OREGON BANKERS ASSOCIATION

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Date: February 4, 2026

To: Chair and Members of the Senate Finance and Revenue Committee

From: Scott Bruun, Oregon Bankers Association

RE: Testimony in opposition to SB 1507 –4 and –5 / Federal Tax Disconnect

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Chair Broadman and Members of the Committee,

My name is Scott Bruun, President and CEO of the Oregon Bankers Association and the Community Banks of Oregon. Together, we represent the FDIC-insured banks and trust companies operating in Oregon.

I am here to express OBA's opposition to the –4 and –5 amendments of SB 1507, and primarily the proposed disconnect from bonus depreciation and expensing for machinery and equipment.

Oregon banks are the primary financial partners for small and mid-sized businesses. We finance the purchase of machinery, equipment, vehicles, and technology that allow Oregon employers to grow, modernize, and thrive. Federal tax policy, including bonus depreciation and expensing for machinery and equipment, is intentionally designed to support those investments by improving cash flow and encouraging capital formation. But the –4 and –5 amendments would effectively sever Oregon's connection to that federal framework, and in doing so would impose a harmful tax increase on Oregon businesses.

Disconnecting from federal depreciation tax law would create significant accounting and compliance challenges for Oregon businesses of all sizes, but especially for small businesses without internal tax departments. Businesses would be required to maintain separate depreciation schedules for federal and Oregon purposes, track timing differences over many years, and absorb higher professional compliance costs.

More importantly, the –4 and –5 amendments would undermine the policy purpose of bonus depreciation itself. When Oregon requires businesses to add back federal deductions for machinery and equipment, the state is effectively taxing investment. That makes it more expensive for Oregon businesses to upgrade equipment, expand operations, or improve productivity. These are the very investments that drive higher wages, greater output and efficiency, and long-term economic growth.

This policy choice would also place Oregon businesses at a competitive disadvantage compared to businesses in states that remain aligned with federal tax law. Small manufacturers, contractors, farmers, fishers, and service firms in Oregon compete every day with firms across state lines. When Oregon increases the effective cost of capital investment, it tilts balance away from our own employers and inadvertently favors competitors operating in lower-cost, more tax-aligned states.

It is important to note that Oregon already ranks near the top nationally for business taxes and is widely recognized for having one of the most challenging regulatory environments in the country. The effective tax increases embedded in the –4 and –5 amendments would be layered on top of existing burdens. For many businesses, especially those operating on thin margins, this combination would exacerbate harm by negatively impacting decisions around investment, growth, and in some cases whether they stay in Oregon at all.

Banks see these effects firsthand. When tax policy reduces after-tax cash flow, it affects a business's ability to borrow, invest, and hire. It affects loan underwriting, expansion plans, and long-term viability. Policies that penalize investment ultimately reduce the very economic activity that supports jobs, communities, and state revenues.

I do want to be clear about one important point. While we oppose the –4 and –5 amendments as drafted, we do support the concept of encouraging job creation in Oregon. The proposed $1,000 per new job tax credit is a constructive idea, and we appreciate the Legislature's interest in incentivizing employment growth. We are hopeful that this policy can move forward in another bill or a different vehicle that does not rely on tax increases or federal decoupling to fund it.

OBA urges this committee to consider the broader consequences of disconnecting Oregon from federal tax law. The –4 and –5 amendments would increase costs, complicate compliance, discourage investment, and place Oregon businesses at a competitive disadvantage. We respectfully ask that you oppose the –4 and –5 amendments to SB 1507 and instead pursue job creation and economic growth through policies that strengthen, rather than penalize, Oregon's employers.

Thank you.

Contact: sbruun@oregonbankers.com