

House Bill 2911

Sponsored by Representative EVANS (Pre-session filed.)

SUMMARY

The following summary is not prepared by the sponsors of the measure and is not a part of the body thereof subject to consideration by the Legislative Assembly. It is an editor's brief statement of the essential features of the measure **as introduced**. The statement includes a measure digest written in compliance with applicable readability standards.

Digest: The Act makes a new tax credit for sick leave paid by employers. (Flesch Readability Score: 89.5).

Creates an income tax credit for certain employers that are required to provide paid sick leave. Applies to tax years beginning on or after January 1, 2026, and before January 1, 2030. Takes effect on the 91st day following adjournment sine die.

A BILL FOR AN ACT

1 Relating to a paid sick leave tax credit; creating new provisions; amending ORS 314.772 and 318.031;
2 and prescribing an effective date.

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

4 **SECTION 1. Sections 2 and 3 of this 2025 Act are added to and made a part of ORS**
5 **chapter 315.**

6 **SECTION 2. (1) As used in this section, "paid sick leave" means sick leave required by**
7 **federal, state or local law.**

8 (2) A credit against taxes that are otherwise due under ORS chapter 316 or, if the tax-
9 payer is a corporation, under ORS chapter 317 or 318 is allowed to a taxpayer that provides
10 paid sick leave as defined in this section. The credit shall be determined as set forth in sec-
11 tion 3 of this 2025 Act.

12 (3) A taxpayer may qualify for the credit allowed under this section if the taxpayer:

13 (a) Employs not more than 50 employees at any time during the tax year;

14 (b) Provides paid sick leave in accordance with all applicable federal, state and local laws;
15 and

16 (c) Has paid to its employees the full amount of wages due for paid sick leave taken
17 during the tax year not later than December 31 of the tax year.

18 (4) A taxpayer must obtain a written certification of eligibility from the Department of
19 Consumer and Business Services prior to claiming the credit allowed under this section.

20 (5) The credit allowed under this section may not exceed the tax liability of the taxpayer
21 for the tax year.

22 (6) Any tax credit otherwise allowable under this section that is not used by the taxpayer
23 in a particular tax year may be carried forward and offset against the taxpayer's tax liability
24 for the next succeeding tax year. Any credit remaining unused in the next succeeding tax
25 year may be carried forward and used in the second succeeding tax year, and likewise any
26 credit not used in that second succeeding tax year may be carried forward and used in the
27 third succeeding tax year but may not be carried forward for any tax year thereafter.

28 (7) A nonresident shall be allowed the credit under this section. The credit shall be
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NOTE: Matter in **boldfaced** type in an amended section is new; matter [*italic and bracketed*] is existing law to be omitted. New sections are in **boldfaced** type.

1 computed in the same manner and be subject to the same limitations as the credit granted
2 to a resident.

3 (8) If a change in the taxable year of the taxpayer occurs as described in ORS 314.085,
4 or if the Department of Revenue terminates the taxpayer's taxable year under ORS 314.440,
5 the credit allowed by this section shall be prorated or computed in a manner consistent with
6 ORS 314.085.

7 (9) If a change in the status of a taxpayer from resident to nonresident or from nonres-
8 ident to resident occurs, the credit allowed by this section shall be determined in a manner
9 consistent with ORS 316.117.

10 (10) The Department of Consumer and Business Services, in consultation with the Bu-
11 reau of Labor and Industries, shall adopt rules for the purposes of this section, including
12 rules establishing policies and procedures for providing written certification to taxpayers el-
13 igible for the credit allowed under this section, as required by subsection (4) of this section.

14 **SECTION 3.** The credit under section 2 of this 2025 Act is allowed as follows:

15 (1) For tax years beginning on or after January 1, 2026, and before January 1, 2027, the
16 amount of the tax credit is 75 percent of the qualified paid sick leave wages that are paid by
17 the taxpayer during the tax year.

18 (2) For tax years beginning on or after January 1, 2027, and before January 1, 2028, the
19 amount of the tax credit is 50 percent of the qualified paid sick leave wages that are paid by
20 the taxpayer during the tax year.

21 (3) For tax years beginning on or after January 1, 2028, and before January 1, 2029, the
22 amount of the tax credit is 35 percent of the qualified paid sick leave wages that are paid by
23 the taxpayer during the tax year.

24 (4) For tax years beginning on or after January 1, 2029, and before January 1, 2030, the
25 amount of the tax credit is 25 percent of the qualified paid sick leave wages that are paid by
26 the taxpayer during the tax year.

27 **SECTION 4.** ORS 314.772 is amended to read:

28 314.772. (1) Except as provided in ORS 314.766 (5)(b), the tax credits allowed or allowable to a
29 C corporation for purposes of ORS chapter 317 or 318 shall not be allowed to an S corporation. The
30 business tax credits allowed or allowable for purposes of ORS chapter 316 shall be allowed or are
31 allowable to the shareholders of the S corporation.

32 (2) In determining the tax imposed under ORS chapter 316, as provided under ORS 314.763, on
33 income of the shareholder of an S corporation, there shall be taken into account the shareholder's
34 pro rata share of business tax credit (or item thereof) that would be allowed to the corporation (but
35 for subsection (1) of this section) or recapture or recovery thereof. The credit (or item thereof), re-
36 capture or recovery shall be passed through to shareholders in pro rata shares as determined in the
37 manner prescribed under section 1377(a) of the Internal Revenue Code.

38 (3) The character of any item included in a shareholder's pro rata share under subsection (2)
39 of this section shall be determined as if such item were realized directly from the source from which
40 realized by the corporation, or incurred in the same manner as incurred by the corporation.

41 (4) If the shareholder is a nonresident and there is a requirement applicable for the business tax
42 credit that in the case of a nonresident the credit be allowed in the proportion provided in ORS
43 316.117, then that provision shall apply to the nonresident shareholder.

44 (5) As used in this section, "business tax credit" means the following credits: ORS 315.104
45 (forestation and reforestation), ORS 315.124 (small forest option), ORS 315.133 (agricultural overtime

1 pay), ORS 315.138 (fish screening, by-pass devices, fishways), ORS 315.141 (biomass production for
 2 biofuel), ORS 315.156 (crop gleaning), ORS 315.164 and 315.169 (agriculture workforce housing), ORS
 3 315.176 (bovine manure), ORS 315.204 (dependent care assistance), ORS 315.208 (dependent care fa-
 4 cilities), ORS 315.213 (contributions for child care), ORS 315.237 (employee and dependent scholar-
 5 ships), ORS 315.271 (individual development accounts), ORS 315.283 (affordable housing sales), ORS
 6 315.304 (pollution control facility), ORS 315.326 (renewable energy development contributions), ORS
 7 315.331 (energy conservation projects), ORS 315.336 (transportation projects), ORS 315.341
 8 (renewable energy resource equipment manufacturing facilities), ORS 315.354 and 469B.151 (energy
 9 conservation facilities), ORS 315.506 (tribal taxes on reservation enterprise zones and reservation
 10 partnership zones), ORS 315.507 (electronic commerce), ORS 315.514 (film production development
 11 contributions), ORS 315.518 (semiconductors), ORS 315.523 (employee training programs), ORS
 12 315.533 (low income community jobs initiative), ORS 315.593 (short line railroads), ORS 315.640
 13 (university venture development funds), ORS 315.643 (Opportunity Grant Fund contributions), ORS
 14 315.675 (Trust for Cultural Development Account contributions), ORS 317.097 (loans for affordable
 15 housing), ORS 317.124 (long term enterprise zone facilities), ORS 317.147 (loans for agriculture
 16 workforce housing), ORS 317.152 (qualified research expenses) and ORS 317.154 (alternative qualified
 17 research expenses) and section 9, chapter 774, Oregon Laws 2013 (alternative fuel vehicle contribu-
 18 tions), **and section 2 of this 2025 Act (paid sick leave).**

19 **SECTION 5.** ORS 318.031 is amended to read:

20 318.031. It being the intention of the Legislative Assembly that this chapter and ORS chapter
 21 317 shall be administered as uniformly as possible (allowance being made for the difference in im-
 22 position of the taxes), ORS 305.140 and 305.150, ORS chapter 314 and the following sections are in-
 23 corporated into and made a part of this chapter: ORS 315.104, 315.124, 315.133, 315.141, 315.156,
 24 315.176, 315.204, 315.208, 315.213, 315.283, 315.304, 315.326, 315.331, 315.336, 315.506, 315.507, 315.523,
 25 315.533, 315.593 and 315.643 **and section 2 of this 2025 Act** (all only to the extent applicable to a
 26 corporation) and ORS chapter 317.

27 **SECTION 6. Sections 2 and 3 of this 2025 Act apply to tax years beginning on or after**
 28 **January 1, 2026, and before January 1, 2030.**

29 **SECTION 7. This 2025 Act takes effect on the 91st day after the date on which the 2025**
 30 **regular session of the Eighty-third Legislative Assembly adjourns sine die.**

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