83rd OREGON LEGISLATIVE ASSEMBLY--2025 Regular Session

House Bill 2863

Sponsored by Representative EVANS (Presession 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 exempts gain on the sale of certain property in a low-income census tract from tax. (Flesch Readability Score: 70.1).

Allows a subtraction from federal taxable income of the gain from the sale of opportunity zone property, defined as property in a low-income census tract developed for affordable housing and held for a stated period of time.

Applies to tax years beginning on or after January 1, 2025, and before January 1, 2031.

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

A BILL FOR AN ACT

Relating to capital gains treatment of affordable housing property; and prescribing an effective date.

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

SECTION 1. Section 2 of this 2025 Act is added to and made a part of ORS chapter 316.

SECTION 2. (1) As used in this section:

(a) "Affordable housing" has the meaning given that term in ORS 197A.465.

(b) "Low-income community" has the meaning given that term in section 45D(e) of the Internal Revenue Code, except that the community must have a population of at least 1,000 but not more than 49,900 at the close of the tax year.

(c) "Opportunity zone" means a population census tract that is a low-income community.

(d) "Opportunity zone property" means a project that consists of at least 50 percent affordable housing units by square feet and is located in an opportunity zone.

(2) There shall be subtracted from federal taxable income an amount equal to a percentage of the gain recognized from the sale or exchange of opportunity zone property in the tax year, as follows:

(a) 50 percent, if prior to sale the property is held by the taxpayer for at least 10 years but fewer than 15 years;

(b) 75 percent, if prior to sale the property is held by the taxpayer the property is held for at least 15 years, but fewer than 17 years; and

(c) 100 percent, if prior to sale the property is held by the taxpayer the property is held for at least 17 years.

(3) The subtraction under this section shall be allowed only if:

(a) Throughout the holding period set forth in subsection (2) of this section, the opportunity zone property is in compliance with all applicable state or federal laws or standards, including occupational safety or health laws, rules, regulations and standards applicable for affordable housing;

(b) At the time of sale, the opportunity zone property has installed and in use a solar photovoltaic energy system or a solar thermal energy system that directly connects to an

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.

electric company's electrical system within this state or indirectly connects through the system of an electric company's retail electricity consumer or the electric system of a third party that is not an electric company's retail electricity consumer but whose system is located within this state; and

(c) The sale or exchange constitutes a substantially complete termination of all of the taxpayer's ownership interest in the opportunity zone property.

(4) Prior to making the subtraction allowed under this section, the taxpayer shall obtain verification of eligibility for the subtraction from the Oregon Business Development Department. The verification shall be in the form and manner required by the Oregon Business Development Department by rule. The taxpayer shall provide a copy of the verification to the Department of Revenue upon request.

SECTION 3. Section 4 of this 2025 Act is added to and made a part of ORS chapter 317.

SECTION 4. (1) As used in this section:

(a) "Affordable housing" has the meaning given that term in ORS 197A.465.

(b) "Low-income community" has the meaning given that term in section 45D(e) of the Internal Revenue Code, except that the community must have a population of at least 1,000 but not more than 49,900 at the close of the tax year.

(c) "Opportunity zone" means a population census tract that is a low-income community.

(d) "Opportunity zone property" means a project that consists of at least 50 percent affordable housing units by square feet and is located in an opportunity zone.

(2) There shall be subtracted from federal taxable income an amount equal to a percentage of the gain recognized from the sale or exchange of opportunity zone property in the tax year, as follows:

(a) 50 percent, if prior to sale the property is held by the taxpayer for at least 10 years but fewer than 15 years;

(b) 75 percent, if prior to sale the property is held by the taxpayer the property is held for at least 15 years, but fewer than 17 years; and

(c) 100 percent, if prior to sale the property is held by the taxpayer the property is held for at least 17 years.

(3) The subtraction under this section shall be allowed only if:

(a) Throughout the holding period set forth in subsection (2) of this section, the opportunity zone property is in compliance with all applicable state or federal laws or standards, including occupational safety or health laws, rules, regulations and standards applicable for affordable housing;

(b) At the time of sale, the opportunity zone property has installed and in use a solar photovoltaic energy system or a solar thermal energy system that directly connects to an electric company's electrical system within this state or indirectly connects through the system of an electric company's retail electricity consumer or the electric system of a third party that is not an electric company's retail electricity consumer but whose system is located within this state; and

(c) The sale or exchange constitutes a substantially complete termination of all of the taxpayer's ownership interest in the opportunity zone property.

(4) Prior to making the subtraction allowed under this section, the taxpayer shall obtain verification of eligibility for the subtraction from the Oregon Business Development Department. The verification shall be in the form and manner required by the Oregon Business

Development Department by rule. The taxpayer shall provide a copy of the verification to the Department of Revenue upon request.

SECTION 5. Sections 2 and 4 of this 2025 Act apply to tax years beginning on or after January 1, 2025, and before January 1, 2031.

SECTION 6. 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.