

**HB 2092 A    STAFF MEASURE SUMMARY****Carrier:** Rep. Nathanson**House Committee On Revenue****Action Date:** 03/13/25**Action:** Do pass with amendments. (Printed A-Eng.)**Vote:** 4-3-0-0**Yeas:** 4 - Hudson, Marsh, Nathanson, Walters**Nays:** 3 - Levy B, Reschke, Smith G**Fiscal:** Fiscal impact issued**Revenue:** Revenue impact issued**Prepared By:** Kyle Easton, Senior Economist**Meeting Dates:** 2/27, 3/6, 3/11, 3/13**WHAT THE MEASURE DOES:**

Updates connection date to federal Internal Revenue Code and other provisions of federal law by one year. For provisions unrelated to taxable income, updates connection date to December 31, 2024, or January 1, 2025. For tax years beginning on or after January 1, 2025, and before January 1, 2026, suspends continuous connection to the federal definition of taxable income. Sets tax year 2025 taxable income connection to federal law as in effect on December 31, 2024. Restores continuous connection to federal definition of taxable income for tax years beginning on or after January 1, 2026. Takes effect on the 91st day following adjournment sine die.

**ISSUES DISCUSSED:**

- Oregon's income tax connection points
- Implications for Oregon's tax connection as presented in the introduced and amended versions of the measure
- Uncertainty surrounding federal tax law and policy
- Implications of federal tax law changes under a continuous connection compared to a static connection
- Differences between current law and current policy due to impending expiration (under current law) of federal Tax Cuts and Jobs Act (TCJA) provisions
- Oregon's reliance on personal income tax as a primary source of revenue
- Effect of suspending rolling connection to federal definition of taxable income
- Provisions of federal law expiring (TCJA) under current law compared to current revenue forecast
- Potential administrative implications under current law and alternative scenarios
- Other states presently discussing federal connection
- Potential retroactive federal changes
- Potential outcome(s) of suspending connection to federal taxable income for one or two years
- Federal policy scenarios relating to TCJA provisions and other potential changes
- Approach if -6 or -7 had applied prior to TCJA enactment in 2017.

**EFFECT OF AMENDMENT:**

Suspends for 2025 tax year, continuous connection to the federal definition of taxable income. Restores continuous connection for tax years beginning on or after January 1, 2026.

**BACKGROUND:**

Oregon has a continuing connection to the federal definition of taxable income ("rolling reconnect") for personal and corporate income taxes. The rolling reconnect automatically adopts federal changes to the definition of taxable income and incorporates them into Oregon tax law. Other ties to federal tax law must be updated on a regular basis, with December 31st being the usual connection date. Oregon has had a continuing connection to the federal definition of taxable income since tax year 2011. Over the past forty years, Oregon has fluctuated

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between a policy of automatic connection to federal tax base changes and connection to the federal code at a particular point in time. A section-by-section description of the measure can be found in the committee meeting materials.