

**REVENUE IMPACT OF
PROPOSED LEGISLATION**
83rd Oregon Legislative Assembly
2025 Regular Session
Legislative Revenue Office

Bill Number: HB 2098
Revenue Area: Personal Income Tax
Economist: Kyle Easton
Date: 5/19/2025

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

Extends the sunset of the tax credit for certain retirement income by six years, from January 1, 2026, to January 1, 2032.

Revenue Impact (in \$Millions):

	Fiscal Year		Biennium		
	2025-26	2026-27	2025-27	2027-29	2029-31
General Fund	\$0	-\$0.4	-\$0.4	-\$0.8	-\$0.7

Impact Explanation:

Individuals aged 62 years or older who receive certain taxable retirement income may qualify for a tax credit equal to nine percent of their qualified net pension income. Qualified pension income includes taxable income from: a deferred compensation plan such as a 401(k) or 457 plan, employee pension benefit plan, federal/state/local public retirement system, individual retirement account (IRA) and/or employee annuity account. Net pension income qualification limits result in the credit being claimed by predominately lower income taxpayers. Net pension income qualifying for the credit is limited to \$7,500 (\$15,000 joint return) minus Social Security benefits minus household income over \$15,000 (\$30,000 joint). These two limitations effectively cause the credit to potentially phaseout with each additional dollar of Social Security income received or with each additional dollar of pension income above \$15,000 (\$30,000 joint).

The number of taxpayers claiming the credit for certain retirement income has been steadily declining for the past 20 years whereas the overall reduction in General Fund revenue from the credit has been relatively stable at about \$800K per year. This is due to the average credit amount claimed increasing over this time-period. Future cost of the credit is expected to decline slightly reflective of a continued reduction in the number of taxpayers claiming the credit and a plateauing of the average credit amount claimed. Both assumptions reflect the impact on taxpayer qualification from the credit's income limits which are not indexed to inflation.

Creates, Extends, or Expands Tax Expenditure: Yes ☒ No ☐

The policy purpose of this measure is to provide tax relief to low-income individuals with pension income.