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Oregon Legislative Assembly
Senate Committee on Finance and Revenue

Written testimony related to updating the connection date to the federal Internal Revenue Code and other provisions of federal tax law.
SB 1507

DATE: February 4, 2026, 8:00 a.m.

Good morning, Chair Broadman, Vice-Chair McLane and members of the Senate Committee on Finance and Revenue.

My name is John Hawkins. I am the immediate Past Chair of the Oregon Society of CPA's Board of Directors, a member of the OSCPA Taxation Committee and a CPA with the firm REDW Advisors and CPAs, located here in Salem. I appreciate the opportunity to share testimony at today's hearing.

I testify today on behalf of the nearly 4,000 members of the Oregon Society of Certified Public Accountants (OSCPA). As a reminder, OSCPA's primary objective is to be a technical resource to the Legislature and secondarily to promote taxpayer compliance.

We oppose the -4 and -5 Amendments to SB 1507.

You have heard from the OSCPA every year and we have consistently supported the rolling reconnect for many reasons. Primarily, we believe that when there is greater conformity of Oregon tax law with federal tax law, it provides for easier compliance by both individuals who prepare their own returns and by paid preparers, such as CPAs. Additionally, it provides for an ease of administration by the Department of Revenue, as there are revenue and direct costs to the State of Oregon for unintended mistakes (i.e., notices, phone calls, and audits).

The -4 and -5 Amendments disconnect from three items in HR-1:

1. **Qualified Passenger Vehicle Loan:** This is a new deduction with a $10,000 cap for the maximum deduction and is limited to individuals with an adjusted gross income (AGI) below $100,000 single/$200,000 married. High income individuals do not benefit from this deduction. However, this has impact only to a single tax year with no carryover to future years.

2. **Qualified Small Business Stock Gain Exclusion:** This is a provision that only applies to C corporation stock and does not include professional corporations. Capital gains from the sale of intangible assets like stock are taxed only by the state of residence. Thus, this disconnect would only impact Oregon residents. I have several clients that have already used a technique to avoid Oregon tax on the sale of the stock in their business – they move out of state. We are seeing more and more businesses and individual taxpayers move out of state. I would prefer

not to create additional incentives for businesses and individuals to leave Oregon. This also has impact on a single tax year with no carryover to future years.

3. **Bonus depreciation:** One specific area that we have frequently discussed over the years is bonus depreciation. I want to emphasize that bonus depreciation is merely a timing difference. A $10,000 piece of equipment can only be deducted up the $10,000 cost. At issue is when is it deducted. Most equipment is depreciated over 5 or 7 years. With the mid-year convention, the deduction would be spread over 6 or 8 tax years. That is a relatively short period of time for the deduction to turn around. For 5-year property, 53% of the cost is deducted in the first two years. It is in effect "kicking the can down the road" a short period of time.

    - Cost of compliance for businesses will increase. Separate depreciation schedules for federal and Oregon would need to be prepared for many taxpayers.
    - The big hit is on Oregon-based businesses. Large corporations operating in multiple states may take a risk-based approach to compliance.
    - Under the TCJA, a 1031 like-kind exchange can only be done with real property. Previously, when business vehicles or equipment were traded in on newer equipment, that did not create income. Now, a trade-in does create income for the trade-in value. Bonus depreciation helps to offset that income resulting from a trade-in. It helps to eliminate tax liability in a transaction where this was no cash to pay the tax.
    - In 2009 and 2010 the Legislature disconnected from bonus depreciation. This past tax year, I still saw client tax returns where we included an Oregon deprecation schedule for 15-year or 20-year property that was placed in service in 2009 or 2010. A disconnect with bonus depreciation can impact a taxpayer's returns for up to 21 years.

Credit for new job creation: Oregon is a state of small businesses. The 2025 Small Business Administration report for Oregon showed 417,747 small businesses in Oregon, which is 99.4 percent of all businesses. The SBA considers a small business to have fewer than 500 employees. However, 317,000 businesses had 20 or fewer employees. Over 50% of employees in Oregon are employed by a small business. Most businesses I work with as clients are small business organized as S corporations or LLCs. Some small businesses may not go through the process and pay a professional to claim the $1000 credit for one or two additional employees. I have concerns that most of the benefit of this credit will go to larger businesses.

Thank you for the opportunity to share our concerns. On behalf of Oregon Society of CPAs, we respectfully encourage you to oppose SB 1507-4 and -5 amendments.

We support SB 1507 with -3 amendment.

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