SB 1507-7
(LC 302)
2/6/26 (CMT/ps)

Requested by SENATE COMMITTEE ON FINANCE AND REVENUE

PROPOSED AMENDMENTS TO SENATE BILL 1507

On page 1 of the printed bill, line 2, after "amending" delete the rest of the line and insert "ORS 314.772 and 315.266;".

Delete lines 5 through 27 and delete pages 2 through 5 and insert:

"**SECTION 1. Section 2 of this 2026 Act is added to and made a part of ORS chapter 316.**

"**SECTION 2. There shall be added to federal taxable income an amount equal to qualified passenger vehicle loan interest paid by the taxpayer and deducted on the taxpayer's federal income tax return in the tax year, as provided in section 163(h)(4) of the Internal Revenue Code.**

"**SECTION 3.** ORS 315.266 is amended to read:

"315.266. (1)(a) In addition to any other credit available for purposes of ORS chapter 316, an eligible resident individual shall be allowed a credit against the tax otherwise due under ORS chapter 316 for the tax year in an amount equal to [*nine*] **14** percent of the earned income credit allowable to the individual for the same tax year under section 32 of the Internal Revenue Code.

"(b) Notwithstanding paragraph (a) of this subsection, for a taxpayer with a dependent under the age of three at the close of the tax year, the credit allowed under this section shall be in an amount equal to [*12*] **17** percent of the earned income credit allowable to the individual for the same tax year under section 32 of the Internal Revenue Code.

"(2) A resident individual may claim a credit under this section, using either a Social Security number or an individual taxpayer identification number, if, but for section 32(m) of the Internal Revenue Code, the individual would otherwise be eligible to claim a credit under section 32 of the Internal Revenue Code. The credit allowed as provided in this subsection shall equal the percentage, as stated in subsection (1) of this section, of the amount that would be allowed on a federal return, based on the amount of the individual's earned income and the other provisions of section 32 of the Internal Revenue Code.

"(3) An eligible nonresident individual shall be allowed the credit computed in the same manner and subject to the same limitations as the credit allowed a resident by subsection (1) or (2) of this section. However, the credit shall be prorated using the proportion provided in ORS 316.117.

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

"(5) If a change in the status of a taxpayer from resident to nonresident or from nonresident to resident occurs, the credit allowed by this section shall be determined in a manner consistent with ORS 316.117.

"(6) If the amount allowable as a credit under this section, when added to the sum of the amounts allowable as payment of tax under ORS 316.187 or 316.583, other tax prepayment amounts and other refundable credit amounts, exceeds the taxes imposed by ORS chapters 314 and 316 for the tax year after application of any nonrefundable credits allowable for purposes of ORS chapter 316 for the tax year, the amount of the excess shall be refunded to the taxpayer as provided in ORS 316.502.

"(7) The Department of Revenue may adopt rules for purposes of this section, including but not limited to rules relating to proof of eligibility, the furnishing of information regarding the federal earned income credit claimed by the taxpayer for the tax year and policies and guidelines for the determination of the amount of credit allowed under subsection (2) of this section.

"(8) Refunds attributable to the earned income credit allowed under this section do not bear interest.

"<u>SECTION 4.</u> Section 5 of this 2026 Act is added to and made a part of ORS chapter 316.

"<u>SECTION 5.</u> There shall be added to federal taxable income an amount equal to any gain from the exchange or sale of qualified small business stock that is received by the taxpayer and excluded from income on the taxpayer's federal income tax return in the tax year, as provided in section 1202 of the Internal Revenue Code.

"<u>SECTION 6.</u> Section 7 of this 2026 Act is added to and made a part of ORS chapter 316.

"<u>SECTION 7.</u> (1) There shall be added to federal taxable income for Oregon tax purposes the difference between the amount allowable as a deduction under section 168(k) of the Internal Revenue Code as applicable to the tax year of the taxpayer and the amount allowable as a deduction under section 168(k) of the Internal Revenue Code as amended and in effect on December 1, 2017, as applicable to the tax year of the taxpayer.

"(2) Amounts added to federal taxable income for Oregon tax purposes under subsection (1) of this section may thereafter be subtracted from federal taxable income for Oregon tax purposes in the tax year for which the amounts would have been allowed as a deduction on the taxpayer's federal income tax return under the Internal Revenue Code as amended and in effect on December 1, 2017, as applicable to the tax year of the taxpayer.

"<u>SECTION 8.</u> Section 9 of this 2026 Act is added to and made a part of ORS chapter 317.

"SECTION 9. (1) There shall be added to federal taxable income for Oregon tax purposes the difference between the amount allowable as a deduction under section 168(k) of the Internal Revenue Code as applicable to the tax year of the taxpayer and the amount allowable as a deduction under section 168(k) of the Internal Revenue Code as amended and in effect on December 1, 2017, as applicable to the tax year of the taxpayer.

"(2) Amounts added to federal taxable income for Oregon tax purposes under subsection (1) of this section may thereafter be subtracted from federal taxable income for Oregon tax purposes in the tax year for which the amounts would have been allowed as a deduction on the taxpayer's federal income tax return under the Internal Revenue Code as amended and in effect on December 1, 2017, as applicable to the tax year of the taxpayer.

"SECTION 10. (1) Sections 2 and 5 of this 2026 Act and the amendments to ORS 315.266 by section 3 of this 2026 Act apply to tax years beginning on or after January 1, 2026.

"(2) Sections 7 and 9 of this 2026 Act apply to property that is placed in service in tax years beginning on or after January 1, 2026.

"SECTION 11. Section 12 of this 2026 Act is added to and made a part of ORS chapter 315.

"SECTION 12. (1) A credit against taxes that are otherwise due under ORS chapter 316 or, if the taxpayer is a corporation, under ORS chapter 317 or 318 is allowed to a taxpayer for each new job in Oregon created by the taxpayer during the tax year.

"(2)(a) The credit allowed under this section shall be in the amount of $1,000 for each net new job created by a taxpayer in the tax year, but a taxpayer may not be certified for and may not receive a credit for more than 10 new jobs created per tax year.

"(b) In order to be considered in the determination under this sec-

tion of the eligibility and allowable credit amount for any taxpayer, an employment position must have compensation that is equal to or greater than 150 percent of the applicable minimum wage determined under ORS 653.025.

"(c) The number of net new jobs created by the taxpayer in a tax year shall be determined by comparing the average annual covered employment of the taxpayer for the 12 months ending on June 30 of the calendar year in which the taxpayer's tax year began and for which the credit is sought, with the 12 months ending on June 30 of the immediately preceding calendar year.

"(3) Prior to claiming the credit allowed under this section, a taxpayer seeking to claim the credit is required to receive written certification of eligibility from the Oregon Business Development Department. In order to receive certification, a taxpayer must attest that the taxpayer has created new jobs sufficient to be eligible for the amount of credit sought, has met the wage requirements of subsection (2)(b) of this section and is otherwise in compliance with this section. The certification shall indicate the amount of the credit to which the taxpayer is entitled for the tax year.

"(4) The credit allowed under this section may not exceed the tax liability of the taxpayer for the tax year.

"(5) Any tax credit otherwise allowable under this section that is not used by the taxpayer in a particular tax year may be carried forward and offset against the taxpayer's tax liability for the next succeeding tax year. Any credit remaining unused in the next succeeding tax year may be carried forward and used in the second succeeding tax year, and likewise any credit not used in that second succeeding tax year may be carried forward and used in the third succeeding tax year but may not be carried forward for any other succeeding tax year.

"(6) The Oregon Business Development Department shall provide

information to the Department of Revenue about all taxpayers that are eligible for a tax credit under this section, if required by ORS 315.058.

"(7) Information received by the Oregon Business Development Department pursuant to this section may be used only for the purpose of certification and administration of the credit. The Oregon Business Development Department may disclose this information to entities other than the Department of Revenue only if the information is sufficiently aggregated or anonymized to protect the identity and confidential information of taxpayers.

"(8) The Director of the Oregon Business Development Department may order the suspension or revocation of a certification issued under this section, as provided in ORS 315.061.

"(9) The Oregon Business Development Department shall by rule establish:

"(a) The form and content of and deadlines for applications for the credit allowed under this section.

"(b) Methodology for determining net new jobs created, as provided in subsection (2) of this section, in the instance of a merger, conversion, reorganization, consolidation or acquisition affecting a taxpayer.

"SECTION 13. At the time of certification, the total amount of potential tax credits allowed under section 12 of this 2026 Act, for all taxpayers in this state, may not exceed $12.5 million for any tax year. If the Oregon Business Development Department receives applications for the credit sufficient to exceed this amount, the department shall by rule proportionately reduce the amount of certified credits among all taxpayers applying for the credit.

"SECTION 14. Section 12 of this 2026 Act applies to tax years beginning on or after January 1, 2026, and before January 1, 2032.

"SECTION 15. ORS 314.772 is amended to read:

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

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

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

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

"(5) As used in this section, 'business tax credit' means the following credits: ORS 315.104 (forestation and reforestation), ORS 315.124 (small forest option), ORS 315.133 (agricultural overtime pay), ORS 315.138 (fish screening, by-pass devices, fishways), ORS 315.141 (biomass production for biofuel), ORS 315.156 (crop gleaning), ORS 315.164 and 315.169 (agriculture workforce housing), ORS 315.176 (bovine manure), ORS 315.204 (dependent care assistance), ORS 315.208 (dependent care facilities), ORS 315.213 (contributions for child care), ORS 315.237 (employee and dependent scholarships), ORS 315.271 (individual development accounts), ORS 315.283 (affordable housing sales), ORS 315.304 (pollution control facility), ORS 315.326 (renewable energy development contributions), ORS 315.331 (energy conservation projects), ORS 315.336 (transportation projects), ORS 315.341 (renewable energy resource equipment manufacturing facilities), ORS 315.354 and 469B.151 (energy conservation facilities), ORS 315.506 (tribal taxes on reservation enterprise zones and reservation partnership zones), ORS 315.507 (electronic commerce), ORS 315.514 (film production development contributions), ORS 315.518 (semiconductors), ORS 315.523 (employee training programs), ORS 315.533 (low income community jobs initiative), ORS 315.593 (short line railroads), ORS 315.640 (university venture development funds), ORS 315.643 (Opportunity Grant Fund contributions), ORS 315.675 (Trust for Cultural Development Account contributions), ORS 317.097 (loans for affordable housing), ORS 317.124 (long term enterprise zone facilities) and ORS 317.147 (loans for agriculture workforce housing) and section 9, chapter 774, Oregon Laws 2013 (alternative fuel vehicle contributions)**, and section 12 of this 2026 Act (new jobs)**.

"**SECTION 16. This 2026 Act takes effect on the 91st day after the date on which the 2026 regular session of the Eighty-third Legislative Assembly adjourns sine die.**".