

# Senate Bill 63

Sponsored by Senator HAYDEN (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 imposes a flat rate income tax. (Flesch Readability Score: 66.1).  
Imposes personal income tax at flat rate if a taxpayer has an adjusted gross income below threshold amount. Applies to tax years beginning on or after January 1, 2026.  
Takes effect on the 91st day following adjournment sine die.

## A BILL FOR AN ACT

Relating to personal income tax rates; creating new provisions; amending ORS 316.037, 316.122 and 316.362; and prescribing an effective date.

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

**SECTION 1.** ORS 316.037 is amended to read:

316.037. (1)(a) **Except as provided in subsection (2) of this section**, a tax is imposed for each taxable year on the entire taxable income of every resident of this state. The amount of the tax shall be determined in accordance with the following table:

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If taxable income is:	The tax is:
Not over \$2,000	4.75% of taxable income
Over \$2,000 but not over \$5,000	\$95 plus 6.75% of the excess over \$2,000
Over \$5,000 but not over \$125,000	\$298 plus 8.75% of the excess over \$5,000
Over \$125,000	\$10,798 plus 9.9% of the excess over \$125,000

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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.

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

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

7 (B) The rate applicable to any rate bracket as adjusted under subparagraph (A) of this para-  
8 graph may not be changed.

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

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

12 (c) For purposes of paragraph (b) of this subsection, the cost-of-living adjustment for any calen-  
13 dar year is the percentage (if any) by which the monthly averaged U.S. City Average Consumer  
14 Price Index for the 12 consecutive months ending August 31 of the prior calendar year exceeds the  
15 monthly averaged index for the second quarter of the calendar year 1992.

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

19 (e) If any increase determined under paragraph (b) of this subsection is not a multiple of \$50,  
20 the increase shall be rounded to the next lower multiple of \$50.

21 **(2) The rate of tax imposed under this chapter shall be four percent of taxable income,**  
22 **if the taxpayer's adjusted gross income does not exceed \$100,000 if reported on a joint return**  
23 **or \$50,000 for all other types of returns.**

24 [(2)] (3) A tax is imposed for each taxable year upon the entire taxable income of every part-year  
25 resident of this state. The amount of the tax shall be computed under subsection (1) **or** (2) of this  
26 section as if the part-year resident were a full-year resident and shall be multiplied by the ratio  
27 provided under ORS 316.117 to determine the tax on income derived from sources within this state.

28 [(3)] (4) A tax is imposed for each taxable year on the taxable income of every full-year non-  
29 resident that is derived from sources within this state. The amount of the tax shall be determined  
30 in accordance with [*the table set forth in subsection (1)*] **subsection (1) or (2)** of this section.

31 **SECTION 2.** ORS 316.122 is amended to read:

32 316.122. (1) If the federal taxable income of spouses in a marriage (one being a part-year resident  
33 and the other a nonresident) is determined on a joint federal return, their taxable income in this  
34 state shall be separately determined, unless they elect to file a joint return, in which case their tax  
35 on their joint income shall be determined in this state pursuant to ORS 316.037 [(3)] (4).

36 (2) If the federal taxable income of spouses in a marriage (one being a full-year resident and the  
37 other a part-year resident) is determined on a joint federal return, their taxable income in this state  
38 shall be separately determined, unless they elect to file a joint return, in which case their tax on  
39 their joint income shall be determined in this state pursuant to ORS 316.037 [(2)] (3).

40 (3) If the federal taxable income of spouses in a marriage (one being a full-year resident and the  
41 other a nonresident) is determined on a joint federal return, their taxable income in the state shall  
42 be separately determined, unless they elect to file a joint return, in which case their tax on their  
43 joint income shall be determined in this state pursuant to ORS 316.037 [(3)] (4).

44 (4) For purposes of computing the tax of spouses under this section, if one of the spouses is a  
45 full-year resident individual, then as used in ORS 316.037 [(2) or (3)] (3) **or** (4), that spouse's taxable

1 income derived from Oregon sources is that spouse's entire federal taxable income, defined in the  
 2 laws of the United States, with the modifications, additions and subtractions provided in this chapter  
 3 and other laws of this state applicable to personal income taxation.

4 (5) The provisions of ORS 316.367 with respect to joint returns apply if both spouses are part-  
 5 year residents or full-year nonresidents.

6 **SECTION 3.** ORS 316.362 is amended to read:

7 316.362. (1) An income tax return with respect to the tax imposed by this chapter shall be made  
 8 by the following:

9 (a) Every resident individual:

10 (A) Who is required to file a federal income tax return for the taxable year; or

11 (B) Who has gross income greater than the sum of:

12 (i) The basic standard deduction allowed under ORS 316.695 (1)(c)(B);

13 (ii) Any additional standard deduction allowed to the taxpayer under ORS 316.695 (7); and

14 (iii) An amount equal to the income equivalent of one personal exemption credit under ORS  
 15 316.085 (3)(b) if unmarried, or equal to the income equivalent of two personal exemption credits un-  
 16 der ORS 316.085 (3)(b) if married.

17 (b) Every nonresident individual who has federal gross income from sources in this state of more  
 18 than the basic standard deduction allowed under ORS 316.695 (1)(c)(B).

19 (c) Every resident estate or trust that is required to file a federal income tax return.

20 (d) Every nonresident estate that has federal gross income of \$600 or more for the taxable year  
 21 from sources within this state.

22 (e) Every nonresident trust that for the taxable year has from sources within this state any  
 23 taxable income, or gross income of \$600 or more regardless of the amount of taxable income.

24 (2) Nothing contained in this section shall preclude the Department of Revenue from requiring  
 25 any individual, estate or trust to file a return when, in the judgment of the department, a return  
 26 should be filed.

27 (3) For purposes of this section, the income equivalent of a personal exemption credit under ORS  
 28 316.085 (3)(b) shall be determined as follows:

29 (a) Divide the personal exemption credit amount by the rate applicable to the lowest income  
 30 bracket under ORS 316.037.

31 (b) If the resulting quotient is less than the maximum amount of income subject to the rate used  
 32 in paragraph (a) of this subsection, the quotient is the income equivalent.

33 (c) If the resulting quotient is more than the maximum amount of income subject to the rate  
 34 used in paragraph (a) of this subsection:

35 (A) Multiply the maximum amount of income subject to the rate used in paragraph (a) of this  
 36 subsection by the rate used in paragraph (a) of this subsection.

37 (B) Determine the difference between the product calculated under subparagraph (A) of this  
 38 paragraph and the personal exemption credit amount.

39 (C) Divide the difference determined in subparagraph (B) of this paragraph by the rate applica-  
 40 ble to the income bracket that is the next succeeding the lowest income bracket under ORS 316.037  
 41 (1).

42 (D) Add the quotient determined in subparagraph (C) of this paragraph to the maximum amount  
 43 of income subject to the rate used in paragraph (a) of this subsection. The sum is the income  
 44 equivalent.

45 **SECTION 4.** The amendments to ORS 316.037, 316.122 and 316.362 by sections 1 to 3 of this

1 **2025 Act apply to tax years beginning on or after January 1, 2026.**

2 **SECTION 5. This 2025 Act takes effect on the 91st day after the date on which the 2025**  
3 **regular session of the Eighty-third Legislative Assembly adjourns sine die.**

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