

## Enrolled House Bill 2339

Introduced and printed pursuant to House Rule 12.00. Presession filed (at the request of Governor Tina Kotek for Department of Revenue)

CHAPTER .....

### AN ACT

Relating to changes to the tax laws of this state; creating new provisions; amending ORS 291.349, 305.025, 305.170, 315.133, 315.273, 321.751, 321.754, 327.011, 327.019, 327.061, 408.505, 475A.702 and 475C.714; repealing ORS 291.351, 311.175 and 311.183; and prescribing an effective date.

#### **Be It Enacted by the People of the State of Oregon:**

##### **SECTION 1.** ORS 321.751 is amended to read:

321.751. (1) The Western Oregon Timber Severance Tax Fund is established in the State Treasury, separate and distinct from the General Fund. Interest earned by the Western Oregon Timber Severance Tax Fund shall be retained by the Western Oregon Timber Severance Tax Fund.

(2) Moneys are continuously appropriated from the Western Oregon Timber Severance Tax Fund for use in reimbursing the General Fund for expenses incurred in the collection of taxes imposed under ORS 321.700 to 321.754.

(3) A working balance may be retained in the Western Oregon Timber Severance Tax Fund for the payment of expenses described in subsection (2) of this section. The balance of the Western Oregon Timber Severance Tax Fund, as of [May] **June** 1 of each calendar year, shall be distributed as follows:

(a) 60.5 percent to the State School Fund established under ORS 327.008. A distribution made under this paragraph shall be made on or before [May] **June** 15 of the year.

(b) 4.5 percent to the Community College Support Fund established under ORS 341.620. A distribution made under this paragraph shall be made on or before [May] **June** 15 of the year.

(c) 35 percent to the Department of Revenue for further distribution to the counties of this state that are located in western Oregon. Moneys distributed to the department under this paragraph are continuously appropriated to the department for the purpose of making the payments to counties described in this paragraph. A distribution to the department made under this paragraph shall be made on or before August 15 of the year. Each county's share of the distribution made under this paragraph shall equal the proportion of the assessed value of all small tract forestland in western Oregon that is located in that county. A distribution made by the department to a county under this paragraph shall be deposited in the county general fund.

##### **SECTION 2.** ORS 321.754 is amended to read:

321.754. (1) The Eastern Oregon Timber Severance Tax Fund is established in the State Treasury, separate and distinct from the General Fund. Interest earned by the Eastern Oregon Timber Severance Tax Fund shall be retained by the Eastern Oregon Timber Severance Tax Fund.

(2) Moneys are continuously appropriated from the Eastern Oregon Timber Severance Tax Fund for use in reimbursing the General Fund for expenses incurred in the collection of taxes imposed under ORS 321.700 to 321.754.

(3) A working balance may be retained in the Eastern Oregon Timber Severance Tax Fund for the payment of expenses described in subsection (2) of this section. The balance of the Eastern Oregon Timber Severance Tax Fund, as of [May] **June** 1 of each calendar year, shall be distributed as follows:

(a) 60.5 percent to the State School Fund established under ORS 327.008. A distribution made under this paragraph shall be made on or before [May] **June** 15 of the year.

(b) 4.5 percent to the Community College Support Fund established under ORS 341.620. A distribution made under this paragraph shall be made on or before [May] **June** 15 of the year.

(c) 35 percent to the Department of Revenue for further distribution to the counties of this state that are located in eastern Oregon. Moneys distributed to the department under this paragraph are continuously appropriated to the department for the purpose of making the payments to counties described in this paragraph. A distribution to the department made under this paragraph shall be made on or before August 15 of the year. Each county's share of the distribution made under this paragraph shall equal the proportion of the assessed value of all small tract forestland in eastern Oregon that is located in that county. A distribution made by the department to a county under this paragraph shall be deposited in the county general fund.

**SECTION 3. The amendments to ORS 321.751 and 321.754 by sections 1 and 2 of this 2025 Act apply to calendar years beginning on or after January 1, 2026.**

**SECTION 4.** ORS 475C.714 is amended to read:

475C.714. (1) The Department of Revenue shall administer and enforce ORS 475C.670 to 475C.734. The department is authorized to establish rules and procedures for the implementation and enforcement of ORS 475C.670 to 475C.734 that are consistent with ORS 475C.670 to 475C.734 and that the department considers necessary and appropriate to administer and enforce ORS 475C.670 to 475C.734.

(2) The Oregon Liquor and Cannabis Commission shall enter into an agreement with the department for the purpose of:

(a) Administering and enforcing those provisions of ORS 475C.670 to 475C.734, and rules or procedures established for the purpose of implementing and enforcing ORS 475C.670 to 475C.734, that the commission and the department determine are necessary for the effective and efficient administration, implementation and enforcement of ORS 475C.670 to 475C.734; **and**

(b) **Administering and enforcing taxes imposed under ORS chapters 316, 317, 317A and 318.**

(3) The Oregon Health Authority shall enter into an agreement with the department for the purpose of:

(a) Administering and enforcing the provisions of ORS 475C.678, and rules or procedures established for the purpose of implementing and enforcing ORS 475C.678, that the authority and the department determine are necessary for the effective and efficient administration, implementation and enforcement of ORS 475C.678; **and**

(b) **Administering and enforcing taxes imposed under ORS chapters 316, 317, 317A and 318.**

**SECTION 5.** ORS 475A.702 is amended to read:

475A.702. Duties and powers of Department of Revenue; rules; interagency cooperation. (1) The Department of Revenue shall administer and enforce ORS 475A.658 to 475A.714. The department is authorized to establish rules and procedures for the implementation and enforcement of ORS 475A.658 to 475A.714 that are consistent with ORS 475A.658 to 475A.714 and that the department considers necessary and appropriate to administer and enforce ORS 475A.658 to 475A.714.

(2) The Oregon Health Authority shall enter into an agreement with the department for the purpose of:

(a) Administering and enforcing those provisions of ORS 475A.658 to 475A.714, and rules or procedures established for the purpose of implementing and enforcing ORS 475A.658 to 475A.714, that the authority and the department determine are necessary for the effective and efficient administration, implementation and enforcement of ORS 475A.658 to 475A.714; and

(b) Administering and enforcing taxes imposed under ORS chapters 316, 317, 317A and 318.

**SECTION 6. ORS 291.351 is repealed.**

**SECTION 7.** ORS 291.349, as amended by section 27, chapter 52, Oregon Laws 2024, is amended to read:

291.349. (1) As soon as practicable after adjournment sine die of the odd-numbered year regular session of the Legislative Assembly, the Oregon Department of Administrative Services shall report to the Legislative Revenue Officer and the Legislative Fiscal Officer the estimate as of July 1 of the first year of the biennium of General Fund and State Lottery Fund revenues that will be received by the state during that biennium. The Oregon Department of Administrative Services shall base its estimate on the last forecast given to the Legislative Assembly before adjournment sine die of the odd-numbered year regular session on which the printed, adopted budget prepared in the Oregon Department of Administrative Services is based, adjusted only insofar as necessary to reflect changes in laws adopted at that session. The report shall contain the estimated revenues from corporate income and excise taxes separately from the estimated revenues from other General Fund sources. The Oregon Department of Administrative Services may revise the estimate if necessary following adjournment sine die of a special session or an even-numbered year regular session of the Legislative Assembly, but any revision does not affect the basis of the computation described in subsection (3) or (4) of this section.

(2) As soon as practicable after the end of the biennium, the Oregon Department of Administrative Services shall report to the Legislative Revenue Officer and the Legislative Fiscal Officer, or the Legislative Assembly if it is in session, the amount of General Fund revenues collected as of the last June 30 of the preceding biennium. The report shall contain the collections from corporate income and excise taxes separately from collections from other sources.

(3) If the revenues received from the corporate income and excise taxes during the biennium exceed the amounts estimated to be received from such taxes for the biennium, as estimated after adjournment sine die of the odd-numbered year regular session, by two percent or more, the total amount of that excess shall be retained in the General Fund and used, in the manner described in ORS 291.345, to provide additional funding for public education, kindergarten through grade 12.

(4) If the revenues received from General Fund revenue sources, exclusive of those described in subsection (3) of this section, during the biennium exceed the amounts estimated to be received from such sources for the biennium, as estimated after adjournment sine die of the odd-numbered year regular session, by two percent or more, there shall be credited to personal income taxpayers an amount equal to the total amount of that excess[, *reduced by the cost certified by the Department of Revenue under ORS 291.351 as being allocable to credits described under this subsection*]. The excess amount to be credited shall be credited to personal income taxpayers in a percentage amount of prior year personal income tax liability as determined under subsection (5) of this section.

(5)(a) If there is an excess to be credited under subsection (4) of this section, on or before November 1, following the end of each biennium, the Oregon Department of Administrative Services shall determine and certify to the Department of Revenue the percentage amounts of credit for purposes of subsection (4) of this section. The percentage amounts determined shall be percentage amounts to the nearest one-tenth of a percent that will distribute the excess to be credited to personal income taxpayers.

(b) The percentage amount applicable to subsection (4) of this section shall equal the amount distributed under subsection (4) of this section divided by the estimated total personal income tax liability for all personal income taxpayers for tax years beginning in the calendar year immediately preceding the calendar year in which the excess is determined.

(c) The amount of the surplus credit under subsection (4) of this section is determined by multiplying the percentage amount determined under paragraph (b) of this subsection by the total amount of a personal income taxpayer's tax liability for the tax year beginning in the calendar year immediately preceding the calendar year in which the excess is determined in order to calculate the amount to be credited to the taxpayer.

(d) The credit shall be determined based on the tax liability as shown on the return of the taxpayer or as corrected by the Department of Revenue.

(e) The credit shall be computed after the allowance of a credit provided under ORS 316.082, 316.131 or 316.292, but before the allowance of any other credit or offset against tax liability allowed or allowable under any provision of law of this state, and before the application of estimated tax payments, withholding or other advance tax payments.

(f) For personal income taxpayers, if a credit applied against tax liability as described in paragraph (e) of this subsection reduces tax liability to zero and an amount of the credit remains unused, the remaining unused amount shall be refunded to the taxpayer. For purposes of ORS chapters 305, 314, 315 and 316, refunds issued under this paragraph are refunds of an overpayment of tax imposed under ORS chapter 316.

(g) The Department of Revenue may prescribe by rule the manner of calculating and claiming a credit if the filing status of a taxpayer changes between the tax year for which a credit may be claimed and the succeeding tax year.

(6) A refund may not be made under this section to a taxpayer if the amount of the refund is less than \$1.

(7) Not later than November 15 following the end of the biennium, the Department of Revenue shall provide information and guidance to taxpayers relating to the calculation of the credit. The department may make the information and guidance available electronically or otherwise.

(8) The Department of Revenue may adopt rules specifying the manner for issuing refunds under this section to taxpayers who filed returns for the tax year on which the credit is computed but who are not required to file returns for the year in which the credit could be claimed.

**SECTION 8.** ORS 305.025 is amended to read:

305.025. (1) The Department of Revenue is established.

(2) The Department of Revenue shall consist of administrative divisions. Each of the administrative divisions of the department shall be headed by an administrator who shall be in the unclassified service under the State Personnel Relations Law and appointed by the Director of the Department of Revenue. Each administrator shall be well qualified by technical training and experience in the functions to be performed.

(3) The Director of the Department of Revenue, from time to time, may alter or amend the organization of the department, including its administrative divisions, as the director deems necessary to achieve the greatest efficiency and economy in its operation.

(4) The director, acting in concert with the chief officers of other state agencies charged with raising revenue, shall use all reasonable means to increase efficiency and economy by coordinating work and sharing resources with other agencies, including but not limited to the mutual use of field officers and field auditors. *[With respect to such activity the director shall cause to be prepared a report relating to the utilization and coordination of revenue raising functions of the state agencies charged with such responsibility, including but not limited to suggested plans for departmental or governmental reorganization in the revenue raising field. Such report shall be submitted to the Governor and the Legislative Assembly when it next convenes.]*

(5) The department shall have an official seal, with the words "Department of Revenue" and "State of Oregon" and such other design as the director may prescribe. The seal shall be used to authenticate all papers and proceedings requiring authentication.

**SECTION 9.** ORS 305.170 is amended to read:

305.170. The Department of Revenue:

(1) Shall see that complaints concerning the law may be heard, information as to its effects may be collected and all proper suggestions as to amendments may be made.

*[(2) Shall report to the Legislative Assembly, at each odd-numbered year regular session, the total amount of taxes collected in the state for state, county and municipal purposes.]*

*[(3)] (2) May investigate the tax laws of this and other states and the possible taxable resources of this state for the purpose of recommending to the legislature methods by which a more just and equitable system of taxation may be developed.*

*[(4) Shall recommend to the Legislative Assembly at each odd-numbered year regular session such amendments of the Constitution or laws as may seem necessary to remedy injustice or irregularity in taxation, or to facilitate the assessment and collection of public taxes and revenues.]*

**SECTION 10. ORS 311.175 and 311.183 are repealed.**

**SECTION 11.** ORS 327.011 is amended to read:

327.011. For the purpose of State School Fund distributions for school districts:

(1) Local Revenues are the total of the following:

(a) The amount of revenue offset against local property taxes as determined by the Department of Revenue *[under ORS 311.175 (3)(a)(A)]*.

(b) The amount of property taxes actually received by the district, including penalties and interest on taxes.

(c) The amount of revenue received by the district from the Common School Fund under ORS 327.403 to 327.410.

(d) The amount of revenue received by the district from the county school fund.

(e) The amount of revenue received by the district from state managed forestlands under ORS 530.115 (1)(b) and (c).

(f) Moneys received in lieu of property taxes.

(g) Federal funds received without specific application by the school district and that are not deemed under federal law to be nonsupplantable.

(h) Any positive amount obtained by subtracting the operating property taxes actually imposed by the district, based on the rate certified pursuant to ORS 310.060, from the amount that would have been imposed by the district if the district had certified the maximum rate of operating property taxes allowed by law.

(i) Any amount distributed to the district in the prior fiscal year under ORS 327.019 (8).

(2) Local Revenues do not include:

(a) If a school district imposes local option taxes pursuant to ORS 280.040 to 280.145, an amount equal to the least of:

(A) The amount of revenue actually received by the district from local option taxes imposed pursuant to ORS 280.040 to 280.145;

(B) Twenty-five percent of the total received by the school district from the general purpose grant, the transportation grant and the high cost disabilities grant of the district, as those grants are calculated under ORS 327.013; or

(C) \$2,000 per district extended ADMw, as calculated under ORS 327.013, increased each fiscal year by three percent above the amount allowed per district extended ADMw for the prior fiscal year.

(b) For a school district with a statutory rate limit on July 1, 2003, that is greater than \$4.50 per \$1,000 of assessed value, the amount of property taxes actually received by the district, including penalties and interest on taxes, that results from an increase in the rate of ad valorem property tax of the district allowed under Article XI, section 11 (5)(d), of the Oregon Constitution.

**SECTION 12.** ORS 327.019 is amended to read:

327.019. (1) As used in this section:

(a) "Education service district extended ADMw" means the sum of the extended ADMw of the school districts located within the territory of the education service district as computed under ORS 327.013.

(b) "Local revenues of an education service district" means the total of the following:

(A) The amount of revenue offset against local property taxes as determined by the Department of Revenue *[under ORS 311.175 (3)(a)(A)]*;

(B) The amount of property taxes actually received by the district including penalties and interest on taxes;

(C) The amount of revenue received by the district from state-managed forestlands under ORS 530.115 (1)(b) and (c); and

(D) Any positive amount obtained by subtracting the operating property taxes actually imposed by the district based on the rate certified pursuant to ORS 310.060 from the amount that would have been imposed by the district if the district had certified the maximum rate of operating property taxes allowed by law.

(2) Each fiscal year, the Superintendent of Public Instruction shall calculate a State School Fund grant for each education service district as provided in this section.

(3)(a) Each fiscal year, the superintendent shall calculate the total amount appropriated or allocated to the State School Fund and available for distribution to school districts, education service districts and programs + total amount of local revenues of all school districts, computed as provided in ORS 327.011, + total amount of local revenues of all education service districts. The superintendent may not include in the calculation under this paragraph amounts received by the Department of Education from the State School Fund under ORS 343.243.

(b) The superintendent shall multiply the amount calculated under paragraph (a) of this subsection by 95.5 percent.

(c) Based on the amount calculated under paragraph (b) of this subsection, the superintendent shall calculate a funding percentage to distribute as nearly as practicable under ORS 327.006 to 327.133, 327.348 and 327.356 to 327.359 the total amount calculated under paragraph (b) of this subsection as school district general purpose grants, high cost disabilities grants and transportation grants to school districts.

(d) Based on the funding percentage calculated under paragraph (c) of this subsection, the superintendent shall calculate the general purpose grant, transportation grant and high cost disabilities grant amounts for each school district.

(4)(a) The general services grant for an education service district shall equal the higher of:

(A) The total amount calculated under subsection (3)(d) of this section for the school districts located within the territory of the education service district  $\times (4.5 \div 95.5)$ ; or

(B) \$1,165,000, as adjusted each school year based on the same percentage by which the amount appropriated to the State School Fund for distribution to education service districts is increased or decreased as compared with the amount appropriated for the 2015-2016 school year, if the education service district received a general services grant of \$1 million for the 2010-2011 school year.

(b) Notwithstanding paragraph (a) of this subsection and only for State School Fund distributions made for the first school year after two or more education service districts join together, if an education service district received a general services grant as provided by paragraph (a)(B) of this subsection prior to the education service district joining together with one or more other education service districts to form a new education service district:

(A) The general services grant for the new education service district shall be calculated for each component education service district as though the component education service districts had not joined together to form a new education service district; and

(B) A component education service district that received an amount as provided by paragraph (a)(B) of this subsection shall be entitled to receive that amount under the calculation provided by this paragraph.

(5) Subject to subsection (6) of this section, the State School Fund grant for an education service district = general services grant – local revenues of the education service district.

(6)(a) After completing the calculations under subsections (2) to (5) of this section, the Superintendent of Public Instruction shall apportion from the State School Fund to each education service district an amount = (funding percentage  $\times$  general services grant) – local revenues of the education service district.

(b) The funding percentage used in paragraph (a) of this subsection shall be calculated by the superintendent to distribute as nearly as practicable the total amount available for distribution to education service districts from the State School Fund for each fiscal year.

(7) Notwithstanding subsections (5) and (6) of this section:

(a) The State School Fund grant of an education service district may not be less than zero; and

(b) The State School Fund grant of an education service district shall be in an amount that, when combined with the local revenues of the education service district, equals \$1,165,000, as adjusted each school year based on the same percentage by which the amount appropriated to the State School Fund for distribution to education service districts is increased or decreased as compared with the amount appropriated for the 2015-2016 school year.

(8) An education service district shall distribute to school districts located within the territory of the education service district any amount of local revenues of the education service district that is greater than the general services grant. The amount that each school district receives under this subsection shall be prorated based on the district extended ADMw of the school district as calculated under ORS 327.013.

(9)(a) An education service district shall distribute to a school district that is located within the territory of the education service district but that has withdrawn from the education service district as provided in ORS 334.015 the amounts received by the education service district as a general services grant and from the School Improvement Fund.

(b) The amounts that a school district receives under this subsection:

(A) Shall be prorated based on the district extended ADMw of the school district as calculated under ORS 327.013;

(B) Shall equal 90 percent of the school district's prorated share, as calculated under subparagraph (A) of this paragraph; and

(C) May be used to pay for any expenses incurred in providing services described in ORS 334.175 (2) to the students of the school district by:

(i) The school district;

(ii) The education service district from which the school district withdrew;

(iii) An education service district that is not the education service district from which the school district withdrew; or

(iv) Any other public entity with which the school district has entered into a contract to provide the services.

**SECTION 13.** ORS 327.061 is amended to read:

327.061. (1)(a) Numbers of students in average daily membership used in the distribution formula as specified in ORS 327.013 (1)(c), shall be projections of the average daily membership in the school district for the school year ending on June 30 of the distribution year. The Department of Education shall verify all projections used for purposes of the distribution formula.

(b) For the purpose of paragraph (a) of this subsection:

(A) A student may be included in average daily membership only if the student is reported with a school identification number, as issued in accordance with rules adopted by the State Board of Education.

(B) A student may not be included in average daily membership if the student has only a program identification number. As used in this subparagraph, "program" means a series of interrelated activities or services contributing to the attainment of a goal or set of goals that are provided on a part-time basis, for a temporary time period or as a secondary component of educational services.

(2) The department shall use information from the Department of Revenue [under ORS 311.175] as the basis for determining projected school district property taxes. The department shall request relevant information from the school districts to enable the department to estimate the amount each school district shall receive from the State School Fund. The department shall provide this estimate no later than the first Monday in March of each year for the distribution for the following fiscal year.

(3) Except as provided in subsection (4) of this section, a school district may appeal to the department any projection verified by the department under subsection (1) of this section. The department shall rule on the appeal in a timely manner and if necessary issue a revised estimate of the amount each school district shall receive from the State School Fund no later than the last Friday in March.

(4) A school district may not appeal any projection verified under subsection (1) of this section if the school district failed to provide information requested by the department under subsection (2) of this section.

(5) Notwithstanding the dates provided by this section and pursuant to rules adopted by the State Board of Education, the Superintendent of Public Instruction may specify an alternative date to provide an estimate or revised estimate if a human-created disaster or a natural disaster affects the ability of the Department of Education to provide the estimate or revised estimate by the date specified by this section.

**SECTION 14.** ORS 408.505 is amended to read:

408.505. (1) As used in this section, “agency” has the meaning given that term in ORS 183.310.

(2) In order to assist veterans in claiming federal benefits, the Department of Veterans’ Affairs and the Oregon Military Department shall provide agencies with materials to inform individuals how to contact the Department of Veterans’ Affairs and the reintegration team within the Oregon Military Department to request information about veterans’ benefits and services.

(3) An agency shall:

(a) Make available in offices that are accessible to the public the information provided under subsection (2) of this section; and

(b) When appropriate, feasible and consistent with the agency’s mission, make reasonable efforts to:

(A) Ask a customer or client who comes into contact with the agency if the customer or client is a veteran; and

(B) Provide the information provided under subsection (2) of this section to a customer or client who states that the customer or client is a veteran.

(4) An agency may cooperate with elected officials, local governments, school districts and community colleges to implement other measures to direct customers or clients to the Department of Veterans’ Affairs or the reintegration team within the Oregon Military Department to obtain information about veterans’ benefits and services.

*[(5) On or before October 1 of each even-numbered year, agency directors shall report to the appropriate interim committees of the Legislative Assembly on the effectiveness of measures undertaken to implement the provisions of this section.]*

*[(6)]* (5) This section does not require an agency to respond to inquiries from customers or clients about veterans’ benefits or services.

**SECTION 15.** ORS 315.133 is amended to read:

315.133. (1) As used in this section and ORS 315.135 and 315.136:

(a) “Agricultural worker” has the meaning given that term in ORS 653.271.

(b) “Eligible employer” means an employer doing business in 2017 North American Industry Classification System code 111, crop production, or code 112, animal production and aquaculture.

(c) “Full-time equivalent employee” means an employee or a combination of employees that perform at least 2,080 hours of work for an employer in a calendar year.

(2)(a) A credit against taxes that are otherwise due under ORS chapter 316 or, if the taxpayer is a corporation, under ORS chapter 317 or 318 is allowed for overtime compensation required under ORS 653.272 to be paid, for work performed in Oregon, by an eligible employer to agricultural workers on an hourly basis. The amount of the credit shall equal a percentage of the actual excess paid to agricultural workers during the calendar year in which the tax year begins, as determined under ORS 315.135.



(b) A labor contractor licensed under ORS 658.410 may not claim a credit under this section. An eligible employer may claim a credit under this section for wages paid to workers recruited, solicited, supplied or employed by a labor contractor on behalf of the eligible employer.

(c) Notwithstanding ORS 317.090 (3), a credit under this section is allowed against the tax imposed under ORS 317.090 **(2)(a)**.

(d) A credit is not allowed under this section for any overtime wages paid to an employee who is exempt from the provisions of ORS 653.272 as a member of the immediate family of the employer.

(3) Prior to claiming the credit allowed under this section, a taxpayer is required to receive a notice of acknowledgment from the Department of Revenue, as provided in ORS 315.136, stating the maximum amount of credit that the taxpayer may claim for the calendar year.

(4) If the amount allowable:

(a) As a credit under this section against taxes imposed under ORS chapter 316, when added to the sum of the amounts allowable as payment of tax under ORS 316.187 or 316.583, other tax prepayment amounts and other refundable credit amounts, exceeds the taxes imposed by ORS chapters 314 and 316 for the tax year after application of any nonrefundable credits allowable for purposes of ORS chapter 316 for the tax year, the amount of the excess shall be refunded to the taxpayer as provided in ORS 316.502.

(b) As a credit under this section against taxes imposed under ORS chapter 317 or 318, when added to the sum of the amount of estimated tax paid under ORS 314.515 and any other tax prepayment amounts, exceeds the taxes imposed by ORS chapters 314 and 317 for the tax year (reduced by any nonrefundable credits allowable for purposes of ORS chapter 317 for the tax year), the amount of the excess shall be refunded to the taxpayer as provided in ORS 314.415.

(5) Any amount that is refunded to the taxpayer under this section and that is in excess of the tax liability of the taxpayer does not bear interest.

(6) A nonresident shall be allowed the credit under this section. The credit shall be computed in the same manner and be subject to the same limitations as the credit granted to a resident. However, the credit shall be prorated using the proportion provided in ORS 316.117.

(7) If a change in the taxable year of the taxpayer occurs as described in ORS 314.085, or if the Department of Revenue terminates the taxpayer's taxable year under ORS 314.440, the credit allowed under this section shall be prorated or computed in a manner consistent with ORS 314.085.

(8) If a change in the status of a taxpayer from resident to nonresident or from nonresident to resident occurs, the credit allowed under this section shall be determined in a manner consistent with ORS 316.117.

(9) The Department of Revenue shall adopt rules for the purposes of ORS 315.133 to 315.137, including policies and procedures for providing notice to taxpayers regarding the credit allowed under this section as required in ORS 315.136.

**SECTION 16.** ORS 315.273 is amended to read:

315.273. (1) As used in this section:

(a) "Dependent" means an individual who is under the age of six years at the close of the tax year and who is a dependent of a taxpayer as described in section 152(a) of the Internal Revenue Code, determined without regard to section 152(b)(3) of the Internal Revenue Code.

(b) "Qualifying child" has the meaning given that term in section 152(c) of the Internal Revenue Code.

(c) "Qualifying income limit" means:

(A) For a taxpayer other than a taxpayer described in subparagraph (B) of this paragraph, adjusted gross income, as defined in section 62 of the Internal Revenue Code, as modified using Oregon subtractions and additions, but with *[losses of a taxpayer added back, to the extent that those losses exceed \$20,000; or]* **the sum of the following added back:**

(i) **Losses of the taxpayer, to the extent that those losses exceed \$20,000; and**

(ii) **Foreign earned income, as defined in section 911 of the Internal Revenue Code, that is excluded from adjusted gross income.**

(B) For a nonresident or part-year resident, the greater of the amount determined under subparagraph (A) of this paragraph, or adjusted gross income, as defined in section 62 of the Internal Revenue Code.

(2) A taxpayer shall be allowed a credit against the tax otherwise due under ORS chapter 316 for the tax year, with an amount allowed for each dependent of the taxpayer who is a qualifying child with respect to the taxpayer, not to exceed five properly claimed dependents per tax return. The credit shall be allowed as provided in subsections (3) and (4) of this section. A taxpayer may claim a credit under this section using an individual taxpayer identification number and may claim it for dependents using individual taxpayer identification numbers.

(3) The credit under this section:

(a) Shall be in an amount of \$1,000 per dependent of the taxpayer, but, if the taxpayer has a qualifying income limit in excess of \$25,000, regardless of the type of income tax return filed by the taxpayer, the total amount of the credit shall be reduced as provided in subsection (4) of this section.

(b) May not be claimed if the percentage calculated in subsection (4) of this section is greater than or equal to 100 percent.

(c) May not be claimed by a married taxpayer who files a separate return.

(4) If a reduction under subsection (3) of this section is required, the amount by which the credit shall be reduced is computed by multiplying the amount otherwise available under subsection (3) of this section by a percentage. The percentage is computed by dividing, by 5,000, the amount by which the taxpayer's qualifying income limit exceeds \$25,000.

(5)(a) For tax years beginning in each calendar year, the Department of Revenue shall adjust the dollar amounts of the credit and of the income threshold set forth in subsections (3) and (4) of this section by multiplying each dollar amount by the cost-of-living adjustment for the calendar year.

(b) For purposes of paragraph (a) of this subsection, the cost-of-living adjustment for any calendar year is the percentage (if any) by which the monthly averaged U.S. City Average Consumer Price Index for the 12 consecutive months ending August 31 of the prior calendar year exceeds the monthly averaged index for the second quarter of the calendar year 2022.

(c) As used in this subsection, "U.S. City Average Consumer Price Index" means the U.S. City Average Consumer Price Index for All Urban Consumers (All Items) as published by the Bureau of Labor Statistics of the United States Department of Labor.

(d) If any increase determined under paragraph (a) of this subsection is not a multiple of \$50, the increase shall be rounded to the next lower multiple of \$50.

(6)(a) If the amount allowable as a credit under this section, when added to the sum of the amounts allowable as payment of tax under ORS 316.187 or 316.583, other tax prepayment amounts and other refundable credit amounts, exceeds the taxes imposed by ORS chapters 314 and 316 for the tax year after application of any nonrefundable credits allowable for purposes of ORS chapter 316 for the tax year, the amount of the excess shall be refunded to the taxpayer as provided in ORS 316.502.

(b) The credit under this section shall be computed after the allowance of any other credit or offset against tax liability.

(7) A nonresident or part-year resident shall be allowed the credit under this section in the same manner and, aside from the taxpayer's applicable qualifying income limit, subject to the same limitations as a resident. However, the credit shall be prorated using the proportion provided in ORS 316.117.

(8) If a change in the tax year of a taxpayer occurs as described in ORS 314.085, or if the Department of Revenue terminates the taxpayer's tax year under ORS 314.440, the credit allowed by this section shall be prorated or computed in a manner consistent with ORS 314.085.

(9) If a change in the status of a taxpayer from resident to nonresident or from nonresident to resident occurs, the credit allowed by this section shall be determined in a manner consistent with ORS 316.117.

(10) Refunds attributable to the child tax credit allowed under this section do not bear interest.

**SECTION 17.** (1) The amendments to ORS 315.133 by section 15 of this 2025 Act apply to tax years beginning on or after January 1, 2023.

(2) The amendments to ORS 315.273 by section 16 of this 2025 Act apply to tax years beginning on or after January 1, 2025.

**SECTION 18.** This 2025 Act takes effect on the 91st day after the date on which the 2025 regular session of the Eighty-third Legislative Assembly adjourns sine die.

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**Passed by House April 7, 2025**

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Timothy G. Sekerak, Chief Clerk of House

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Julie Fahey, Speaker of House

**Passed by Senate June 4, 2025**

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Rob Wagner, President of Senate

**Received by Governor:**

.....M.,....., 2025

**Approved:**

.....M.,....., 2025

.....  
Tina Kotek, Governor

**Filed in Office of Secretary of State:**

.....M.,....., 2025

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Tobias Read, Secretary of State