

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

Bill Number: SB 125 - 1
Revenue Area: Corporate Activity Tax
Economist: Michael Doughty
Date: 06/07/2025

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

Measure Description:

Exempts from the Corporate Activity Tax receipts from the administration or dispensing of medications in a clinical setting other than a hospital. Applies to tax years beginning on or after January 1, 2026. Creates a Corporate Activity Tax subtraction from commercial activity in the amount of 50 percent of receipts from reimbursed health care services for medical assistance under ORS chapter 414, Medicare, the Public Employee's Benefit Board, the Oregon Educator's Benefit Board, the Children's Health Insurance Program, or the U.S. Department of Defense under a TRICARE contract. Applies subtraction to tax years beginning on or after January 1, 2028, and before January 1, 2030. Exempts from the Corporate Activity Tax receipts from reimbursed health care services for medical assistance under ORS chapter 414, Medicare, the Public Employee's Benefit Board, the Oregon Educator's Benefit Board, the Children's Health Insurance Program, or the U.S. Department of Defense under a TRICARE contract. Applies the exemption to all tax years beginning on or after January 1, 2030.

Revenue Impact (in \$Millions):

| Fund for Student Success | Fiscal Year | | Biennium | | |
|---------------------------------------|-------------|---------|----------|---------|---------|
| | 2025-26 | 2026-27 | 2025-27 | 2027-29 | 2029-31 |
| Prescription in nonhospital setting | -\$0.4 | -\$2.0 | -\$2.4 | -\$4.7 | -\$5.2 |
| Public reimbursed healthcare receipts | \$0.0 | \$0.0 | \$0.0 | -\$23.9 | -\$73.8 |
| Total | | | -\$2.4 | -\$28.6 | -\$79.0 |

Impact Explanation:

The measure exempts sales receipts from the administration or dispensing of medications in a clinical setting other than a hospital from the Corporate Activity Tax (CAT). The impact estimate used Oregon Department of Revenue CAT industry tax returns data and Keizer Family Foundation retail prescription drugs sales data to establish a base year impact. Keizer Family Foundation retail prescription drugs sales data and Oregon Office of Economic Analysis CAT forecast data are used to forecast the base year estimate forward. Data on the timing of tax year return receipts was used to estimate fiscal year impacts from tax year impacts.

The measure exempts sales receipts from reimbursed health care services for medical assistance under ORS chapter 414, Medicare, the Public Employee's Benefit Board, the Oregon Educator's Benefit Board, the Children's Health Insurance Program, or the U.S. Department of Defense under a TRICARE contract. The impact estimate used Oregon Department of Revenue CAT industry tax returns data and healthcare expenditure data from the Centers for Medicare and Medicaid Services to establish a base year impact. Data from the Oregon Office of Economic Analysis CAT forecast was used to forecast years forward. Data on the timing of tax year return receipts was used to estimate fiscal year impacts from tax year impacts.

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

The policy purpose for the exemption of receipts for the administration or dispensing of medications in a nonhospital clinical setting is to create more equitable tax treatment between nonhospital clinical settings and hospitals.

The policy purpose for the exemption of reimbursed receipts from specified healthcare insurers is to encourage medical providers to provide healthcare to individuals insured through public healthcare insurance.