OREGON CENTER for PUBLIC POLICY

Senate Finance & Revenue Committee

February 4, 2026

Testimony in Support of SB 1507

Chair Broadman, Vice-Chair McLane, and Members of the Committee,

My name is Daniel Hauser, Deputy Director for the Oregon Center for Public Policy, and I respectfully submit this testimony in support of SB 1507 on behalf of the Center. The Oregon Center for Public Policy is a nonpartisan think tank dedicated to improving the economic outcomes for all Oregonians, particularly low-income families and Oregonians of color, through research and analysis.

The federal tax and budget bill, HR1, has left Oregon's financial future on the brink, all to give tax breaks disproportionately to the richest households. It's estimated that this year alone the richest 1 percent of Oregonians will receive, on average, more than $42,000 in federal tax cuts, while the lowest earning 20 percent will average tax cuts of just $70. That doesn't take into account the $900 million in tax cuts that Oregon is handing out by virtue of its automatic connection to the federal tax code, tax cuts that are similarly skewed in favor of the most well off.

Although we would prefer to see a more complete disconnection from HR1, SB 1507 is definitely a step in the right direction – toward a revenue system that supports Oregonians struggling most to make ends meet. The key provisions of SB 1507 we support are outlined below.

Qualified Small Business Stock (QSBS) Exclusion: One of the most sensible moves the legislature can make right now is ending Oregon's connection to the Qualified Small Business Stock (QSBS) exclusion. Nationally, 94 percent of the benefits of QSBS go to investors making more than $1 million annually. QSBS functions by giving early investors, notably venture capitalists, special tax breaks on their shares of certain corporations. Among those who have reaped benefits from QSBS include early investors in Zoom, Uber, and other California tech startups. Ironically, California disconnected from this wasteful handout years ago.

Bonus Depreciation: Bonus depreciation is deeply flawed for several reasons.

1. It is a windfall for corporations, subsidizing investments they would likely do anyway. Businesses typically depreciate their purchases over time, reflecting the loss of value due to wear and tear, but bonus depreciation allows them to do it right away, creating greater opportunities for corporate tax avoidance. According to a recent report, Tesla paid nothing in federal income taxes last year, in large part due to its use of accelerated depreciation.
2. Setting aside that there is little evidence this stimulates investment in Oregon, Oregon's subsidy cannot be limited to investments in Oregon. A corporation will get the same Oregon tax benefit if they invest in Oregon, Florida, or Iowa.
3. Bonus depreciation is ultimately a big tax cut for the most well-off, not the hardworking families who could really use a tax cut. A new analysis has found that 86 percent of the benefits of bonus depreciation go to the top 20 percent and, within that group, **44 percent of the benefits of bonus depreciation go to the top 1 percent** of income earners in Oregon. The remaining 80 percent of Oregonians share only 14 percent of the benefits.[1]
4. By disconnecting from this provision, SB 1507 will bring Oregon into a group of about two dozen states that do not connect to 168(k) bonus depreciation.

Auto Loan Interest Deduction: Oregon is one of only eight states that will provide, on top of the federal auto loan interest deduction, a state version. That choice will leave the state with tens of millions of dollars in less revenue each year just to subsidize the purchase of new cars. Working families struggling to afford a used car will receive no benefit, but someone choosing to purchase a brand new sports car will. It is also plausible, due to the state facing different restrictions than the federal government on regulating foreign commerce, that replicating the federal limit of cars needing to have final assembly in the US will leave us open to litigation that will require Oregon to make the tax break even larger.

Earned Income Tax Credit (EITC): Oregon's Earned Income Tax Credit (EITC) reaches nearly a quarter million people in Oregon each year. An increase of 5 percentage points would mean a single parent working full-time in rural Oregon at minimum wage would see their EITC rise to about $1,200 – an annual increase of about $360. And this would be well-targeted at low-income working families. Almost all of the benefit goes to families in the bottom 60 percent of incomes. The return on investment from these tax supports is also significant – the annual economic benefit could top $40 million in Oregon from the change in SB 1507.[2]

Combining the disconnects with the EITC expansion would mean that the lowest-earning 60 percent of Oregonians who receive the EITC will be better off financially than without it. They will **pay less in Oregon income taxes than they will without SB 1507**. And that's even before considering the impact of staving off nearly $300 million in cuts due to SB 1507's revenue recapturing provisions.

The numbers change every day, and did again with the forecast we just heard, but budget cuts of hundreds of millions of dollars are on tap for this session. Those cuts could be completely avoided if this package was larger – if it leaned more into taxing global corporations hiding profits overseas and if it abandoned the corporate "Jobs Credit" among many other options.

The legislature needs to do more, and do more as soon as possible to prevent cuts. That said, this is a package that will move Oregon in a far better direction than our current trajectory of full connection to the wasteful, inequitable tax breaks in HR1.

I urge your support of SB 1507.

---

[1] Provided to the Oregon Center for Public Policy by the Institute on Taxation and Economic Policy on February 3rd, 2026. Data available upon request.

[2] Estimates of return on investment range from $1.40 to $1.58 from the EITC. This calculation uses the $1.58 figure and the $26 million revenue estimate to reach $41.1 million in economic impact.