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OPINION

Editorial: The Legislature sets business up for another hit

Published: Feb. 08, 2026, 7:00 a.m.



Inside Oregon State Senate chambers, February 2, 2026. Beth Nakamura



By [The Oregonian Editorial Board](#)

Oregon legislators are facing painful choices in the session now underway.

Even with improving revenue projections, lawmakers are staring down what Democrats say is a \$650 million hole in the current budget, due in large part to President Donald Trump's budget bill and new investments in benefit eligibility determinations. The prospect of funding cuts for housing assistance, health services, educational support and countless other programs has brought out a stream of Oregonians desperate to retain those lifelines. And the immediate outcry over a slew of transportation taxes shows how difficult it will be to seek any new revenue.

But what legislators must not do is make short-sighted decisions that will lock the state into misery for years to come. Yet Senate Bill 1507 threatens to do exactly that with tax provisions that give businesses another reason to question their viability in a state that shows them little consideration.

SB 1507, developed by Sen. Anthony Broadman, D-Bend, and Rep. Nancy Nathanson, D-Eugene, aims to lessen the hit to Oregon's revenue caused by new tax breaks in the Trump budget bill, which has been criticized for disproportionately benefiting businesses and the wealthy. Oregon

automatically “connects” to the federal tax code, meaning that households and businesses generally follow the same rules for claiming deductions and exemptions when submitting their federal and state income tax returns.

To Broadman’s and Nathanson’s credit, SB 1507 would keep most of those federal tax breaks for Oregon filers, including deductions for tips, overtime and businesses’ research and development investments, as The Oregonian/OregonLive’s Carlos Fuentes reported.

About The Oregonian/OregonLive's editorials



Considering the clamor from many to fully disconnect, the bill is an acknowledgment that Oregon must encourage economic growth, rather than simply raise taxes, if it’s to have any hope of sustainably raising the revenue needed to fund public services. SB 1507 also includes some modest incentives for businesses to add jobs. That represents genuine progress and an indication that Democrats recognize how critical it is to turn around the narrative on Oregon’s hostile business climate.

But the legislation does target three tax breaks worth a total of \$342 million that Oregonians would not be able to claim on their state returns — with businesses taking the biggest hit.

Two of the three are fairly narrow provisions, both worth less than \$40 million this biennium. Those involve a deduction of up to \$10,000 on auto loan interest and a significantly expanded exemption from the capital-gains tax for certain investors.

The most problematic provision seeks to remove the “bonus depreciation” deduction, which allows companies that buy machinery or equipment for their business to deduct the full cost of the purchase from their taxable income in the first year. Typically, businesses must spread out the deductions over a number of years.

As wonky and unremarkable as bonus depreciation might sound, it carries real money and opportunity behind it. The ability to deduct the cost of expensive equipment means that businesses have more cash right away to spend on any number of needs. Since buying new machinery often means expanding operations, that cash can go to training or adding new workers, said Lori Olund, president of Miles Fiberglass & Composite in Clackamas and board chair of Oregon Business & Industry. For a small manufacturer like hers, that provision can also be the reason a business can buy machinery in the first place as opposed to shopping around for bank loans.

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Importantly, disconnecting from bonus depreciation won't result in higher tax collections for Oregon; it only changes the timing of when the state receives those tax payments.

For Oregon, that's a big part of the benefit. That timing gives the state "a bridge to a more prosperous economy," Broadman told The Oregonian/OregonLive Editorial Board, an understandable goal at a time when the need is soaring beyond resources. He notes that companies will still be able to claim the deduction on their federal tax returns — a win even if they don't get the benefit at the state level. And several other states have similarly disconnected from this "loophole" as he terms it, and other select provisions of the federal tax law.

But that bridge comes at a cost in opportunity as well as dollars for many Oregon businesses who can help build that more prosperous economy. Companies will have to account for their purchases for two different systems and navigate additional complexity in a state already notorious for its regulatory burden. And it comes at a time when state economists — who just increased their revenue projection for this biennium by more than \$150 million — estimate revenue will continue to rise each biennium by 11% or more through the 2033-2035 budget cycle.

As noted above, this "loophole" is a shift in timing of depreciation, not a way to duck tax payments, and terming it as such only adds to the perception that Oregon sees businesses as crooks. Considering the state's bottom-10 rankings in [a national CNBC analysis](#) on the economy, business friendliness, cost of doing business and cost of living, elected leaders should recognize just how scarred Oregon's business reputation is.

Worse, legislators aren't rolling out assurances to the business community that they won't take another whack at the tax code as soon as next year. Nathanson told the [Oregon Capital Chronicle](#) that lawmakers in the 2027 long session could potentially consider disconnecting entirely from the federal tax code and choosing which provisions to keep. She later told the editorial board that it remains to be seen whether Congress will make additional changes. It's important to continue "to review Oregon's tax code to make sure we have a progressive tax structure," she said, while also emphasizing the need for stability and certainty for businesses.

The problem is Oregon leaders aren't recognizing that the state hasn't been a place of stability and certainty for years. Great Recession-level layoffs, lost manufacturing jobs, lower-than-national average income growth, little or no population growth, business closures, relocations and out-of-state expansions — all of these are concrete examples showing the need for Oregon to make it easier to do business in Oregon, not give companies reason to leave.

Legislators aren't wrong that HR 1 includes some excessive tax breaks that won't help everyday Oregonians. They aren't wrong that some of the economic headwinds Oregonians face stem directly from that legislation and other Trump Administration actions.

But encouraging economic growth demands more than declaring Oregon is "open for business." Changing the narrative means backing up those words with action.

-The Oregonian/OregonLive Editorial Board

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