

SB 1507 -3, -4, -5 STAFF MEASURE SUMMARY

Senate Committee On Finance and Revenue

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Meeting Dates: 2/4

WHAT THE MEASURE DOES:

Reduces taxes imposed under the corporate activity tax, corporate income and excise tax, personal income tax, and the estate tax, if a retail sales tax on goods and services is imposed at a rate of at least three percent. Makes reductions in tax sources operative on the January 1 that first follows the date on which a retail sales tax is first collected in Oregon. Specifies how proceeds of the retail sales tax are to be designated, including as replacement of lost General Fund revenue from specified reductions to General Fund revenue sources. Takes effect on 91st day following adjournment sine die.

ISSUES DISCUSSED:

EFFECT OF AMENDMENT:

-3 Replaces content of measure.

Updates connection date to federal Internal Revenue Code and other provisions of federal law. Updates connections by two years to December 31, 2025 or to January 1, 2026. Takes effect on 91st day following adjournment sine die.

-4 Replaces content of measure.

Requires qualified passenger vehicle loan interest deducted by a taxpayer on their federal tax return to be added to income reported on their Oregon income tax return. Applies to tax years 2026 and later. Requires gain from the exchange or sale of qualified small business stock that is deducted by a taxpayer on their personal federal income tax return to be added to income reported on their Oregon personal income tax return. Applies to tax years 2026 and later. Requires addition to Oregon income of the amount of machinery and equipment deducted using bonus depreciation and expensing that exceeds amount that would be deducted using depreciation as allowed under the Internal Revenue Code in effect on December 1, 2017. Allows addition amounts to thereafter be subtracted from income as allowed and in effect under the Internal Revenue Code as of December 1, 2017. Applies to machinery or equipment placed in service in tax years 2026 and later. Increases Oregon's earned income tax credit to 14 percent of a taxpayer's federal credit, or 17 percent in the case of taxpayers with a dependent under the age of three. Applies to tax years 2026 and later. Creates nonrefundable personal and corporate income tax credit available to a taxpayer that has created a new job(s) in Oregon during the tax year. Specifies credit is equal to \$1,000 for each net new job created by the taxpayer. Allows unused credits to be carried forward for up to three successive tax years. Requires a taxpayer to receive written certification of credit eligibility from the Oregon Business Development Department. Limits total amount of potential tax credits to \$12.5 million for any tax year. Applies to tax years 2026 through 2031. Takes effect on the 91st day following adjournment sine die.

-5 Identical to -4 amendment with the following changes.

Corrects reference to Internal Revenue Code by eliminating sections 3 and 4 in the -4 amendment. Clarifies reference to federal law for qualified small business stock disconnect. Modifies tax credit for jobs created. Specifies new jobs created to be determined by comparing average annual employment of taxpayer in 12 month period ending June 30 of current tax year compared to the same 12 month period in the previous tax year. Modifies data sharing between Oregon Business Development Department (OBDD) and Department of Revenue.

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Adds rule making requirements of OBDD. Reduces credit certification limit to no more than \$12.5 million for each tax year.

BACKGROUND:

A retail sales tax is generally a consumption based tax levied on the final sale of goods and services. The tax is structured as a percentage of the purchase price of the good or service and is paid at time of sale. A sales tax is initially collected by the retailer and subsequently remitted to the taxing authority.

PRELIMINARY