



Legislative Fiscal Office  
83<sup>rd</sup> Oregon Legislative Assembly  
2025 Regular Session

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**Bill Title:** Relating to the pass-through business alternative income tax; prescribing an effective date.

**Government Unit(s) Affected:** Department of Revenue, Judicial Department

**Summary of Fiscal Impact**

2025-27 Biennium	General Fund	Lottery Funds	Other Funds	Federal Funds	Total Funds	Positions	FTE
Department of Revenue	\$ 962,850	\$ -	\$ 36,419	\$ -	\$ 999,269	5	4.25
<b>Total Fiscal Impact</b>	<b>\$ 962,850</b>	<b>\$ -</b>	<b>\$ 36,419</b>	<b>\$ -</b>	<b>\$ 999,269</b>	<b>5</b>	<b>4.25</b>
2027-29 Biennium	General Fund	Lottery Funds	Other Funds	Federal Funds	Total Funds	Positions	FTE
Department of Revenue	\$ 1,113,594	\$ -	\$ 42,121	\$ -	\$ 1,155,715	5	5.00
<b>Total Fiscal Impact</b>	<b>\$ 1,113,594</b>	<b>\$ -</b>	<b>\$ 42,121</b>	<b>\$ -</b>	<b>\$ 1,155,715</b>	<b>5</b>	<b>5.00</b>

- The Department of Revenue splits personal service expenditures between General Fund and Other Funds: 96.35% General Fund, 3.65% Other Funds for the Personal Tax and Compliance unit; 96.36% General Fund, 3.64% Other Funds for the Business and Corporation unit.
- Funding is included in HB 5006, the end of session budget reconciliation bill, to implement this measure.

**Measure Description**

The measure extends the sunset for the pass-through Business Alternative Income Tax (BAIT) and associated tax credit for tax years beginning on or after January 1, 2025 to January 1, 2028. The measure also expands eligibility to include trusts. The measure also allows pass-through entities (PTE) to elect to apply any overpayments made before January 1, 2027 as a credit toward an installment of estimated tax for the subsequent tax year. The Department of Revenue (DOR) is directed to administer this election in a manner consistent with the treatment of income tax overpayments.

Additionally, the measure requires a PTE to notify all members of the intent to elect into BAIT and provides members with a 60-day period to opt-out. The measure allows members of a PTE to opt-out of the election for tax years 2025 and later.

**Fiscal Analysis**

The fiscal impact of the measure for DOR is \$962,850 General Fund, \$36,419 Other Funds, and five permanent full-time positions (4.25 FTE) for the 2025-27 biennium, and \$1.1 million General Fund, \$42,121 Other Funds, and five permanent full-time positions (5.00 FTE) in the 2027-29 biennium.

Extending BAIT and including trusts as pass-through entities is anticipated to significantly increase the workload for the Personal Tax and Compliance (PTAC) and Business Divisions. Based on 2019 data on trust and income tax filings, approximately 5,000 trusts would be eligible for the PTE elective (PTE-E). The Department anticipates

20% of these trusts will elect to participate, resulting in an additional 1,000 PTE-E returns to review and process. In addition, DOR anticipates approximately 3,000 additional members, including individual, composite, and trust returns, will claim the credit. This will expand the current reconciliation workload between filed PTE-E returns and corresponding member returns.

DOR anticipates needing two Administrative Specialist 2 positions (1.67 FTE) in PTAC to handle the increase in taxpayer and tax practitioner inquiries, process tax payments, and to perform initial review and processing of returns and refunds. PTAC also anticipates needing one Tax Auditor 2 position (0.88 FTE) to reconcile entity forms to member returns, review refunds processed, provide internal training and program support, assist in the appeal process, and update forms and publications.

DOR anticipates needing one Administrative Specialist 1 position (0.83 FTE) in the Business Division to register trusts, reconcile OR-21 and OR-41 returns, and respond to taxpayer and tax practitioner inquiries. Additionally, the Business Division anticipates needing one Tax Auditor 2 position to update forms and publications, provide internal training and program support, review refunds processed, assist in the appeal process, and perform audit functions.

DOR reports the provisions allowing members to opt-out of the election will add complexity to the workload of the Business Division and PTAC. The requested resources will support reconciliation of member opt-outs with filed PTE returns; however, depending on the actual number of opt-outs and associated work, DOR may need to request additional resources.

There is no fiscal impact to the Oregon Judicial Department.

**Relevant Dates**

The measure takes effect on the 91st day after sine die.

The measure applies to tax years 2025 to 2027, and to overpayments made before January 1, 2027.