

House Bill 2197

Sponsored by Representative RESCHKE (Pre-session filed.)

SUMMARY

The following summary is not prepared by the sponsors of the measure and is not a part of the body thereof subject to consideration by the Legislative Assembly. It is an editor's brief statement of the essential features of the measure **as introduced**. The statement includes a measure digest written in compliance with applicable readability standards.

Digest: The Act makes a new tax subtraction for banks that loan for rural farms, houses or boats. (Flesch Readability Score: 72.3).

Creates Oregon tax subtraction for interest received by financial institutions from loans made for purchase or improvement of agricultural real estate, rural residences and coastal fishing boats.

Applies to tax years beginning on or after January 1, 2026, and before January 1, 2032.

Exempts from commercial activity subject to corporate activity tax interest received by financial institutions from loans made for purchase or improvement of agricultural real estate, rural residences and coastal fishing boats.

Applies to tax years beginning on or after January 1, 2026, and before January 1, 2032.

Takes effect on the 91st day following adjournment sine die.

A BILL FOR AN ACT

1
2 Relating to tax incentives for financial institution lending in rural areas; and prescribing an effective date.

3
4 **Be It Enacted by the People of the State of Oregon:**

5 **SECTION 1. Sections 2 and 3 of this 2025 Act are added to and made a part of ORS**
6 **chapter 317.**

7 **SECTION 2. As used in this section and section 3 of this 2025 Act:**

8 (1) **“Coastal fishing boat” means a commercial fishing vessel that holds a valid boat license issued under ORS 508.260 and a permit issued under ORS chapter 508 or under the laws**
9 **of the State of Washington or California that is valid for operation in the ocean fishery.**

10 (2) **“Farm products” has the meaning given that term in ORS 576.006.**

11 (3) **“Financial institution” has the meaning given that term in ORS 314.610.**

12 (4) **“Interest” means interest on indebtedness attributed to Oregon and incurred in the**
13 **ordinary course of the active conduct of any business or interest on indebtedness incurred**
14 **that is secured by a single family residence.**

15 (5) **“Qualified agricultural real estate loan” means a loan made on real property that is**
16 **substantially used for the production of one or more farm products and that:**

17 (a) **Has a maturity of not less than five years and not more than 40 years;**

18 (b) **Is secured by a first lien interest in real estate, except that the loans may be secured**
19 **by a second lien interest if the financial institution also holds the first lien on the property;**
20 **and**

21 (c) **Has an outstanding loan balance when made that is less than 85 percent of the appraised value of the real estate, except that a loan for which private mortgage insurance is**
22 **obtained may exceed 85 percent of the appraised value of the real estate to the extent the**
23 **loan amount in excess of 85 percent is covered by the insurance.**

24 (6) **“Qualified coastal fishing boat loan” means a loan for the purchase or improvement**
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NOTE: Matter in **boldfaced** type in an amended section is new; matter *[italic and bracketed]* is existing law to be omitted. New sections are in **boldfaced** type.

1 of a coastal fishing boat that has an outstanding loan balance when made that is less than
2 85 percent of the appraised value of the coastal fishing boat and is made to an Oregon resi-
3 dent.

4 (7) "Qualified net interest income" means total net interest received from:

- 5 (a) Qualified agricultural real estate loans;
- 6 (b) Qualified coastal fishing boat loans; and
- 7 (c) Qualified single family residence loans.

8 (8) "Qualified single family residence loan" means a loan secured by a single family resi-
9 dence that is substantially used for the purchase or improvement of the residence.

10 (9) "Single family residence" means a residence that:

- 11 (a) Is the principal residence of its occupant;
- 12 (b) Is located in Oregon:

13 (A) In a rural area as defined by the United States Department of Agriculture that is not
14 within a metropolitan statistical area; or

15 (B) In a city that has a population of fewer than 2,500 inhabitants according to the most
16 recent federal decennial census; and

17 (c) Is purchased or improved with the proceeds of a loan made by a financial institution.

18 **SECTION 3.** To derive Oregon taxable income, there shall be subtracted from federal
19 taxable income that amount of interest income received by a financial institution that is
20 determined by taking the ratio of the qualified net interest income received by the financial
21 institution over the total interest income earned by the financial institution, multiplied by
22 the total net income of the financial institution as determined before taking the subtraction
23 under this section.

24 **SECTION 4.** Sections 2 and 3 of this 2025 Act apply to tax years beginning on or after
25 January 1, 2026, and before January 1, 2032.

26 **SECTION 5.** Section 6 of this 2025 Act is added to and made a part of ORS 317A.100 to
27 317A.158.

28 **SECTION 6.** (1) The definitions provided by section 2 of this 2025 Act apply to this sec-
29 tion.

30 (2) Notwithstanding ORS 317A.100, an amount equal to the amount calculated as a sub-
31 traction under section 3 of this 2025 Act is excluded from the definition of commercial ac-
32 tivity and is exempt from the tax imposed under ORS 317A.116.

33 **SECTION 7.** Section 6 of this 2025 Act applies to tax years beginning on or after January
34 1, 2026, and before January 1, 2032.

35 **SECTION 8.** This 2025 Act takes effect on the 91st day after the date on which the 2025
36 regular session of the Eighty-third Legislative Assembly adjourns sine die.

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