

**REVENUE IMPACT OF
PROPOSED LEGISLATION**
82nd Oregon Legislative Assembly
2023 Regular Session
Legislative Revenue Office

Bill Number: SB 225 - 1
Revenue Area: Personal Income Tax
Economist: Kyle Easton
Date: 3/12/2025

*Only Impacts on Original or Engrossed
Versions are Considered Official*

Measure Description:

Exempts from Oregon personal income tax, up to \$17,500 in retirement or pension income received for service in the Armed Forces of the United States. Defines Armed Forces to include the regular and reserve components of the Army, Navy, Air Force, Marine Corps, Coast Guard, Space Force, and the National Guard. Requires taxpayer to have attained 63 years of age before the close of the taxable year. Indexes subtraction limit to consumer price index beginning with tax year 2026. Applies to tax years 2025 through 2030.

Revenue Impact:

Preliminary revenue impact analysis of the proposed income tax subtraction indicates General Fund revenue will change by -\$13.3 million in the 2025-27 biennium, -\$15.2M in 2027-29, and -\$17.1M in 2029-31.

This statement is for the purpose of moving the bill to the Senate Committee on Finance and Revenue. A full revenue impact analysis will be conducted as the bill is considered in that committee.

Impact Explanation:

Pension income attributable to federal employment prior to October 1, 1991, is exempt from Oregon personal income tax under current law. Qualifying taxpayers with sufficient taxable military pension income may benefit from the existing federal pension subtraction and the proposed military pension income subtraction, though such income may only be subtracted once. Proposed subtraction allows taxpayers aged 63 years or older to subtract up to \$17,500 in military pension income from taxable income, a reduction in income tax of about \$1,500 for those taxpayers subtracting the full amount. Beginning with tax year 2026, the \$17,500 subtraction limit will be adjusted for inflation. Subtraction is assumed to apply for six tax years per applicability limit contained in ORS 315.037.

Further Analysis Required

Creates, Extends, or Expands Tax Expenditure: Yes No

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