) of the Internal Revenue
10 Code, unless the exemption is denied under section 502 or 503 of the Internal
11 Revenue Code.

12 (c) Organizations described in section 501(e) of the Internal Revenue
13 Code.

14 (d) Organizations described in section 501(f) of the Internal Revenue Code.

15 (e) Charitable risk pools described in section 501(n) of the Internal Reve-
16 nue Code.

17 (f) Organizations described in section 521 of the Internal Revenue Code.

18 (g) Qualified state tuition programs described in section 529 of the Inter-
19 nal Revenue Code.

20 (h) Foreign or alien insurance companies, but only with respect to the
21 underwriting profit derived from writing wet marine and transportation in-
22 surance subject to tax under ORS 731.824 and 731.828 or if an insurance
23 company is subject to the retaliatory tax under ORS 731.854 and 731.859.

24 (i) Governmental entities.

25 (j) Any person with commercial activity that does not exceed \$750,000 for
26 the tax year, other than a person that is part of a unitary group as provided
27 in ORS 317A.106 with commercial activity in excess of \$750,000.

28 (k) Long term care facilities subject to assessment under ORS 409.801.

29 (L) Manufactured dwelling park nonprofit cooperatives organized under
30 ORS chapter 62.

31 (5) "Financial institution" has the meaning given that term in ORS

1 314.610, except that “financial institution” does not include a credit union.

2 (6)(a) “FR Y-9” means the consolidated or parent-only financial state-
3 ments that a holding company is required to file with the Federal Reserve
4 Board pursuant to 12 U.S.C. 1844.

5 (b) In the case of a holding company required to file both consolidated
6 and parent-only financial statements, “FR Y-9” means the consolidated fi-
7 nancial statements that the holding company is required to file.

8 (7) “Governmental entity” means:

9 (a) The United States and any of its unincorporated agencies and instru-
10 mentalities.

11 (b) Any incorporated agency or instrumentality of the United States
12 wholly owned by the United States or by a corporation wholly owned by the
13 United States.

14 (c) The State of Oregon and any of its unincorporated agencies and in-
15 strumentalities.

16 (d) Any county, city, district or other political subdivision of the state.

17 (e) A special government body as defined in ORS 174.117.

18 (f) A federally recognized Indian tribe.

19 (8) “Groceries” means food as defined in 7 U.S.C. 2012(k), but does not
20 include cannabinoid edibles or marijuana seeds.

21 (9)(a) “Hedging transaction” means a hedging transaction as defined in
22 section 1221 of the Internal Revenue Code or a transaction accorded hedge
23 accounting treatment under Financial Accounting Standards Board State-
24 ment No. 133.

25 (b) “Hedging transaction” does not include a transaction in which an ac-
26 tual transfer of title of real or tangible property to another entity occurs.

27 (10) “Insurer” has the meaning given that term in ORS 317.010.

28 (11) “Internal Revenue Code,” except where the Legislative Assembly has
29 provided otherwise, refers to the laws of the United States or to the Internal
30 Revenue Code as they are amended and in effect on December 31, [2023]
31 **2025**.

1 (12) "Labor costs" means total compensation of all employees, not to in-
2 clude compensation paid to any single employee in excess of \$500,000.

3 (13)(a) "Motor vehicle fuel or any other product used for the propulsion
4 of motor vehicles" means:

5 (A) Motor vehicle fuel as defined in ORS 319.010; and

6 (B) Fuel the use of which in a motor vehicle is subject to taxation under
7 ORS 319.530.

8 (b) "Motor vehicle fuel or any other product used for the propulsion of
9 motor vehicles" does not mean:

10 (A) Electricity; or

11 (B) Electric batteries or any other mechanical or physical component or
12 accessory of a motor vehicle.

13 (14) "Person" includes individuals, combinations of individuals of any
14 form, receivers, assignees, trustees in bankruptcy, firms, companies, joint-
15 stock companies, business trusts, estates, partnerships, limited liability
16 partnerships, limited liability companies, associations, joint ventures, clubs,
17 societies, entities organized as for-profit corporations under ORS chapter 60,
18 C corporations, S corporations, qualified subchapter S subsidiaries, qualified
19 subchapter S trusts, trusts, entities that are disregarded for federal income
20 tax purposes and any other entities.

21 (15) "Retailer" means a person doing business by selling tangible personal
22 property to a purchaser for a purpose other than:

23 (a) Resale by the purchaser of the property as tangible personal property
24 in the regular course of business;

25 (b) Incorporation by the purchaser of the property in the course of regular
26 business as an ingredient or component of real or personal property; or

27 (c) Consumption by the purchaser of the property in the production for
28 sale of a new article of tangible personal property.

29 (16) "Taxable commercial activity" means commercial activity sourced to
30 this state under ORS 317A.128, less any subtraction pursuant to ORS
31 317A.119.

1 (17)(a) "Taxpayer" means any person or unitary group required to regis-
2 ter, file or pay tax under ORS 317A.100 to 317A.158.

3 (b) "Taxpayer" does not include excluded persons, except to the extent
4 that a tax-exempt entity has unrelated business income as described in the
5 Internal Revenue Code.

6 (18) "Tax year" means, except as otherwise provided in ORS 317A.103, a
7 taxpayer's annual accounting period used for federal income tax purposes
8 under section 441 of the Internal Revenue Code.

9 (19)(a) "Unitary business" means a business enterprise in which there
10 exists directly or indirectly between the members or parts of the enterprise
11 a sharing or exchange of value as demonstrated by:

12 (A) Centralized management or a common executive force;

13 (B) Centralized administrative services or functions resulting in econo-
14 mies of scale; or

15 (C) Flow of goods, capital resources or services demonstrating functional
16 integration.

17 (b) "Unitary business" may include a business enterprise the activities
18 of which:

19 (A) Are in the same general line of business, such as manufacturing,
20 wholesaling or retailing; or

21 (B) Constitute steps in a vertically integrated process, such as the steps
22 involved in the production of natural resources, which might include explo-
23 ration, mining, refining and marketing.

24 (20) "Unitary group" means a group of persons with more than 50 percent
25 common ownership, either direct or indirect, that is engaged in business ac-
26 tivities that constitute a unitary business.

27 (21) "Wholesaler" means a person primarily doing business by merchant
28 distribution of tangible personal property to retailers or to other whole-
29 salers.

30 **SECTION 30.** ORS 458.670 is amended to read:

31 458.670. As used in this section and ORS 458.675 to 458.700, unless the

1 context requires otherwise:

2 (1) “Account holder” means a resident of this state who:

3 (a) Is 12 years of age or older;

4 (b) Is a member of a lower income household; and

5 (c) Has established an individual development account with a fiduciary
6 organization.

7 (2) “Fiduciary organization” means an organization selected under ORS
8 458.695 to administer state moneys directed to individual development ac-
9 counts and that is:

10 (a) A nonprofit, fund raising organization that is exempt from taxation
11 under section 501(c)(3) of the Internal Revenue Code as amended and in ef-
12 fect on December 31, [2023] **2025**; or

13 (b) A federally recognized Oregon Indian tribe that is located, to a sig-
14 nificant degree, within the boundaries of this state.

15 (3) “Financial institution” means:

16 (a) An organization regulated under ORS chapters 706 to 716 or 723; or

17 (b) In the case of individual development accounts established for the
18 purpose described in ORS 458.685 (1)(c), a financial institution as defined in
19 ORS 178.300.

20 (4) “Individual development account” means a contract between an ac-
21 count holder and a fiduciary organization, for the deposit of funds into a fi-
22 nancial institution by the account holder and the deposit of matching funds
23 into a designated account by the fiduciary organization, to allow the account
24 holder to accumulate assets for use toward achieving a specific purpose ap-
25 proved by the fiduciary organization.

26 (5) “Lower income household” means a household having an income equal
27 to or less than the greater of the following:

28 (a) 80 percent of the median household income for the area as determined
29 by the Housing and Community Services Department. In making the deter-
30 mination, the department shall give consideration to any data on area
31 household income published by the United States Department of Housing and

1 Urban Development.

2 (b) 200 percent of the poverty guidelines as determined by the Housing
3 and Community Services Department. In making the determination, the de-
4 partment shall give consideration to poverty guidelines published by the
5 United States Department of Health and Human Services and may consider
6 other income data periodically published by other federal or Oregon agen-
7 cies.

8 (6)(a) "Net worth" means a calculation based on the net value of assets
9 of a household established by rule by the Housing and Community Services
10 Department.

11 (b) "Net worth" does not include:

12 (A) Equity in one residence and in one vehicle.

13 (B) Holdings in pension accounts valued at less than \$120,000.

14 (7) "Resident of this state" has the meaning given that term in ORS
15 316.027.

16 **SECTION 31.** ORS 657.010 is amended to read:

17 657.010. As used in this chapter, unless the context requires otherwise:

18 (1) "Base year" means the first four of the last five completed calendar
19 quarters preceding the benefit year.

20 (2) "Benefits" means the money allowances payable to unemployed per-
21 sons under this chapter.

22 (3) "Benefit year" means a period of 52 consecutive weeks commencing
23 with the first week with respect to which an individual files an initial valid
24 claim for benefits, and thereafter the 52 consecutive weeks period beginning
25 with the first week with respect to which the individual next files an initial
26 valid claim after the termination of the individual's last preceding benefit
27 year except that the benefit year shall be 53 weeks if the filing of an initial
28 valid claim would result in overlapping any quarter of the base year of a
29 previously filed initial valid claim.

30 (4) "Calendar quarter" means the period of three consecutive calendar
31 months ending on March 31, June 30, September 30 or December 31, or the

1 approximate equivalent thereof, as the Director of the Employment Depart-
2 ment may, by rule, prescribe.

3 (5) "Client employer" means an employer that enters into a PEO re-
4 lationship.

5 (6) "Client worker" means an individual who performs services for com-
6 pensation for the client of a professional employer organization.

7 (7) "Contribution" or "contributions" means the money payments required
8 by this chapter, or voluntary payments permitted, to be made to the Unem-
9 ployment Compensation Trust Fund.

10 (8) "Covered employee" means a client worker for whom a PEO has as-
11 sumed employer responsibilities under a PEO relationship.

12 (9) "Educational institution," including an institution of higher educa-
13 tion, means an institution:

14 (a) In which participants, trainees or students are offered an organized
15 course of study or training designed to transfer to them knowledge, skills,
16 information, doctrines, attitudes or abilities from, by or under the guidance
17 of an instructor or teacher;

18 (b) That is accredited, registered, approved, licensed or issued a permit
19 to operate as a school by the Department of Education or other government
20 agency, or that offers courses for credit that are transferable to an approved,
21 registered or accredited school;

22 (c) In which the course or courses of study or training that it offers may
23 be academic, technical, trade or preparation for gainful employment in a re-
24 cognized occupation; and

25 (d) In which the course or courses of study or training are offered on a
26 regular and continuing basis.

27 (10) "Employment office" means a free public employment office or branch
28 thereof, operated by this state or maintained as a part of a state-controlled
29 system of public employment offices.

30 (11) "Hospital" has the meaning given that term in ORS 442.015.

31 (12) "Institution of higher education" means an educational institution

1 that:

2 (a) Admits as regular students only individuals having a certificate of
3 graduation from a high school, or the recognized equivalent of such a cer-
4 tificate;

5 (b) Is legally authorized in this state to provide a program of education
6 beyond high school;

7 (c) Provides an educational program for which it awards a bachelor's or
8 higher degree, or provides a program that is acceptable for full credit toward
9 such a degree, a program of post-graduate or post-doctoral studies, or a pro-
10 gram of training to prepare students for gainful employment in a recognized
11 occupation; and

12 (d) Is a public or other nonprofit institution.

13 (13) "Instructional capacity" does not include services performed as an
14 instructional assistant as defined in ORS 342.120.

15 (14) "Internal Revenue Code" means the federal Internal Revenue Code,
16 as amended and in effect on December 31, [2023] **2025**.

17 (15) "Labor dispute" means any concerted or deliberate action by two or
18 more individuals or by an employing unit resulting in either a strike or
19 lockout in which wages, hours, working conditions or terms of employment
20 of the individuals are involved.

21 (16) "Lockout" means any refusal by an employer to permit employees to
22 work as a result of a dispute with the employees affecting wages, hours or
23 other terms or conditions of their employment.

24 (17) "Nonprofit employing unit" means an organization, or group of or-
25 ganizations, described in section 501(c)(3) of the Internal Revenue Code that
26 is exempt from income tax under section 501(a) of the Internal Revenue Code.

27 (18) "PEO relationship" means an agreement between a PEO and a client
28 employer under which certain employer responsibilities for some or all of the
29 client employer's workers are allocated.

30 (19)(a) "Professional employer organization" or "PEO" means a person
31 required to be licensed under ORS 656.855 that enters into a PEO relation-

1 ship with a client employer.

2 (b) “Professional employer organization” or “PEO” does not mean a per-
3 son that solely provides workers to a client on a temporary basis or a person
4 that provides payroll processing or similar administrative services without
5 assuming employer responsibilities for client workers.

6 (20) “State” includes, in addition to the states of the United States of
7 America, the District of Columbia and Puerto Rico. However, for all pur-
8 poses of this chapter the Virgin Islands shall be considered a state on and
9 after the day on which the United States Secretary of Labor first approves
10 the Virgin Islands’ law under section 3304(a) of the Federal Unemployment
11 Tax Act as amended by Public Law 94-566.

12 (21) “Strike” means any concerted act of employees in a lawful refusal
13 under applicable state or federal law to perform work or services for an
14 employer.

15 (22) “Taxes” means contributions.

16 (23) “Temporary basis” means providing workers to a client:

17 (a) For special situations, including but not limited to employee absences,
18 employee leaves, professional skill shortages, seasonal workloads and special
19 assignments and projects with the expectation that the position will be ter-
20 minated when the special situation ends.

21 (b) As probationary new hires with a reasonable expectation of transi-
22 tioning to permanent employment with the client, if the client uses a prees-
23 tablished probationary period in its overall employment selection program.

24 (24) “Valid claim” means any claim for benefits made in accordance with
25 ORS 657.260 if the individual meets the wages-paid-for-employment require-
26 ments of ORS 657.150.

27 (25) “Week” means any period of seven consecutive calendar days ending
28 at midnight, as the director may prescribe by rule.

29 **SECTION 32.** ORS 657B.010 is amended to read:

30 657B.010. As used in this chapter:

31 (1) “Alternate base year” means the last four completed calendar quarters

1 preceding the benefit year.

2 (2) "Average weekly wage" means the amount calculated by the Employ-
3 ment Department as the state average weekly covered wage under ORS
4 657.150 (4)(e) as determined not more than once per year.

5 (3) "Base year" means the first four of the last five completed calendar
6 quarters preceding the benefit year.

7 (4) "Benefits" means family and medical leave insurance benefits.

8 (5)(a) "Benefit year" means, except as provided in paragraph (b) of this
9 subsection, a period of 52 consecutive weeks beginning on the Sunday im-
10 mediately preceding the date on which family leave, medical leave or safe
11 leave commences.

12 (b) "Benefit year" means, in the event that the 52-week period described
13 in paragraph (a) of this subsection would result in an overlap of any quarter
14 of the base year of a previously filed valid claim, a period of 53 consecutive
15 weeks beginning on the Sunday immediately preceding the date on which
16 family leave, medical leave or safe leave commences.

17 (6) "Child" means:

18 (a) A biological child, adopted child, stepchild or foster child of a covered
19 individual or of the covered individual's spouse or domestic partner;

20 (b) A person who is or was a legal ward of a covered individual or of the
21 covered individual's spouse or domestic partner; or

22 (c) A person who is or was in a relationship of in loco parentis with a
23 covered individual or with the covered individual's spouse or domestic part-
24 ner.

25 (7) "Claimant" means an individual who has submitted an application or
26 established a claim for benefits.

27 (8) "Contribution" or "contributions" means the money payments made
28 by any of the following under ORS 657B.150:

29 (a) An employer;

30 (b) An employee;

31 (c) A self-employed individual;

1 (d) A tribal government; or

2 (e) An employee of a tribal government.

3 (9) "Covered individual" means any one of the following who qualifies
4 under ORS 657B.015 to receive family and medical leave insurance benefits:

5 (a) An eligible employee;

6 (b) A self-employed individual; or

7 (c) An employee of a tribal government.

8 (10) "Domestic partner" means an individual joined in a domestic part-
9 nership.

10 (11) "Domestic partnership" has the meaning given that term in ORS
11 106.310.

12 (12) "Eligible employee" means:

13 (a)(A) An employee who has earned at least \$1,000 in wages during the
14 base year; or

15 (B) If an employee has not earned at least \$1,000 in wages during the base
16 year, an employee who has earned at least \$1,000 in wages during the alter-
17 nate base year; and

18 (b) An employee to whom paid family and medical leave insurance bene-
19 fits may be available under ORS 657B.015.

20 (13) "Eligible employee's average weekly wage" means an amount calcu-
21 lated by the Director of the Employment Department by dividing the total
22 wages earned by an eligible employee during the base year by the number
23 of weeks in the base year.

24 (14)(a) "Employee" means:

25 (A) An individual performing services for an employer for remuneration
26 or under any contract of hire, written or oral, express or implied.

27 (B) A home care worker as defined in ORS 410.600.

28 (b) "Employee" does not include:

29 (A) An independent contractor as defined in ORS 670.600.

30 (B) A participant in a work training program administered under a state
31 or federal assistance program.

1 (C) A participant in a work-study program that provides students in sec-
2 ondary or postsecondary educational institutions with employment opportu-
3 nities for financial assistance or vocational training.

4 (D) A railroad worker exempted under the federal Railroad Unemployment
5 Insurance Act.

6 (E) A volunteer.

7 (F) A judge as defined in ORS 260.005.

8 (G) A member of the Legislative Assembly.

9 (H) A holder of public office as defined in ORS 260.005.

10 (15)(a) "Employer" means any person that employs one or more employees
11 working anywhere in this state or any agent or employee of such person to
12 whom the duties of the person under this chapter have been delegated.

13 (b) "Employer" includes:

14 (A) A political subdivision of this state or any county, city, district, au-
15 thority or public corporation, or any instrumentality of a county, city, dis-
16 trict, authority or public corporation, organized and existing under law or
17 charter;

18 (B) An individual;

19 (C) Any type of organization, corporation, partnership, limited liability
20 company, association, trust, estate, joint stock company or insurance com-
21 pany;

22 (D) Any successor in interest to an entity described in subparagraph (C)
23 of this paragraph;

24 (E) A trustee, trustee in bankruptcy or receiver; or

25 (F) A trustee or legal representative of a deceased person.

26 (c) "Employer" does not include the federal government or a tribal gov-
27 ernment.

28 (16) "Employment agency" has the meaning given that term in ORS
29 658.005.

30 (17) "Family and medical leave insurance benefits" means the wage re-
31 placement benefits that are available to a covered individual under ORS

1 657B.050 or under the terms of an employer plan approved under ORS
2 657B.210, for family leave, medical leave or safe leave.

3 (18)(a) "Family leave" means leave from work taken by a covered indi-
4 vidual:

5 (A) To care for and bond with a child during the first year after the
6 child's birth or during the first year after the placement of the child through
7 foster care or adoption;

8 (B) To effectuate the legal process required for placement of a foster child
9 or the adoption of a child; or

10 (C) To care for a family member with a serious health condition.

11 (b) "Family leave" does not mean:

12 (A) Leave described in ORS 659A.159 (1)(a) except for leave to care for a
13 child who requires home care due to an illness, injury or condition that is
14 a serious health condition;

15 (B) Leave described in ORS 659A.159 (1)(b); or

16 (C) Leave authorized under ORS 659A.093.

17 (19) "Family member" means:

18 (a) The spouse of a covered individual;

19 (b) A child or the child's spouse or domestic partner;

20 (c) A parent or the parent's spouse or domestic partner;

21 (d) A sibling or stepsibling of a covered individual or the sibling's or
22 stepsibling's spouse or domestic partner;

23 (e) A grandparent of a covered individual or the grandparent's spouse or
24 domestic partner;

25 (f) A grandchild of a covered individual or the grandchild's spouse or
26 domestic partner;

27 (g) The domestic partner of a covered individual; or

28 (h) Any individual related by blood or affinity whose close association
29 with a covered individual is the equivalent of a family relationship.

30 (20) "Medical leave" means leave from work taken by a covered individual
31 that is made necessary by the individual's own serious health condition.

1 (21) “Parent” means:

2 (a) A biological parent, adoptive parent, stepparent or foster parent of a
3 covered individual;

4 (b) A person who was a foster parent of a covered individual when the
5 covered individual was a minor;

6 (c) A person designated as the legal guardian of a covered individual at
7 the time the covered individual was a minor or required a legal guardian;

8 (d) A person with whom a covered individual was or is in a relationship
9 of in loco parentis; or

10 (e) A parent of a covered individual’s spouse or domestic partner who
11 meets a description under paragraphs (a) to (d) of this subsection.

12 (22) “Safe leave” means leave taken for any purpose described in ORS
13 659A.272.

14 (23) “Self-employed individual” means:

15 (a) An individual who has self-employment income as defined in section
16 1402(b) of the Internal Revenue Code as amended and in effect on December
17 31, [2023] **2025**; or

18 (b) An independent contractor as defined in ORS 670.600.

19 (24) “Serious health condition” means:

20 (a) An illness, injury, impairment or physical or mental condition that
21 requires inpatient care in a hospital, hospice or residential medical care fa-
22 cility;

23 (b) An illness, disease or condition that in the medical judgment of the
24 treating health care provider poses an imminent danger of death, is terminal
25 in prognosis with a reasonable possibility of death in the near future, or
26 requires constant care;

27 (c) Any period of disability due to pregnancy, or period of absence for
28 prenatal care; or

29 (d) Any period of absence for the donation of a body part, organ or tissue,
30 including preoperative or diagnostic services, surgery, post-operative treat-
31 ment and recovery.

1 (25) “Third party administrator” means a third party that enters into an
2 agreement with the Director of the Employment Department to implement
3 and administer the paid family and medical leave program established under
4 this chapter.

5 (26) “Tribal government” means:

6 (a) A tribal government as defined in ORS 181A.940; or

7 (b) A federally recognized Indian tribe.

8 (27)(a) “Wages” has the meaning given that term in ORS 657.105.

9 (b) “Wages” does not mean contribution amounts paid to the Paid Family
10 and Medical Leave Insurance Fund by an employer on behalf of an employee
11 under ORS 657B.150 (5).

12 **SECTION 33. (1) Except as provided in subsections (2) and (3) of this**
13 **section, the amendments to statutes by sections 1 to 32 of this 2026**
14 **Act apply to transactions or activities occurring on or after January**
15 **1, 2026, in tax years beginning on or after January 1, 2026.**

16 **(2) The effective and applicable dates, and the exceptions, special**
17 **rules and coordination with the Internal Revenue Code, as amended,**
18 **relative to those dates, contained in federal law amending the Internal**
19 **Revenue Code and enacted before January 1, 2026, apply for Oregon**
20 **personal income and corporate excise and income tax purposes, to the**
21 **extent they can be made applicable, in the same manner as they are**
22 **applied under the Internal Revenue Code and related federal law.**

23 **(3)(a) If a deficiency is assessed against any taxpayer for a tax year**
24 **beginning before January 1, 2026, and the deficiency or any portion**
25 **thereof is attributable to any retroactive treatment under the amend-**
26 **ments to ORS 178.300, 178.375, 305.239, 305.494, 305.690, 305.842, 314.011,**
27 **314.306, 315.004, 316.012, 316.147, 316.157, 317.010, 317.097 and 317A.100 by**
28 **sections 1, 2 and 16 to 29 of this 2026 Act, then any interest or penalty**
29 **assessed under ORS chapter 305, 314, 315, 316, 317, 317A or 318 with re-**
30 **spect to the deficiency or portion thereof shall be canceled.**

31 **(b) If a refund is due any taxpayer for a tax year beginning before**

1 **January 1, 2026, and the refund or any portion thereof is due the tax-**
2 **payer on account of any retroactive treatment under the amendments**
3 **to ORS 178.300, 178.375, 305.239, 305.494, 305.690, 305.842, 314.011, 314.306,**
4 **315.004, 316.012, 316.147, 316.157, 317.010, 317.097 and 317A.100 by sections**
5 **1, 2 and 16 to 29 of this 2026 Act for a tax year beginning before Jan-**
6 **uary 1, 2026, then notwithstanding ORS 305.270 or 314.415 or any other**
7 **law, the refund or portion thereof shall be paid without interest.**

8 **(c) Any changes required because of the amendments to ORS**
9 **178.300, 178.375, 305.239, 305.494, 305.690, 305.842, 314.011, 314.306, 315.004,**
10 **316.012, 316.147, 316.157, 317.010, 317.097 and 317A.100 by sections 1, 2 and**
11 **16 to 29 of this 2026 Act for a tax year beginning before January 1, 2026,**
12 **shall be made by filing an amended return within the time prescribed**
13 **by law.**

14 **(d) If a taxpayer fails to file an amended return under paragraph**
15 **(c) of this subsection, the Department of Revenue shall make any**
16 **changes under paragraph (c) of this subsection on the return to which**
17 **the changes relate within the period specified for issuing a notice of**
18 **deficiency or claiming a refund as otherwise provided by law with re-**
19 **spect to that return, or within one year after a return for a tax year**
20 **beginning on or after January 1, 2026, and before January 1, 2027, is**
21 **filed, whichever period expires later.**

22 **SECTION 34. This 2026 Act takes effect on the 91st day after the**
23 **date on which the 2026 regular session of the Eighty-third Legislative**
24 **Assembly adjourns sine die.**

25
