An Analysis of Changes in Federal Tax Laws for the Year 2023

Prepared by the Taxation Strategic Committee

Oregon Society of Certified Public Accountants

OSCPA

Oregon Society of Certified Public Accountants

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Introduction

On behalf of the Oregon Society of CPA's Taxation Strategic Committee, it is both an honor and a pleasure that we present an Analysis of Changes in Federal Tax Laws.

Oregon Society of CPAs (OSCPA) Legislative Analysis

This OSCPA Legislative Analysis presents Federal tax law changes enacted since the Legislature adjourned from the 2023 session. The 2022 tax code changes were presented last year. Our committee has been presenting the Legislature with this analysis for many years. Our primary objective is to be a technical resource to the Legislature and, secondarily, to promote taxpayer compliance by striving to keep Oregon tax law tied to the Internal Revenue Code. This connect is accomplished by using both a "fixed date conformity" and a "permanent connection."

Oregon has a long history of conforming to the Internal Revenue Code, and to do so each Legislative Assembly analyzes the implications of recent Federal law changes. Occasionally, Federal Acts passed during the last several years plus current year should be considered by the Legislature due to tax implications and the dates associated with the Act(s).

Oregon's "permanent connection" applies only to the definition of taxable income. Typically, we recommend that Federal changes to provisions that fall outside the definition of taxable income also be changed to conform to the Internal Revenue Code. Some examples of the types of items requiring a law change are tax credits, estimated tax provisions, and net operating loss rules. Many of these provisions are currently tied to definitions in the Internal Revenue Code as of December 31, 2022.

For years beginning on or after Jan. 1, 2011, Oregon is permanently connected to the Internal Revenue Code for the definition of Federal taxable income. However, the Legislature has enacted certain exceptions such as disconnecting from the provisions related to the deduction for federal subsidies for prescription drug plans under IRC 139A, the deduction related to pass-through income under IRC 199A, and certain provisions related to IRC 529 tuition savings plans. Certain clarifications have also been added by the Legislature as it relates to global intangible low-taxed income (GILTI), foreign derived intangible income (FDII), and IRC Section 245A foreign-source portion dividends that were enacted as part of the Tax Cuts and Jobs Act of 2017.

Please refer to the Legislation Key to see the Federal acts included in our analysis.

Executive Summary

This year's presentation is going to be a bit different as there was no legislation passed at the federal level in 2023. We would like to remind legislators that we, the Oregon Society of CPAs, are available for questions, clarifications, and assistance with the federal and/or Oregon tax code. As mentioned, we are proud to serve as a resource to the Legislature.

This year we are providing a summary of *The Tax Relief for American Families and Workers Act of 2024*. We are breaking this act down in two ways: 1.) Changes that affect the 2023 and prior tax filings. 2.) Changes that affect the 2024 and beyond tax filings.

As of February 5, 2024, when this document was published, the 2024 Act had passed the US House and moved into the US Senate. No action is expected to be taken in the Senate before mid-March. <u>All items below are subject to change, removal, or the possibility that the Act would not move through both the US House and Senate</u>.

<u>2023 and Prior Changes</u>

- Calculation of refundable credit on a per child basis
    - Effects 2023 through 2025 tax years.
- Changes to the overall limit on the refundable child tax credit
    - Current law $1,600 per child.
    - This law $1,800 per child in 2023, $1,900 per child in 2024 and $2,000 per child in 2025.
- Deduction for research and experimental costs
    - Delays the requirement to capitalize domestic costs and amortize over five-years until January 1, 2026.
    - This would allow a current deduction for these costs paid or incurred from January 1, 2022 through December 31, 2025.
    - Foreign costs would still be required to be capitalized and amortized over 15 years.
- Extension of the allowance for depreciation, amortization, or depletion in determining the limitation on business interest
    - Adjusted taxable income (ATI) will allow an election to use earnings before interest, taxes, depreciation, and amortization (EBITDA) for the adjusted taxable income calculation instead of the earning before interest and taxes (EBIT) that was required for tax years 2022 and 2023.
    - For 2024 and 2025 ATI is calculated using EBITDA.
    - For years after 2025, ATI is computed with EBIT.
- Extension of the 100% bonus depreciation through December 31, 2025
    - Retains 20% bonus depreciation for 2026.

Executive Summary Continued

2023 and Prior Changes Continued

- Extension for the rules for the treatment of certain disaster related personal casualty losses
  - The provision provides that The Taxpayer Certainty and Disaster Relief Act of 2020 is extended.
- Exclusion from gross income for compensation for losses or damages resulting from certain wildfires
  - This is for payments received for 2020 through 2025 tax years.
- East Palestine disaster relief payments
  - This is for relief of the payments for the February 3, 2023 East Palestine train derailment in Ohio.
- State housing credit ceiling increase for low-income housing credit
  - Extends the 12.5% for 2023 through 2025.

2024 and Future Changes

- Adjustment for Child Tax Credit Inflation for 2024 and 2025
- Rule for determining earned income
  - Allows current year earned income with an election to replace prior year earned income in the calculation.
- Section 179 (expensing of depreciation business assets)
  - Increases to a deduction of $1.29 million which is reduced by which the cost of qualifying property exceeds $3.22 million.
- Expedited double tax relief act with the United States and Taiwan
  - Tax-Exempt bond financing requirement.
- Increase in the threshold for the Forms 1099-NEC and 1099-MISC
  - Increase from $600 to $1,000 for tax year 2024.
- Enforcement of the COVID – Employee Retention Tax Credit (COVID-ERTC)

(Date published 02-05-2024)

Recommendations Key

A

Permanent connection (Rolling reconnect): Oregon automatically reconnects to the Federal change. Oregon generally subscribes to the provisions being amended, and therefore, we do not recommend any change. No modification is necessary to tie to the Federal change. **Nothing to report.**

B

ORS change necessary, including updating fixed date conformity: A change to the ORS is necessary to conform to the Federal provision. To increase taxpayer compliance, it is recommended that Oregon Statutes conform as closely as possible to Federal change. **Nothing to report.**

C

No ORS change necessary: No change is necessary to the ORS as this is a Federal tax system change. This provision affects a credit, penalty, administrative rule, or other provision as Oregon has its own rules. The Federal change does not apply to the determination of taxable income. Oregon does not automatically adopt these provisions; however, no modification of ORS is necessary. **Nothing to report.**

D

No ORS change necessary: These provisions reference the tax code, but do not impact tax law. **Nothing to report.**

E

2022 Legislation provided last year: We are providing the three acts from 2022 as a reference for the new 2023 tax changes. See original OSCPA publication *An Analysis of Changes in Federal Tax Laws for the year 2022*.

Legislation Key & Sources

Legislation Key

- None

Sources

- None

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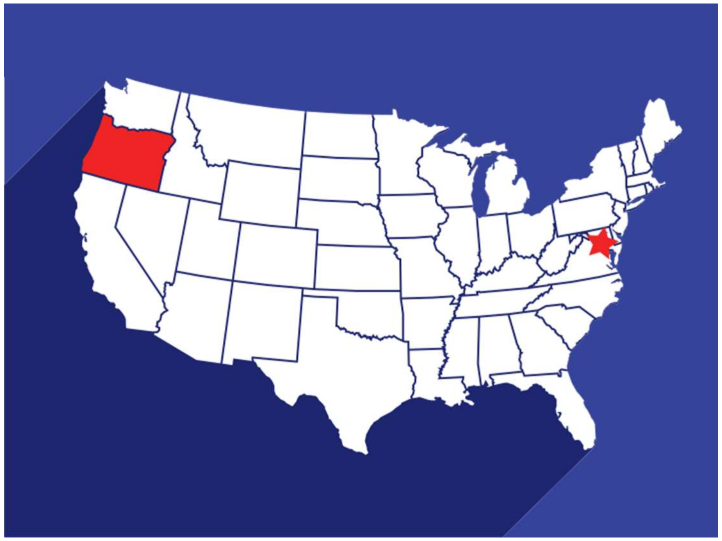

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Legislation Key & Sources

Legislation Key

- Creating Helpful Incentives to Produce Semiconductors (CHIPS) and Science Act passed August 9, 2022
  - Note that only income tax portions of the act are included in our analysis
- Inflation Reduction Act passed August 17, 2022
- SECURE 2.0 Act passed December 29, 2022
  - Note that only income tax portions of the act are included in our analysis

Sources

Information in this report was derived from:

- Bloomberg Tax & Accounting “Inflation Reduction Act Roadmap,” ©2022; The Bureau of National Affairs Inc., a Bloomberg Company. All rights reserved.
- Checkpoint Executive Summary: SECURE 2.0 Act of 2022, ©2022, Thomson Reuters. All rights reserved.
- CHIPS and Science Act of 2022, https://www.congress.gov/117/bills/hr4346/BILLS-117hr4346enr.pdf, page 28-34, accessed, 01/30/23, by Leslie Konst, as agent for Oregon Society of CPAs.
- CHIPS and Science Act of 2022, Section-by-Section Summary, https://www.bennet.senate.gov/public/_cache/files/4/0/40919cb4-ff63-4434-8ae2-897a4a026b30/7BCDD84F555A6B85BEC800514F1D3AFD.chips-and-science-act-of-2022-section-by-section.pdf; accessed 01/26/23 by Leslie Konst, as agent for Oregon Society of CPAs.

Table of Contents

Section Title

Recommendation A

Permanent connection (Rolling reconnect): Oregon automatically reconnects to the Federal change. Oregon generally subscribes to the provisions being amended, and therefore, we do not recommend any change. No modification is necessary to tie to the Federal change.

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Topic	Inflation Reduction Act	Act Sections	IRC Sections
Cost Recovery for Qualified Facilities, Qualified Property, and Energy Storage Technology	Provides that qualified facilities for purposes of the new clean electricity production credit and qualified property or energy storage technology for purposes of the clean electricity investment credit are treated as five-year property under the General Depreciation System (GDS). Applies to facilities and property placed in service after 2024.	Act §13703	IRC §168(e)(3)(B)
Safe Harbor for Absence of Deductible for Insulin	Allows continuation of high deductible health plan treatment for qualifying plans with no deductible for selected insulin products. Applies to plan years beginning after 2022.	Act §11408	IRC §223
Extension of Limitation on Excess Business Losses of Noncorporate	Extends limitation on excess business losses of noncorporate taxpayers by two years. Losses disallowed for taxable years beginning in 2021 through 2028.	Act §13903	IRC §461(l)

Recommendation – A

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Topic	SECURE 2.0 Act	Act Sections	IRC Sections
Certain Disability-related First Responder Retirement Payments Excluded from Income	The Act allows first responders (law enforcement officers, fire fighters, paramedics, or emergency medical technicians) to exclude from gross income certain service-related disability pension or annuity payments (from a 401(a), 403(a), governmental 457(b), or 403(b) plan) after they reach retirement.	Act Sec. 309	Adding Code Sec. 139(C)
Deductions for Qualified Conservation Contributions Limited for Pass-Through Entities	The Act disallows a charitable deduction for an otherwise-qualified conservation contribution-also known as a conservation easement-that is made by a partnership, S corporation, or other pass-through entity, if the amount of the contribution exceeds 2.5 times the sum of each partner/member's relevant basis in the contributing entity. Exceptions to this disallowance rule apply where the contribution meets a three-year holding period test, where substantially all of the contributing entity is owned by members of a family, or where the contribution relates to the preservation of a certified historic structure. For contributions for the preservation of certified historic structure, a new reporting requirement applies. Certain existing penalty rules and statute-of-limitations extension rules apply to the new disallowance provision.	Act Sec. 605	Code Sec. 170(h)(7)

Recommendation B

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Topic	SECURE 2.0 Act	Act Sections	IRC Sections
Expanding Automatic Enrollment in Retirement Plans	First, it must allow permissible withdrawals (as defined in Code Sec. 414(w)(2)) within 90 days after the first elective contribution. Second, it must provide for automatic contributions of at least 3% and not more than 10% during a participant's first year of participation, unless the participant elects otherwise. And effective on the first day of each plan year after a completed year of participation, the contribution percentage must automatically increase (unless the participant elects otherwise) by 1 percentage point, to at least 10% but not more than 15%, except that for plan years ending before January 1, 2025, the maximum percentage is 10% for any arrangement that is not a safe harbor plan under Code Sec. 401(k)(12) or Code Sec. 401(k)(13). Third, if the participant makes no investment election, automatically contributed amounts must be invested in accordance with the rules for qualified default investment alternatives under DOL Reg. Sec. 2550.404c-5.		IRC 414
Increase in Age for Required Beginning Date for Mandatory Distributions	Under the Act, the current required age component used to determine RBDs is referred to as the "applicable age," and increases from age 72 to: (A) age 73 starting on January 1, 2023 (for individuals who attain age 72 after December 31, 2022, and age 73 before January 1, 2033); and (B) age 75 starting on January 1, 2033 (for individuals who attain age 74 after December 31, 2032). This provision applies to distributions required to be made after December 31, 2022, with respect to individuals who attain age 72 after such date. (Act Sec. 107)		Code Sec. 401(a)(9)
Higher Catch-up Limit to Apply at Age 60, 61, 62, and 63	Starting in 2025, the Act increases the current catch-up limit to the greater of $10,000 ($5,000 for SIMPLE plans) or 50% more than the regular catch-up amount in 2024 (2025 for SIMPLE plans) for individuals who attain ages 60, 61, 62 and 63. The statutory dollar amounts are indexed for inflation commencing in 2026.		Code Sec. 414(v)

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Topic	SECURE 2.0 Act	Act Sections	IRC Sections
Penalty-Free Withdrawals for Certain Emergency Expenses	The Act adds a new exception for certain distributions used for emergency expenses, which are unforeseeable or immediate financial needs relating to personal or family emergency expenses. Only one distribution is permissible per year of up to $1,000, and a taxpayer has the option to repay the distribution within three years. No further emergency distributions are permissible during the three-year repayment period unless repayment occurs.		Code Sec. 72(1)(2)(1)
Starter 401(k) Plans for Employers with No Retirement Plan	The Act establishes two new plan designs: a new type of section 401(k) plan (called a "starter 401(k) deferral-only arrangement") and a new type of 403(b) plan (called a "safe harbor 403(b) plan"). Starter 401(k) deferral-only plans. A "starter 401(k) deferral-only arrangement" is a cash or deferred arrangement maintained by an eligible employer that meets certain requirements relating to automatic enrollment, contributions, eligibility, and employee notices. It is treated as satisfying the actual deferral percentage (ADP) nondiscrimination test. Safe harbor deferral-only plan. The Act also establishes a new type of 403(b) plan, called a "safe harbor deferral-only plan." Similar conditions as those described with starter 401(k) deferral-only arrangements apply for purposes of a safe harbor deferral-only plan. That is, a safe harbor deferral-only plan must also satisfy certain requirements that generally parallel the requirements described above.		Code Sec. 401(k); Code Sec. 403(b)
Improving Coverage for Part-Time Workers	The Act modifies the rules that apply to long-time part-time employees under a 401(k) plan to reduce the service requirement for those employees from three years to two years. Thus, under the Act, a 401(k) plan generally must permit an employee to make elective deferrals if the employee has worked at least 500 hours per year with the employer for at least two consecutive years and has met the minimum age requirement (age 21) by the end of the two-consecutive-year period.	Code Sec. 401(k)(2)(D), as amended by Act Sec. 125(c)	Code Sec. 401(k)(2)(D)

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Topic	SECURE 2.0 Act	Act Sections	IRC Sections
Reduction in Excise Tax on Certain Accumulations in Qualified Retirement Plans	The Act reduces the penalty under Code Sec. 4974(a) for failure to take RMDs from 50% to 25%. The Act also adds Code Sec. 4974(e) to provide that if the failure to take the RMD is corrected in a timely manner, the penalty is reduced from 25% to 10%. The Act specifies that new Code Sec. 4974(e) provides that if a taxpayer receives, during the correction window, a shortfall of distributions from a plan that resulted in imposition of the excise tax, and submits a return, during the correction window, reflecting such tax, the excise tax on the failure to take the RMD is 10%.		Code Sec. 4974
Expansion of Employee Plans Compliance Resolution System	Expands self-correction under EPCRS (except as otherwise provided by the Code or regulations) to cover any eligible inadvertent failure to comply with the rules under Code Sec. 401(a), Code Sec. 403(a), Code Sec. 403(b), Code Sec.408(k)(simplified employee pensions or SEPs), and Code Sec. 408(p) (simple retirement accounts or SIMPLE IRAs), unless the error is identified by the Treasury Secretary before any actions have been taken demonstrating a specific commitment to implement a self- correction, or the self-correction is not completed within a reasonable time after the failure is identified.		Code Sec. 401(a), Code Sec. 403(a), Code Sec. 403(b), Code Sec.408(k) Code Sec. 408(p)
Retroactive First Year Elective Deferrals for Sole Proprietors	The provision provides that in the case of an individual who owns the entire interest in an unincorporated trade or business, and who is the only employee of that trade or business, any elective deferral under a 401(k) plan which is made by that individual before the time for filing the individual's return for the tax year (determined without regard to any extensions) ending after or with the end of the plan's first plan year, will be treated as having been made before the end of the plan's first plan year.	Code Sec. 401(b)(2), as amended by SECURE 2.0 Act Sec. 317(a)	Code Sec. 401(b)(2)

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Topic	SECURE 2.0 Act	Act Sections	IRC Sections
Eliminating Unnecessary Plan Requirements Related to Unenrolled Participants	The Act amends the Code and ERISA to provide that defined contribution plans are exempt from intermittent notification requirements with respect to participants that elect not to participate, and who have already received a summary plan description, and any other notices related to initial eligibility to participate in the plan (unenrolled participants). Intermittent notifications include disclosures, notices and plan documents. However, an unenrolled participant must still receive: (A) an annual reminder notice of their eligibility to participate in the plan, as well as any applicable plan deadlines; and (B) any document they request that they would be entitled to receive under existing law absent this Act provision.	Act Sec. 320	
Surviving Spouse Election to be Treated as Employee	Surviving spouse's election to be treated as employee. Under the Act, in the case of an employee who dies before RMDs have begun under an employer-provided qualified retirement plan, and who has designated a spouse as sole beneficiary, the designated beneficiary surviving spouse may elect to be treated as if the surviving spouse were the employee for purposes of the required minimum distribution rules of Code Sec. 401(a)(9). The date on which the distributions are required to begin will not be earlier than the date on which the employee would have attained the applicable age. If the surviving spouse dies before the distributions begin, the surviving spouse is treated as the employee for purposes of determining the distribution period.	Code Sec. 401(a)(9)(B)(iv), as added by Act Sec. 327(a)	Code Sec. 401(a)(9)(B)(iv)
Elimination of Additional Tax on Corrective Distributions of Excess Contributions	The Act specifically provides that earnings attributable to excess contributions to an IRA that are returned by the due date for the taxpayer's return for the year (including extensions) are exempt from the 10% early withdrawal tax. The taxpayer must not claim a deduction for the distributed excess contribution.	Act Sec. 333	

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Topic	SECURE 2.0 Act	Act Sections	IRC Sections
Extended Amendment Period and Anti-Cutback Relief for Certain Plan Amendments	The deadline for plan amendments made pursuant to the Act or any IRS or DOL regulation issued thereunder is the end of the first plan year beginning on or after January 1, 2025 (2027 for governmental and collectively bargained plans). If, in the interim, a plan operates as if a retroactive amendment were already in effect, the retroactive amendment will not be treated as violating the anti- cutback rules (unless otherwise provided in IRS guidance). The Act also conforms certain plan amendment deadlines under the SECURE Act (PL 116-94, 12120/2019), the CARES Act (PL 116-136, 3127/2020), and the Taxpayer Certainty and Disaster Tax Relief Act of 2020 (PL 116-260, 12/27/2020) to these new dates. Accordingly, amendments generally must be adopted by the end of the first plan year beginning on or after January 1, 2025 (instead of 2022) or, for certain plans, 2027 (instead of 2024).	Act Sec. 501	
Elective Deferrals Generally Limited to Regular Contribution Limit	The Act provides that catch-up contributions under Code Sec. 401(k), Code Sec. 403(b), or Code Sec. 457(b)plans are subject to mandatory Roth tax treatment, except those made by participants whose wages for the preceding calendar year do not exceed $145,000, as annually indexed for inflation. This rule does not apply to simplified employee pensions under Code Sec. 408(k), or to SIMPLE IRAs under Code Sec. 408(p).	Act Sec. 603	
Optional Treatment of Employer Matching or Nonelective Contributions as Roth Contributions	A defined contribution plan is permitted, but not required, to provide matching contributions. Matching contributions are those contributions that an employer makes on behalf of participants "on account of" their elective deferrals (which, in some plan designs, might include Roth and catch-up contributions). Code Sec. 401(k)(4)(A). Some plans also match after-tax contributions. Matching contributions are not included in a participant's income until the amount is distributed from the plan.	Act Sec. 604	
Modification of Credit for Small Employer Pension Plan Start-up Costs	The Act changes the small employer pension plan start-up cost credit by (i) providing that the credit is equal to the entire amount of creditable costs (qualified start-up costs) of an employer with 50 or fewer employees (up to an annual cap), (ii) allowing a credit amount for employer contributions to small employer pensions, and (iii) fixing a technical glitch pertaining to small employers who join multiemployer plans.	Act Sec. 102	Amending Code Sec. 45E

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Topic	SECURE 2.0 Act	Act Sections	IRC Sections
New Credit for Military Spouses Participating in Defined Contribution Plans	The Act adds a new tax credit for small employers-those with no more than 100 employees that earned at least $5,000 for the preceding year. The credit is for each military spouse that starts participating in an eligible defined contribution plan of the employer. Highly compensated employees (under Code Sec. 414(q)) are excluded from credit consideration.	Act Sec. 112	New Code Sec. 45AA
Age Requirement for Qualified ABLE Programs Modified	The Act would increase this age limit to 46, thus making more individuals eligible to establish an ABLE account. The amendment would be effective for tax years beginning after December 31, 2025.	Act Sec. 124	Amending Code Sec. 529A
Tax-free Rollovers from 529 Accounts to Roth IRAs Permitted	The Act permits beneficiaries of 529 college savings accounts to make direct trustee-to-trustee rollovers from a 529 account in their name to their Roth IRA without tax or penalty. This provides an option for 529 accounts that have a balance remaining after the beneficiary's education is complete.	Act Sec. 126	Amending Code Secs. 408A and 529
Statute of Limitations on Excise Tax Assessment on IRA Excess Contributions	The Act provides that the statute of limitations for the assessment of excise taxes due to excess contributions to tax-favored accounts and accumulations on qualified retirement plans begins to run on the filing of the taxpayer's income tax return for the year of the violation. The limitations period is three years (six years in the case of excess contributions).	Act Sec. 313	New Code Sec. 6501(1)(4)
Extension of Telehealth Exemption for HDHPs Through 2024	The Act amends Code Sec. 223(c)(2)(E) to provide that the exception for telehealth and other remote care services applies to plan years beginning after December 31, 2022, and before January 1, 2025 (in addition to the time periods described above).	Act Sec. 4151	Code Sec. 223(c)(2)(E)
Saver's Match	This section 103 repeals and replaces the credit with respect to IRA and retirement plan contributions, changing it from a credit paid in cash as part of a tax refund into a federal matching contribution that must be deposited into a taxpayer's IRA or retirement plan. The match is 50% of IRA or retirement plan contributions up to $2,000 per individual. The match phases out between $41,000 and $71,000 in the case of taxpayers filing a joint return ($20,500 to $35,500 for single taxpayers and married filing separate; $30,750 to $53,250 for head of household filers).	Act Sec. 103	New Code Sec. 6433

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Pooled Employer Plan Modification	This section clarifies that a pooled employer plan ("PEP") may designate a named fiduciary (other than an employer in the plan) to collect contributions to the plan. Such fiduciary would be required to implement written contribution collection procedures that are reasonable, diligent, and systematic.	Act Sec. 105	Amends ERISA Sec. 3
Multiple Employer 403(b) Plans	This section allows Code Sec. 403(b) plans, which are generally sponsored by charities, educational institutions, and non-profits, to participate in MEPs and PEPs, including relief from the one bad apple rule so that the violations of one employer do not affect the tax treatment of employees of compliant employers	Act Sec. 106	Amends Code Sec. 403(b)
Indexing IRA Catch-up Limit	Under current law, the limit on IRA contributions is increased by $1,000 (not indexed} for individuals who have attained age 50. This section indexes that limit.	Act Sec. 108	Amends Code Sec. 219
Treatment of Student Loan Payments as Elective Deferrals for Purposes of Matching Contributions	This section is intended to assist employees who may not be able to save for retirement because they are overwhelmed with student debt, and thus are missing out on available matching contributions for retirement plans. This section allows such employees to receive those matching contributions by reason of repaying their student loans. It permits an employer to make matching contributions under a 401(k) plan, 403(b) plan, or SIMPLE IRA with respect to "qualified student loan payments."	Act Sec. 110	Amends Code Sec. 401
Small Immediate Financial Incentives for Contributing to a Plan	This section enables employers to offer de minimis financial incentives, not paid for with plan assets, such as low-dollar gift cards, to boost employee participation in workplace retirement plans by exempting de minimis financial incentives from Code Sec. 401(k)(4)(A) and from the corresponding rule under Code Sec. 403(b).	Act Sec. 113	Amends Code Sec. 401

Recommendation – B

ORS change necessary, including updating fixed date conformity: A change to the ORS is necessary to conform to the Federal provision. To increase taxpayer compliance, it is recommended that Oregon Statutes conform as closely as possible to Federal change.

Topic	SECURE 2.0 Act	Act Sections	IRC Sections
Deferral of Tax for Certain Sales of Stock to S Corporation Sponsored ESOP	Under Code Sec. 1042, an individual owner of stock in a non-publicly traded C corporation that sponsors an employee stock ownership plan ("ESOP") may elect to defer the recognition of gain from the sale of such stock to the ESOP if the seller reinvests the sales proceeds into qualified replacement property, such as stock or other securities issued by a U.S. operating corporation. After the sale, the ESOP must own at least 30% of the employer corporation's stock. This section expands the gain deferral provisions of Code Sec. 1042 with a 10% limit on the deferral to sales of employer stock to S corporation ESOPs.	Act Sec. 114	Amends Code Sec. 1042
Allow Additional Nonelective Contributions to SIMPLE Plans	Current law requires employers with SIMPLE plans to make employer contributions to employees of either 2% of compensation or 3% of employee elective deferral contributions. This section permits an employer to make additional contributions to each employee of the plan in a uniform manner, provided that the contribution may not exceed the lesser of up to 10% of compensation or $5,000 (indexed).	Act Sec. 116	Amends Code Sec. 408
Contribution Limit for SIMPLE Plans	This section increases the annual deferral limit and the catch-up contribution at age 50 by 10%, as compared to the limit that would otherwise apply in the first year this change is effective, in the case of an employer with no more than 25 employees. An employer with 26 to 100 employees would be permitted to provide higher deferral limits, but only if the employer either provides a 4% matching contribution or a 3% employer contribution. This section makes similar changes to the contribution limits for SIMPLE 401(k) plans.	Act Sec. 117	Amends Code Sec. 408 and Code Sec. 414
Tax Treatment of Certain Nontrade or Business SEP Contributions	This section permits employers of domestic employees (e.g., nannies) to provide retirement benefits for such employees under a Simplified Employee Pension ("SEP").	Act Sec. 118	Amends Code Sec. 4972
Application of Section 415 Limit for Certain Employees of Rural Electric Cooperatives	Under current law, Code Sec. 415 generally limits the amount that may be paid by a pension plan in annual benefits to a participant to the lesser of $245,000 (2022) or 100% of the participant's average compensation. This section eliminates the compensation-based limit for participants who are non-highly compensated employees and participate in a rural electric cooperative retirement plan.	Act Sec. 119	Amends Code Sec. 415

Recommendation – B

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Topic	SECURE 2.0 Act	Act Sections	IRC Sections
Exemption for Certain Automatic Portability Transactions	This section permits a retirement plan service provider to provide employer plans with automatic portability services. Such services involve the automatic transfer of a participant's default IRA (established in connection with a distribution from a former employer's plan) into the participant's new employer's retirement plan, unless the participant affirmatively elects otherwise.	Act Sec. 120	Amends Code Sec. 4975
Assist States in Locating Owners of Applicable Savings Bonds	To facilitate efforts to locate the owners of matured and unredeemed savings bonds, this section requires the Treasury Secretary to share certain relevant information with a state that relates to an applicable savings bond registered to an owner with a last known or registered address in that state. The state is permitted to use that information to locate the registered owner in accordance with the state's standards for recovery of abandoned property.	Act Sec. 122	Amends 31 USC 3105
Certain Securities Treated as Publicly Traded in Case of Employee Stock Ownership Plans	The Senate summary of the Act says that the updated definitions in this section will allow highly regulated companies with liquid securities that are quoted on non-exchange markets to treat their stock as "public" for ESOP purposes, thus making it easier for these companies to offer ESOPs to their U.S. employees.	Act Sec. 123	Amends Code Sec. 401
Enhancement of 403(b) Plans	This section permits 403(b) custodial accounts to participate in group trusts with other tax-preferred savings plans and IRAs.	Act Sec. 128	Amends Code Sec. 403
Remove Required Minimum Distribution Barriers of Life Annuities	According to the Senate summary of the Act, this section eliminates certain barriers to the availability of life annuities in qualified plans and IRAs that arise under current law due to an actuarial test in the required minimum distribution regulations.	Act Sec. 201	Amends Code Sec. 401
Qualifying Longevity Annuity Contracts	This section addresses limitations by repealing the 25% limit and allowing up to $200,000 (indexed) to be used from an account balance to purchase a QLAC. It also facilitates the sales of QLACs with spousal survival rights, and clarifies that free-look periods are permitted up to 90 days with respect to contracts purchased or received in an exchange on or after July 2, 2014.	Act Sec. 202	Amends Code Sec. 401 and Code Sec. 408

Recommendation – B

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Topic	SECURE 2.0 Act	Act Sections	IRC Sections
Insurance-dedicated Exchange-traded Funds	This section directs the IRS to update the regs to reflect the ETF structure to provide that ownership of an ETF's shares by certain types of institutions that are necessary to the ETF's structure would not preclude look-through treatment for the ETF, as long as it otherwise satisfies the current-law requirements for look-through treatment. This essentially would facilitate the creation of a new type of ETF that is "insurance-dedicated."	Act Sec. 203	Amends Code Sec. 817
Eliminating a Penalty on Partial Annuitization	This section permits the account owner to elect to aggregate distributions from both portions of the account for purposes of determining minimum distributions. The IRS is to update the relevant regs accordingly.	Act Sec. 204	Amends Code Sec. 401
Updating Dollar Limit for Mandatory Distributions	Under current law, employers may transfer former employees' retirement accounts from a workplace retirement plan into an IRA if their balances are between $1,000 and $5,000. This section increases the limit from $5,000 to $7,000.	Act Sec. 304	Amends Code Sec. 401 and Code Sec. 411
Eliminate the "First Day of the Month" Requirement for Governmental Section 457(b) Plans	Under current law, participants in a governmental Code Sec. 457(b) plan must request changes in their deferral rate prior to the beginning of the month in which the deferral will be made-a rule that does not exist for other defined contribution plans. This section allows such elections to be made at any time prior to the date that the compensation being deferred is available.	Act Sec. 306	Amends Code Sec. 457
One-time Election for Qualified Charitable Distribution to Split-interest Entity	This section expands the IRA charitable distribution provision to allow for a one-time, $50,000 distribution to charities through charitable gift annuities, charitable remainder unitrusts, and charitable remainder annuity trusts. This section also indexes for inflation the annual IRA charitable distribution limit of $100,000.	Act Sec. 307	Amends Code Sec. 408
Distribution to Firefighters	Under current law, if an employee terminates employment after age 55 and takes a distribution from a retirement plan, the 10% early distribution tax does not apply. However, there is a special rule for "qualified public safety employees" in governmental plans, under which age 50 is substituted for age 55 for purposes of this exception from the 10% tax. This exemption applies to public sector firefighters, but not private sector firefighters. This section extends the age 50 rule to private sector firefighters.	Act Sec. 308	Amends Code Sec. 414

Recommendation – B

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Topic	SECURE 2.0 Act	Act Sections	IRC Sections
Application of Top-heavy Rules to Defined Contribution Plans Covering Excludable Employees	This section allows an employer to perform the top-heavy test separately on the non-excludable and excludable employees.	Act Sec. 310	Amends Code Sec. 416
Repayment of Qualified Birth or Adoption Distribution Limited to 3 Years	The Senate summary of the Act points out that the problem with current law is the allowance of recontributions at any time. Code Sec. 6511 prevents a refund from being provided to a taxpayer after the period of limitations for the return has closed, which is generally a three-year period. Thus, there would not be a mechanism under the Code allowing someone who took a birth/adoption distribution to recontribute the distribution more than three years later and amend their return to receive a refund for the taxes that were paid in the year of the withdrawal. This section amends the QBAD provision to restrict the recontribution period to three years.	Act Sec. 311	Amends Code Sec. 72
Employer May Rely on Employee Certifying that Deemed Hardship Distribution Conditions are Met	This section provides that, under certain circumstances, employees are permitted to self-certify that they have had an event that constitutes a hardship for purposes of taking a hardship withdrawal.	Act Sec. 312	Amends Code Sec. 401
Penalty-free Withdrawal from Retirement Plans for Individual Case of Domestic Abuse	This section allows retirement plans to permit participants that self-certify that they experienced domestic abuse to withdraw a small amount of money (the lesser of $10,000, indexed for inflation, or 50% of the participant's account). A distribution made under this section is not subject to the 10% tax on early distributions. Additionally, a participant has the opportunity to repay the withdrawn money from the retirement plan over three years and will be refunded for income taxes on money that is repaid.	Act Sec. 314	Amends Code Sec. 72
Reform of Family Attribution Rule	This section updates two stock attribution rules. The first update addresses inequities where spouses with separate businesses reside in a community property state when compared to spouses who reside in separate property states. The second update modifies the attribution of stock between parents and minor children.	Act Sec. 315	Amends Code Sec. 414

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Topic	SECURE 2.0 Act	Act Sections	IRC Sections
Amendments to Increase Benefit Accruals Allowed Until Tax Return Due Date	This section amends these provisions to allow discretionary amendments that increase participants' benefits to be adopted by the due date of the employer's tax return.	Act Sec. 316	Amends Code Sec. 401
Tax Treatment of IRA Involved in a Prohibited Transaction	When an individual engages in a prohibited transaction with respect to their IRA, the IRA is disqualified and treated as distributed to the individual, irrespective of the size of the prohibited transaction. This section clarifies that if an individual has multiple IRAs, only the IRA with respect to which the prohibited transaction occurred will be disqualified.	Act Sec. 322	Amends Code Sec. 408
Clarification of Substantially Equal Periodic Payment Rule	Current law imposes a 10% additional tax on early distributions from tax-preferred retirement accounts, but an exception applies to substantially equal periodic payments that are made over the account owner's life expectancy. This section provides that the exception continues to apply in the case of a rollover of the account, an exchange of an annuity providing the payments, or an annuity that satisfies the required minimum distribution rules.	Act Sec. 323	Amends Code Sec. 72
Roth Plan Distribution Rules	Under current law, required minimum distributions are not required to begin prior to the death of the owner of a Roth IRA. However, pre-death distributions are required in the case of the owner of a Roth designated account in an employer retirement plan (e.g., 401(k) plan). This section eliminates the pre-death distribution requirement for Roth accounts in employer plans.	Act Sec. 315	Amends Code Sec. 402A
No Penalty on Early Distributions for Individuals with Terminal Illness	Under current law, an additional 10% tax applies to early distributions from tax-preferred retirement accounts. This section provides an exception to the tax in the case of a distribution to a terminally ill individual.	Act Sec. 326	Amends Code Sec. 72
Repeal of Direct Payment Requirement on Exclusion from Gross Income	Current law provides an exclusion from gross income ($3,000) for a distribution from a governmental retirement plan to a public safety officer to pay for their health insurance premiums. The exclusion requires that the plan directly pay the insurance premiums. This section repeals the direct payment requirement.	Act Sec. 328	Amends Code Sec. 402

Recommendation – B

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Topic	SECURE 2.0 Act	Act Sections	IRC Sections
Modification of Eligible Age for Exemption from Early Withdrawal Penalty	The 10% additional tax on early distributions from tax preferred retirement savings plans does not apply to a distribution from a governmental plan to a public safety officer who is at least age 50. This section extends the exception to public safety officers with at least 25 years of service with the employer sponsoring the plan.	Act Sec. 329	Amends Code Sec. 72
No Withdrawal Penalty for Certain State and Local Government Corrections Employees	This section extends the public safety officer exception to the 10% early distribution tax to corrections officers who are employees of state and local governments.	Act Sec. 330	Amends Code Sec. 72
Rules for Retirement Fund Use in Connection with Qualified Federally Declared Disasters	This section provides permanent rules relating to the use of retirement funds in the case of a federally declared disaster. The permanent rules allow up to $22,000 to be distributed from employer retirement plans or IRAs for affected individuals. Such distributions are not subject to the 10% additional tax and are taken into account as gross income over three years. Distributions can be repaid to a tax preferred retirement account. Additionally, amounts distributed prior to the disaster to purchase a home can be recontributed, and an employer is permitted to provide for a larger amount to be borrowed from a plan by affected individuals and for additional time for repayment of plan loans owed by affected individuals.	Act Sec. 331	Amends Code Sec. 72
Permission to Replace SIMPLE Plan with Safe Harbor 401(k)	This section allows an employer to replace a SIMPLE IRA plan with a SIMPLE 401(k) plan or other 401(k) plan that requires mandatory employer contributions during a plan year.	Act Sec. 332	Amends Code Sec. 408
Long-term Care Contracts Purchased with Retirement Plan Distributions	This section permits retirement plans to distribute up to $2,500 per year for the payment of premiums for certain specified long term care insurance contracts. Distributions from plans to pay such premiums are exempt from the additional 10% tax on early distributions. Only a policy that provides for high quality coverage is eligible for early distribution and waiver of the 10% tax.	Act Sec. 334	Amends Code Sec. 401
Modification of Required Minimum Distribution Rules for Special Needs Trust	This section clarifies that, in the case of a special needs trust established for a beneficiary with a disability, the trust may provide for a charitable organization as the remainder beneficiary.	Act Sec. 337	Amends Code Sec. 401

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Topic	SECURE 2.0 Act	Act Sections	IRC Sections
Recognition of Tribal Government Domestic Relations Orders	This section adds Tribal courts to the list of courts authorized under federal law to issue qualified domestic relations orders.	Act Sec. 339	Amends Code Sec. 414
Cash Balance	This section clarifies the application of the Code and ERISA's rules, prohibiting the backloading of benefit accruals, as they relate to hybrid plans that credit variable interest. Specifically, it clarifies that, for purposes of the applicable Code and ERISA rules, the interest crediting rate that is treated as in effect and as the projected interest crediting rate is a reasonable projection of such variable interest rate, subject to a maximum of 6%.	Act Sec. 348	Amends Code Sec. 411
Safe Harbor for Corrections of Employee Elective Deferral Failures	This section eases these concerns by allowing for a grace period to correct, without penalty, reasonable errors in administering these automatic enrollment and automatic escalation features. Errors must be corrected prior to 9½ months after the end of the plan year in which the mistakes were made.	Act Sec. 350	Amends Code Sec. 414
SIMPLE and SEP Roth IRAs	This section allows SIMPLE IRAs to accept Roth contributions too. In addition, aside from grandfathered salaried reduction simplified employee pension plans, under current law, simplified employee pension plans ("SEPs") can only accept employer money and not on a Roth basis. This section allows employers to offer employees the ability to treat employee and employer SEP contributions as Roth (in whole or in part).	Act Sec. 601	Amends Code Sec. 408A
Hardship Withdrawal Rules for 403(b) Plans	Under current law, the distribution rules for 401(k) and 403(b) are different in certain ways that are historical anomalies for varied reasons. For example, for 401(k) plans, all amounts are available for a hardship distribution. For 403(b) plans, in some cases, only employee contributions (without earnings) are available for hardship distributions. This section conforms the 403(b) rules to the 401(k) rules.	Act Sec. 602	Amends Code Sec. 403
Enhancing Retiree Health Benefits in Pension Plans	Under current law, an employer may use assets from an overfunded pension plan to pay retiree health and life insurance benefits. These rules sunset at the end of 2025. This section extends the sunset date to the end of 2032 and would permit transfers to pay retiree health and life insurance benefits provided the transfer is no more than 1.75% of plan assets and the plan is at least 110% funded.	Act Sec. 606	Amends Code Sec. 420

Recommendation C

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Topic	Inflation Reduction Act	Act Sections	IRC Sections
Sustainable Aviation Fuel Credit	Creates a new business credit for each gallon of sustainable aviation fuel sold or used as part of a qualified fuel mixture. The credit equals the number of gallons of sustainable aviation fuel in the mixture, multiplied by a base amount of $1.25, with increases available for meeting certain greenhouse gas emissions reductions. Eliminates the tax credit under IRC §40A for sustainable aviation fuel produced from biodiesel. Included in gross income under IRC §87. Applies to fuel sold or used in 2023 and 2024.	Act §13203	New IRC §40B, New IRC §6426(k), IRC §6427(e), §87
IRS Enforcement	Appropriates about $80 billion to the IRS to add auditors, improve customer service, and modernize technology. Provides $15 million to the IRS with funding for a report to Congress on the potential creation and maintenance of an IRS-run e-file system.	Act §10301	
Modification of Energy Efficient Commercial Buildings Deduction	Modifies the formula for computing the maximum amount of the energy-efficient commercial buildings deduction, increases the deduction amount if new wage and apprenticeship requirements are met, modifies the energy efficiency standard, eliminates the partial deduction for property that does not meet the certification standard, and provides an alternative deduction for energy-efficient building retrofit property. Generally applies to taxable years beginning after 2022. Deduction for energy-efficient retrofit property applies to property placed in service after 2022.	Act §13303	IRC §179D

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Topic	Inflation Reduction Act	Act Sections	IRC Sections
Extension and Modification of Nonbusiness Energy Property Credit	Extends the nonbusiness energy property credit through 2032, changes the credit rate to 30% for both qualified energy efficiency improvements and residential energy property expenditures, replaces the $500 lifetime limit with a $1,200 annual limit, modifies limits for specific types of property, and modifies the standards for qualified energy-efficiency improvements. Generally applies to property placed in service after 2022. Extension of credit applies to property placed in service after 2021. Identification number requirement applies to property placed in service after 2024.	Act §13301	IRC §25C
Extension and Modification of Residential Energy Efficient Property Credit (Residential Clean Energy Credit)	Extends the alternative fuel vehicle refueling property credit through 2032. Lowers the credit rate from 30% to 6% if the refueling property is depreciable. Increases the credit limit to $100,000 per item of depreciable refueling property and $1,000 per item of nondepreciable refueling property. Includes bidirectional charging equipment and electric charging stations as credit-eligible property if requirements are met. Quintuples the credit amount for any depreciable qualified alternative fuel vehicle refueling property that is part of a refueling project that begins within a specified time period and meets wage and apprenticeship requirements. Requires alternative fuel refueling property to be placed in service in a low-income community or in a nonurban area. Generally applies to property placed in service after 2022. Extension of credit applies to property placed in service after 2021.	Act §13404	IRC §30C

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Topic	Inflation Reduction Act	Act Sections	IRC Sections
Modification and Termination of New Qualified Plug-In Electric Drive Motor Vehicle Credit (Clean Vehicle Credit)	Increases the dollar limit on the new qualified plug-in electric drive motor vehicles credit (renamed the "clean vehicle credit") if critical minerals and battery components requirements are met. Adds requirements that would render electric vehicles made with any battery components manufactured by "foreign entities of concern" (e.g., China) ineligible to receive the credit after 2023. Beginning in 2025, prohibits use of any critical mineral in a battery that is extracted or processed by those countries. Adds a requirement that final assembly of the vehicle occur in North America. Eliminates the limit on the number of credit-eligible vehicles, but allows only one credit per vehicle. Imposes a new credit limit based on the taxpayer's income. Allows a taxpayer to transfer the credit to a registered dealer in exchange for payment from that dealer. Terminates the credit after 2032. Generally applies to vehicles placed in service after 2022. The final assembly requirement applies to vehicles sold after the date of enactment. The per-vehicle dollar limit applies to vehicles placed in service after the proposed guidance described in IRC §30D(e)(3)(B) is issued. The transfer-of-credit provision applies to vehicles placed in service after 2023. The elimination of the limit on the number of credit-eligible vehicles applies to vehicles sold after 2022.	IRC §30D	Act §13401
Premium Tax Credit	Extends through 2025, the reduced percentage of household income that is used to calculate the premium contribution for an individual claiming the premium tax credit. Also through 2025, allows a taxpayer with household income for the year of 400% or more of the federal poverty line to qualify for the premium tax credit. Applies to taxable years beginning after 2022.	Act §12001	IRC §36B
Extension of Second Generation Biofuel Credit	Extends the tax credit for second generation biofuel through 2024. Applies to second generation biofuel production after 2021.	Act §13202	IRC §40

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Topic	Inflation Reduction Act	Act Sections	IRC Sections
Extension of Tax Credits for Biodiesel, Renewable Diesel, and Alternative Fuels	Extends the tax credits for biodiesel, renewable diesel, biodiesel mixtures, alternative fuel, and alternative fuel mixtures through 2024. Applies to fuel sold or used after 2021.	Act §13201	IRC §40A, §6426, §6427
Increase in Research Credit Against Payroll Tax for Small Businesses	Increases from $250,000 to $500,000 the limit on the amount of research credit that qualified small businesses may elect to treat as a credit against their payroll tax liability. Applies to taxable years beginning after 2022.	Act §13902	IRC §41, §3111
Extension of Increased Rate of Coal Tax to Fund Black Lung Disability Trust Fund	Permanently extends the temporarily increased rate of the coal production excise tax that finances the black lung disability trust fund. Effective for calendar quarters beginning after the date of enactment.	Act §13901	IRC §4121
Extension and Modification of the Renewable Electricity Production Tax Credit (PTC)	Extends the beginning-of-construction deadline for certain renewable electricity production facilities through the end of 2024. Extends to the end of 2024 the election to treat certain facilities that otherwise qualify for the IRC §45 PTC ("qualified investment credit facilities") as energy property qualified for the IRC §48 ITC instead. Reduces the base amount of the credit. Facilities that pay prevailing wages during construction and for the first decade of operation, and fulfill apprenticeship requirements, can qualify for up to five times the base amount of the credit. Generally applies to facilities placed in service after 2021. Increased credit amounts for domestic content, energy communities, and hydropower apply to facilities placed in service after 2022.	Act §13101	IRC §45
Extension, Increase, and Modification of New Energy Efficient Home Credit	Extends through 2032 the new energy-efficient home credit a business credit for contractors who manufacture or construct energy-efficient homes. Increases credit amounts, modifies energy-saving requirements, and provides a larger credit amount for residences that meet wage requirements. Generally applies to dwelling units acquired from an eligible contractor after 2022. Extension of credit applies to dwelling units acquired after 2021.	Act §13304	IRC §45L

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Topic	Inflation Reduction Act	Act Sections	IRC Sections
Extension and Modification of Carbon Oxide Sequestration Credit	Extends, with modifications, and enhances the carbon oxide sequestration credit for qualified industrial facilities and direct air capture facilities if construction begins before 2033, subject to conditions. Lowers the minimum carbon capture requirement. Increases credit amount if wage and apprenticeship requirements are met. Generally applies to facilities or equipment placed in service after 2022. The modified carbon capture requirements apply to facilities or equipment the construction of which begins after the date of enactment. The amendments to the special rules for carbon capture equipment placed in service before February 9, 2018, take effect on the date of enactment.	Act §13104	IRC §45Q
Reinstatement of Superfund Hazardous Substance Financing Rate	Beginning in 2023, reinstates the hazardous substance Superfund financing rate on crude oil and imported petroleum products at the rate of 16.4 cents per gallon (adjusted for inflation). Permits advances to the Hazardous Substance Superfund trust fund through 2032.	Act §13601	IRC §4611, §9507(d)(3)(B)
Extension and Modification of the Energy Investment Tax Credit (ITC)	Extends for one year, through the end of 2024, the beginning-of-construction deadline for some types of energy property (for example, qualified fuel cell property) to qualify for the energy credit. Extends the beginning-of-construction deadline for geothermal equipment through the end of 2034. Reduces the base energy credit rate unless wage and apprenticeship requirements are met. Allows the credit for new types of energy property, including energy storage technology, qualified biogas, and microgrid controller property. Quintuples the credit amount in some circumstances, for example, if wage and apprenticeship requirements are met. Adds a 10% bonus credit if a domestic content requirement is met. The credit for new types of energy property applies to property placed in service after 2022. The extension of the beginning-of-construction deadline applies to property placed in service after 2021.	Act §13102	IRC §48

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Topic	Inflation Reduction Act	Act Sections	IRC Sections
Extension of the Advanced Energy Project Credit	Extends the advanced energy project credit, a competitively awarded investment tax credit for clean energy and energy efficiency manufacturing projects. Provides for as much as $10 billion of new credit allocations. Reduces the credit rate by 80% if wage and apprenticeship requirements are not met. Modifies the definition of a qualifying advanced energy project. Effective beginning in 2023.	Act §13501	IRC §48C
Corporate Alternative Minimum Tax	Imposes a corporate alternative minimum tax (AMT) equal to the excess of 15% of a corporation's adjusted financial statement income (AFSI) over its corporate AMT foreign tax credit. Applies to C corporations which, for a three taxable year period, have average annual AFSI greater than $1 billion (and at least $100 million for members of foreign-parented international financial reporting groups). AFSI is the net income or loss set forth on an applicable financial statement, with certain adjustments. Provides rules for calculating AFSI for certain entities and income (e.g., consolidated groups, foreign-parented groups, effectively connected income). AFSI is reduced by accelerated depreciation deductions. Applies to taxable years beginning after 2022.	Act §10101	IRC §55, §59, New IRC §56A
Credit for Previously-Owned Clean Vehicles	Provides a new nonrefundable personal credit for qualifying previously owned clean vehicles to individual purchasers whose modified adjusted gross income does not exceed a specified limit. A taxpayer may elect to transfer the credit to a registered dealer in exchange for payment from that dealer. Credit terminates after 2032. Generally applies to vehicles acquired after 2022. Transfer-of-credit provision applies to vehicles acquired after 2023.	Act §13402	New IRC §25E

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Topic	Inflation Reduction Act	Act Sections	IRC Sections
Excise Tax on Repurchase of Corporate Stock	Imposes a 1% tax on the fair market value of stock repurchased by a publicly traded U.S. corporation during the taxable year. Reduced for stock issuances during the taxable year. Applies to IRC §317(b) redemptions and economically similar transactions, as well as stock acquired by a corporation's specified affiliate from another person. Also applies to certain acquisitions and repurchases of publicly traded foreign corporation stock. Exceptions for IRC §368 tax-free reorganizations, total repurchased stock of $1 million or less for the taxable year, repurchases treated as dividends, and certain other transactions. Applies to repurchases of stock after 2022.	Act §10201	New IRC §4501
Zero-Emission Nuclear Power Production Credit	Provides a new business credit for electricity produced by the taxpayer at a qualified nuclear power facility that is placed in service before the date of enactment and sold to an unrelated person. The credit amount is quintupled if wage requirements are met. Applies to electricity produced by a qualified nuclear power facility and sold after 2023, in taxable years beginning after 2023 but before 2033.	Act §13105	New IRC §45U
Credit for Production of Clean Hydrogen	Creates a new business credit for the production of clean hydrogen during the 10- year period beginning on the date a qualifying facility is originally placed in service. Credit amounts are a percentage, based on emissions rates, of $0.60 (adjusted for inflation). Taxpayers qualify for an increased credit amount if certain wage and apprenticeship requirements are met. Eliminates the excise tax credit under IRC §6426(d)(2)(D). Applies to clean hydrogen produced after 2022.	Act §13204	New IRC §45V, New IRC §45(e)(13)

Recommendation – C

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Topic	Inflation Reduction Act	Act Sections	IRC Sections
Credit for Qualified Commercial Clean Vehicles	Provides a new business credit for qualified commercial clean vehicles, in an amount equal to the lesser of 15% (or 30% for a vehicle not powered by a gas or diesel internal combustion engine) of basis, or the incremental cost of the vehicle (excess of purchase price of such vehicle over purchase price of a comparable vehicle, up to $7,500 (or $40,000 for a vehicle with a gross vehicle weight rating of at least 14,000 pounds). Credit terminates after 2032. Applies to vehicles acquired after 2022.	Act §13403	New IRC §45W
Advanced Manufacturing Production Credit	Provides a new production credit for each eligible solar energy component, eligible wind energy component, eligible inverter, qualifying battery component, and applicable critical mineral, that is produced by the taxpayer in the United States, or in a U.S. possession, and sold to an unrelated person. Applies to components and minerals produced and sold after 2022.	New IRC §45X	Act §13502
Clean Electricity Production Credit	Creates a new business credit for the production of clean electricity for facilities placed in service after 2024 where the greenhouse gas emissions rate is not greater than zero. The credit equals the kilowatt hours of electricity produced and sold, multiplied by a base amount of 0.3 cents or 1.5 cents (both adjusted for inflation). Increased credit amounts are available if certain wage and apprenticeship requirements are met. The credit begins to phase out one year after the later of 2032, or the year when annual greenhouse gas emissions from U.S. electricity production are equal to or less than 25% of the emission rate for 2022.	Act §13701	New IRC §45Y
Clean Fuel Production Credit	Creates a new business credit for clean fuel the taxpayer produces at a qualifying facility and sells for qualifying purposes. The fuel must meet certain emissions standards. The credit per gallon base amounts are $0.20 (non-aviation fuel) and $0.35 (aviation fuel), with increases available if certain wage and apprenticeship requirements are met. All amounts are adjusted for inflation. Applies to clean fuel produced after 2024 and sold before 2028.	Act §13704	New IRC §45Z

Recommendation – C

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Topic	Inflation Reduction Act	Act Sections	IRC Sections
Increase in Energy Credit for Solar and Wind Facilities Placed in Service in Connection with Low-Income Communities	Expands the IRC §48 energy investment tax credit to include certain qualified solar and wind facilities for which the Treasury Department allocates environmental justice solar and wind capacity limitation. To qualify, a facility must have a maximum net output of less than 5 megawatts and must be in a low-income community, or on American Indian land, or part of a low-income residential building project or a low-income economic benefit project. Effective beginning in 2023.	Act §13103	New IRC §48(e)
Clean Electricity Investment Credit	Creates a new investment credit for clean electricity property investments in energy storage technology and qualified facilities placed in service after 2024 where the greenhouse gas emissions rate is not greater than zero. The base credit rate is 6% of the qualified investment, with increases available if certain requirements related to construction date, output, and wages, among other factors, are met. The credit begins to phase out one year after the later of 2032, or the year when annual greenhouse gas emissions from U.S. electricity production are equal to or less than 25% of the emission rate for 2022.	Act §13702	New IRC §48E
Excise Tax on Designated Drugs During Nonenforcement Period	Imposes a nondeductible excise tax on the sale by the manufacturer, producer, or importer of certain drugs during a noncompliance period. Applies to drugs that are designated and Medicare high-spend and negotiation eligible. Noncompliance periods include certain periods not covered by pricing agreements between the manufacturer and the Health and Human Services (HHS) Department and periods in which information due to the HHS is overdue. Provides an exemption for export of the drug or for resale to a second purchaser for export. Applies to sales after the date of enactment.	Act §11003	New IRC §5000D

Recommendation – C

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Topic	Inflation Reduction Act	Act Sections	IRC Sections
Elective Payment of Applicable Credits ("Direct Pay Election")	Allows tax-exempt entities, state and local governments and political subdivisions, the Tennessee Valley Authority, tribal governments, Alaska Native Corporations, and cooperatives that furnish electricity to rural areas, to elect to receive a direct payment in lieu of any applicable credit. Applicable credits are: • the business credit portion of the alternative fuel vehicle refueling property credit; • the portion of the renewable electricity production credit attributable to qualified facilities originally placed in service after 2022; • the portion of the carbon oxide sequestration credit attributable to carbon capture equipment originally placed in service after 2022; • the zero-emission nuclear power production credit; • the portion of the clean hydrogen production credit attributable to qualified facilities originally placed in service after 2012; • for the U.S., states and political subdivisions, U.S. possessions, tax-exempt organizations other than cooperatives under IRC §521, and tribal governments, the qualified commercial clean vehicle credit determined by reason of new IRC §45W(d)(3) (requirement that a qualified commercial clean vehicle be depreciable property does not apply to any vehicle not subject to a lease that is placed in service by certain tax-exempt entities); • the advanced manufacturing production credit; • the clean electricity production credit; • the clean fuel production credit; • the energy investment credit; • the qualifying advanced energy project investment credit; and • the clean electricity investment credit (if domestic content requirement is met). Applies to taxable years beginning after 2022.	Act §13801	New IRC §6417

Recommendation – C

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Topic	Inflation Reduction Act	Act Sections	IRC Sections
Transfer of Eligible Credits	Permits a taxpayer to elect to transfer all or a portion of an eligible credit to an unrelated eligible taxpayer, but the recipient taxpayer may not transfer any portion of the transferred credit. Eligible credits include: • the business credit portion of the alternative fuel vehicle refueling property credit; • the renewable electricity production credit; • the carbon oxide sequestration credit; • the zero-emission nuclear power production credit; • the clean hydrogen production credit; • the advanced manufacturing production credit; • the clean electricity production credit; • the clean fuel production credit; • the energy investment credit; • the qualifying advanced energy project investment credit; and • the clean electricity investment credit. Eligible credits cannot be transferred by a tax-exempt entity, state or local government, political subdivision, the Tennessee Valley Authority, tribal government, Alaska Native Corporation, or cooperative that furnishes electricity to rural areas. Applies to taxable years beginning after 2022.	Act §13801	New IRC §6418

Recommendation – C

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Topic	CHIPS and Science Act	Act Sections	IRC Sections
Advanced Manufacturing Investment Credit	Sec. 107—Advanced manufacturing investment credit. Creates a 25 percent investment tax credit for investments in semiconductor manufacturing and includes incentives for the manufacturing of semiconductors, as well as for the manufacturing of the specialized tooling equipment required in the semiconductor manufacturing process. Taxpayers may elect to treat the credit as a payment against tax ("direct pay"). The credit is provided for property that is placed in service after December 31, 2022, and for which construction begins before January 1, 2027.	Sec. 107	