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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.**

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 Heather Jackson. I am a member of the Oregon Society of CPA's Taxation Committee and a CPA located in Portland. I appreciate the opportunity to share testimony at today's hearing.

I testify today on behalf of 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 Oregon Legislature and secondarily to promote taxpayer compliance. We welcome the opportunity to be a technical resource throughout the year to the legislature.

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

For many years you have heard from the OSCPA that we support reconnect for many reasons. We believe in ease of taxpayer compliance and reasonable cost whether the returns are self-prepared or prepared by a paid preparer, such as a CPA, with minimal cost to the Department of Revenue in regard to administration, audits, notices, etc.

I would like to share that we are relieved that SB 1507 is a 2026 Act that applies to 2026 to 2031 tax returns. This will allow taxpayers to file their 2025 tax returns timely this year.

Here are my concerns about the disconnected items based on the SB 1507 -4 and -5 amendments related to HR1:

- **Qualified passenger vehicle loan interest:** This deduction is available at the federal level for tax years 2025 through 2028. The maximum deduction is \$10,000 but has an associated gross income (AGI) limitation of \$100,000 for Single and \$200,000 for Joint. This deduction is not for high income taxpayers and is not a timing difference. A timing difference is moving deductions (or income) from one year to another year, or years, resulting in the same deduction (or income) over the years. The timing difference is revenue neutral over the years it takes to unwind the timing difference. Which means a disconnect from this deduction has a one-year impact and does not require separate tracking for both the taxpayer and the department.

- **Qualified small business stock (QSBS) gain:** This exclusion of the gain from federal taxable income will impact Oregon residents when there is an add-back on the Oregon return. In my experience, this is not just for large C Corporations and their owners, but I have also seen this used on smaller C Corporations and their owners. Just like the previous deduction, this too is not a timing difference. The disconnect from the exclusion has a one-year impact and does not require separate tracking for both the taxpayer and the department.
- **Section 168(k) deduction (Bonus Depreciation):** This has a permanent potential of a 100% deduction for qualified property starting in 2025. SB 1507-4 and -5 amendments to 168(k) do not allow the deduction at potentially 100%. Generally, machinery and equipment are 5- or 7-year property. With this bill, the taxpayers as well as the department must now create separate depreciation schedules for certain properties that will have an impact for 5 to 7 years and upwards to 21 years for certain classes of assets. This is a timing difference. Just a reminder that a timing difference is the same deduction total just taken over multiple years.
 - Let's take the 5-year property. At the federal level the taxpayer can elect 100% or 40% deduction for this type of machinery and equipment. If the taxpayer elects the 100% deduction at the federal level, with this add-back the taxpayer is limited to 20% deduction in year one, 32% deduction in year two for a total of 52% in two years. Then in the third year the taxpayer takes 19.2%, years four and five are 11.52%, with the sixth year being 5.76%. This example shows the timing difference would be over 6 years for the machinery and equipment at a five-year class life.
 - What I have seen from a practitioner standpoint, large businesses are going to look at their risk assessment and come up with something that is tolerable for them. The large clients do not follow all the state rules to a "T" when it comes to timing differences like this. The small and medium-sized taxpayers do their best to follow the rules given availability of the employees to track something like this. This is putting more burden on small- and medium-sized taxpayers and the Department of Revenue, costing both time and money.
 - Just a reminder, the reason bonus depreciation exists is to encourage businesses of all sizes, including smaller, to invest in their business and spark the economy. What message is being sent to Oregon small- and medium-sized businesses?

New jobs in Oregon credit: This appears to be geared toward larger businesses here in Oregon. Larger businesses have the staffing to handle credits like this, the cost of a professional advisor for tax credit, and recognize the benefit even if they only net half the credit after fees, etc. The small- and medium-sized businesses may not know about the credit or have the staffing to manage all the steps required to claim the credit. Nor would small- and medium-sized businesses see the advantage of hiring a professional advisor for the tax credit.

Thank you for your time and attention.

On behalf of Oregon Society of CPAs, we respectfully encourage you to oppose SB 1507-4 and -5 amendments. We support SB 1507 with the -3 amendment.

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