

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

**Bill Number:** SB 225 - A  
**Revenue Area:** Personal Income Tax  
**Economist:** Kyle Easton  
**Date:** 5/16/2025

*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 (in \$Millions):**

	Fiscal Year		Biennium		
	2025-26	2026-27	2025-27	2027-29	2029-31
<b>General Fund</b>	-\$6.4	-\$6.9	-\$13.3	-\$15.2	-\$17.1

**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. About 10,000 taxpayers are expected to benefit from the subtraction. The distribution of such taxpayers is about 1/3<sup>rd</sup> with adjusted gross income (AGI) less than \$50K, 1/3<sup>rd</sup> with AGI \$50K to \$100K and 1/3<sup>rd</sup> with an AGI exceeding \$100K. Subtraction is assumed to apply for six tax years per applicability limit contained in ORS 315.037.

Revenue impact estimate assumes a relatively constant number of military retirees in Oregon in future years. Growth in revenue loss results from indexing the subtraction limit beginning in 2026, and from the expected future decline in the pre-1991 federal pension income subtraction (causing a greater amount of military pension income to be subtracted under proposed measure as compared to existing federal pension subtraction).

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

The policy purpose of this measure is to increase the number of military retirees retiring in Oregon by removing a potential deterrent due to Oregon's income tax treatment of military retirement income in comparison to other states.

State Capitol Building  
900 Court St NE  
Salem, Oregon 97301-1347

Phone (503) 986-1266  
Fax (503) 986-1770  
<https://www.oregonlegislature.gov/lro>