

## A-Engrossed House Bill 2958

Ordered by the House May 29  
Including House Amendments dated May 29

Sponsored by Representatives RUIZ, SMITH G, Senator CAMPOS; Representatives ANDERSEN, CHAICHI, CHOTZEN, GAMBA, GOMBERG, GRAYBER, HUDSON, NGUYEN D, NGUYEN H, PHAM H, VALDERRAMA, Senators GOLDEN, GORSEK, MEEK, REYNOLDS (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. The statement includes a measure digest written in compliance with applicable readability standards.

Digest: The Act modifies the earned income tax credit and extends the sunset for the credit. (Flesch Readability Score: 67.5).

Increases the amount of the earned income tax credit. [*Provides that a credit is available to all adults, including childless adults, over 18.*] Provides that the credit may be paid quarterly, in advance, and is not subject to garnishment.

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

Extends the sunset for the credit.

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

### A BILL FOR AN ACT

Relating to earned income tax credits; creating new provisions; amending ORS 18.345, 18.845 and 315.266 and section 6, chapter 880, Oregon Laws 2007; and prescribing an effective date.

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

**SECTION 1.** ORS 315.266 is amended to read:

315.266. (1)(a) In addition to any other credit available for purposes of ORS chapter 316, an eligible resident individual shall be allowed a credit against the tax otherwise due under ORS chapter 316 for the tax year in an amount equal to *[nine]* **20** percent of the earned income credit allowable to the individual for the same tax year under section 32 of the Internal Revenue Code.

(b) Notwithstanding paragraph (a) of this subsection, for a taxpayer with a dependent under the age of three at the close of the tax year, the credit allowed under this section shall be in an amount equal to *[12]* **25** percent of the earned income credit allowable to the individual for the same tax year under section 32 of the Internal Revenue Code.

(2) A resident individual may claim a credit under this section, using either a Social Security number or an individual taxpayer identification number, if, but for section 32(m) of the Internal Revenue Code, the individual would otherwise be eligible to claim a credit under section 32 of the Internal Revenue Code. The credit allowed as provided in this subsection shall equal the percentage, as stated in subsection (1) of this section, of the amount that would be allowed on a federal return, based on the amount of the individual's earned income and the other provisions of section 32 of the Internal Revenue Code.

(3) An eligible nonresident individual shall be allowed the credit computed in the same manner and subject to the same limitations as the credit allowed a resident by subsection (1) or (2) of this section. However, the credit shall be prorated using the proportion provided in ORS 316.117.

**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.

(4) If a change in the taxable year of a 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 by this section shall be prorated or computed in a manner consistent with ORS 314.085.

(5) 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.

(6) 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.

(7) The Department of Revenue may adopt rules for purposes of this section, including but not limited to rules relating to proof of eligibility, the furnishing of information regarding the federal earned income credit claimed by the taxpayer for the tax year and policies and guidelines for the determination of the amount of credit allowed under subsection (2) of this section.

(8) Refunds attributable to the earned income credit allowed under this section do not bear interest.

**SECTION 2. Sections 3 to 5 of this 2025 Act are added to and made a part of ORS chapter 315.**

**SECTION 3. (1) The Department of Revenue shall establish by rule a program for making quarterly payments of amounts payable under ORS 315.266 to taxpayers that, in the aggregate during any calendar year, equal the annual advance amount determined under subsection (2) of this section with respect to a taxpayer for the calendar year. Except as provided in subsection (2)(c)(B) of this section, the periodic payments made to any taxpayer for any calendar year shall be in equal amounts. Quarterly payments under this section may be made only to taxpayers confirmed by the department to be Oregon residents.**

**(2)(a) Except as otherwise provided in this subsection, the annual advance amount applicable to a taxpayer for any calendar year shall be calculated as 50 percent of the amount that would be allowed under ORS 315.266 for the tax year beginning in that calendar year assuming the following conditions:**

**(A) The status of the taxpayer as eligible for the credit allowed under ORS 315.266 is determined with respect to the reference tax year;**

**(B) The taxpayer's modified adjusted gross income for the tax year is equal to the taxpayer's modified adjusted gross income for the reference tax year;**

**(C) The only children of the taxpayer for the tax year are qualifying children properly claimed on the taxpayer's tax return for the reference tax year; and**

**(D) The ages of the taxpayer's children and the status of the children as qualifying children are determined for the tax year by taking into account the passage of time since the reference tax year.**

**(b) Except as provided in paragraph (c)(A) of this subsection, the taxpayer's reference tax year shall be determined, with respect to any taxpayer for any calendar year, the taxpayer's tax year beginning in the preceding calendar year or, in the case of taxpayer who did not file a tax return for the tax year, the taxpayer's tax year beginning in the second preceding calendar year.**

**(c)(A) The department may modify, during any calendar year, the annual advance amount**

with respect to any taxpayer for the calendar year to take into account:

(i) A tax return filed by the taxpayer during the calendar year and the tax year to which the return relates may be taken into account as the reference tax year; and

(ii) Any other information provided by the taxpayer to the department or otherwise available to the department that allows the department to determine payments under paragraph (a) of this subsection that, in the aggregate during any tax year of the taxpayer, more closely total the department's estimate of the amount treated as allowed under ORS 315.266 for the tax year of the taxpayer.

(B) In the case of any modification of the annual advance amount under subparagraph (A) of this paragraph, the department may adjust the amount of any periodic payment made after the date of the modification to properly take into account the amount by which any periodic payment made before the date was greater than or less than the amount that the payment would have been on the basis of the annual advance amount as so modified.

(d) If information contained in the taxpayer's tax return for the reference tax year does not establish the eligibility status of the taxpayer under ORS 315.266, the department shall, for purposes of paragraph (a)(A) of this subsection, determine the status based on information known to the department.

(e) A child shall not be taken into account in determining the annual advance amount under paragraph (a) of this subsection if the death of the child is known to the department as of the beginning of the calendar year for which the estimate under paragraph (a) of this subsection is made.

(3) The department shall establish a system that allows taxpayers to:

(a) Elect not to receive payments under this section; and

(b) Provide information to the department which would be relevant to a modification under subsection (2)(c)(A) of this section of the annual advance amount, including information regarding:

(A) A change in the number of the taxpayer's qualifying children, including by reason of the birth of a child;

(B) A change in the taxpayer's marital status;

(C) A significant change in the taxpayer's income; and

(D) Any other factor which the department may consider.

(4) Not later than January 31 of the calendar year following any calendar year during which the department makes one or more payments to any taxpayer under this section, the department shall provide the taxpayer with a written notice of the aggregate amount of the payments made under this section to the taxpayer during the calendar year, and other information as the department determines appropriate.

(5) A quarterly payment under this section may not be made if the amount of the quarterly payment is calculated to be less than \$25.

**SECTION 4.** (1) The Department of Revenue, in reviewing the personal income tax returns of all individuals who have received payments under section 3 of this 2025 Act, shall:

(a) Confirm that, for the tax year during which payments began as provided under section 5 of this 2025 Act, the taxpayer has claimed a credit under ORS 315.266;

(b) Reconcile the amounts claimed under ORS 315.266 against the amounts disbursed under section 3 of this 2025 Act and against the taxpayer's underlying tax liability, if imposed; and

(c) Determine whether there is a difference in amounts claimed versus amounts disbursed and assess a deficiency against the taxpayer or provide a refund.

(2) If a taxpayer who has received any advance payments established under section 3 of this 2025 Act does not claim a credit under ORS 315.266, or does not provide sufficient substantiation of eligibility for the claimed amount, the Department of Revenue shall notify the taxpayer of any overpayment attributable to the installment payments made under section 3 of this 2025 Act.

(3) The Department of Revenue shall discontinue payments under section 3 of this 2025 Act if the department discovers that the taxpayer:

(a) Has moved out of this state since first receiving payments;

(b) Has changed or is likely to change tax filing status; or

(c) Is not reasonably likely to qualify for the tax credit under ORS 315.266 for the next upcoming tax year for which advance payments are otherwise to be made.

(4) Except as otherwise provided in ORS 315.266, this section and section 3 of this 2025 Act or where the context requires otherwise, the provisions of ORS chapters 305 and 314 as to the audit and examination of returns, periods of limitation, determination of and notices of deficiencies, assessments, collections, liens, delinquencies, claims for refund and refunds, conferences, appeals to the Oregon Tax Court, stays of collection pending appeal, confidentiality of returns and the penalties relative thereto, and the procedures relating thereto, apply to the determinations of taxes, penalties and interest under ORS 315.266, this section and section 3 of this 2025 Act.

**SECTION 5.** The Department of Revenue shall begin quarterly payments under section 3 of this 2025 Act during the second year immediately following the year in which section 3 of this 2025 Act becomes operative under section 6 of this 2025 Act, and shall continue to make quarterly payments in each year thereafter, provided that the payments continue not to affect eligibility for federal public assistance programs, under a condition described in section 6 of this 2025 Act.

**SECTION 6.** Section 3 of this 2025 Act becomes operative 30 days after the Department of Revenue notifies the Office of the Legislative Counsel that the department has received notice that the requirement to include recurring or nonrecurring state payments of income tax refunds, rebates or credits in income-based eligibility determinations for any federal public assistance program is abrogated as a consequence of:

(1) The enactment of federal legislation;

(2) A decision by a controlling court from which there is no further right of appeal; or

(3) Publication of federal regulations, guidelines, memoranda or any other official action taken by a federal agency with the authority to alter income-based eligibility determinations for federal public assistance programs.

**SECTION 7.** ORS 18.345, as amended by section 1, chapter 100, Oregon Laws 2024, is amended to read:

18.345. (1) All property of a judgment debtor, including franchises, or rights or interest in the judgment debtor's property, is liable to an execution, except as provided in this section and in other statutes granting exemptions from execution. The following property of the judgment debtor, or rights or interest in the property, except as provided in ORS 18.305, is exempt from execution:

(a) Books, pictures and musical instruments to the value of \$600.

(b) Wearing apparel, jewelry and other personal items to the value of \$1,800.

(c) The tools, implements, apparatus, team, harness or library, necessary to enable the judgment debtor to carry on the trade, occupation or profession by which the judgment debtor habitually earns a living, to the value of \$5,000.

(d)(A) A vehicle, including an automobile, truck, trailer, truck and trailer or other motor vehicle, to the value of \$10,000; or

(B) If the judgment debtor owes a debt that arises out of a child support or spousal support obligation or a money award judgment that includes restitution, a vehicle, including an automobile, truck, trailer, truck and trailer or other motor vehicle, to the value of \$3,000.

(e) Domestic animals and poultry kept for family use, to the total value of \$1,000 and food sufficient to support such animals and poultry for 60 days.

(f) Household goods, furniture, radios, a television set and utensils all to the total value of \$3,000, if the judgment debtor holds the property primarily for the personal, family or household use of the judgment debtor; provisions actually provided for family use and necessary for the support of a householder and family for 60 days and also 60 days' supply of fuel.

(g) All property of the state or any county or incorporated city therein, or of any other public or municipal corporation of like character.

(h) All professionally prescribed health aids for the judgment debtor or a dependent of the judgment debtor.

(i) Spousal support, child support, or separate maintenance to the extent reasonably necessary for the support of the judgment debtor and any dependent of the judgment debtor.

(j) The judgment debtor's right to receive, or property that is traceable to, an award under any crime victim reparation law.

(k) The judgment debtor's right to receive, or property that is traceable to, a payment or payments, not to exceed a total of \$10,000, on account of personal bodily injury of the judgment debtor or an individual of whom the judgment debtor is a dependent.

(L) The judgment debtor's right to receive, or property that is traceable to, a payment in compensation of loss of future earnings of the judgment debtor or an individual of whom the judgment debtor is or was a dependent, to the extent reasonably necessary for the support of the judgment debtor and any dependent of the judgment debtor.

(m) Veterans' benefits and loans.

(n) The judgment debtor's right to receive an earned income tax credit under the federal tax laws and any moneys that are traceable to a payment of an earned income tax credit under the federal tax laws.

(o) The judgment debtor's right to the assets held in, or right to receive payments under, a medical savings account or health savings account authorized under section 220 or 223 of the Internal Revenue Code.

(p) The judgment debtor's interest, not to exceed \$400 in value, in any personal property. However, this exemption may not be used to increase the amount of any other exemption.

(q) The judgment debtor's right to receive a tax credit under ORS **315.266** or 315.273, and any moneys that are traceable to a payment of a tax credit under ORS **315.266** or 315.273.

(2) If the property claimed by the judgment debtor as exempt is adjudicated by the court out of which the execution issued to be of a value in excess of that allowed by the appropriate paragraph of subsection (1) of this section, the officer seizing the property shall proceed to sell such property. Out of the proceeds of such sale, the officer shall deduct costs of sale and shall pay to the judgment debtor an amount equivalent to the value declared to be exempt by any of the paragraphs of sub-

section (1) of this section and shall apply the balance of the proceeds of sale on the execution. A sale may not be made under such execution unless the highest bid made exceeds the appropriate exemption claimed and allowed plus costs of sale. If no bid is received in excess of the value allowed by the appropriate paragraph of subsection (1) of this section, the costs of sale shall be borne by the judgment creditor.

(3) If two or more members of a household are joint judgment debtors, each judgment debtor shall be entitled to claim the exemptions in subsection (1)(a), (b), (c), (d) and (p) of this section in the same or different properties. The exemptions provided by subsection (1)(a), (b), (c), (d), (j), (k) and (p) of this section, when claimed for jointly owned property, may be combined at the option of the judgment debtors.

(4) Notwithstanding any other provision of law except ORS 657.855, if a writ of garnishment or other execution is issued to collect past due support as defined in ORS 18.600, 50 percent of unemployment compensation benefits, workers' compensation benefits and other benefits paid to the judgment debtor by the United States, by the state or by a political subdivision of the state are exempt. The exemption related to unemployment compensation benefits provided by this subsection is subject to ORS 657.855. The exemption provided by this subsection applies without regard to whether the payment is made on a periodic basis or in a lump sum, including any lump sum payable pursuant to a settlement or judgment. Notwithstanding subsection (1)(k) of this section, if a payment is made under a settlement or judgment on account of personal bodily injury and the garnishment or other execution is issued to collect past due support as defined in ORS 18.600, the lesser of 50 percent of the payment or \$7,500 is exempt.

**SECTION 8.** ORS 18.845, as amended by section 17, chapter 100, Oregon Laws 2024, is amended to read:

18.845. Except as provided in section 19, chapter 100, Oregon Laws 2024, a notice of exemptions form must be in substantially the form set forth in this section. Nothing in the notice form described in this section is intended to expand or restrict the law relating to exempt property. A determination as to whether property is exempt from execution, attachment and garnishment must be made by reference to other law. The form provided in this section may be modified to provide more information or to update the notice based on subsequent changes in exemption laws.

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NOTICE OF EXEMPT PROPERTY  
AND INSTRUCTIONS FOR  
CHALLENGE TO GARNISHMENT

Property belonging to you may have been taken or held in order to satisfy a debt. The debt may be reflected in a judgment or in a warrant or order issued by a state agency. Important legal papers are enclosed.

YOU MAY BE ABLE TO GET YOUR PROPERTY BACK, SO READ THIS NOTICE CAREFULLY.

State and federal law specify that certain property may not be taken. Some of the property that you may be able to get back is listed below.

(1) Your disposable earnings, as described in ORS 18.375 and 18.385, in an amount that does not exceed the greater of:

(a) 75 percent of your take-home wages; or

1 (b) \$\_\_\_ per workweek for wages earned before (date) and \$\_\_\_ per workweek for wages earned  
2 after (date). Note: The garnishor is required to insert the applicable years and wage exemption  
3 amounts published on the Judicial Department website pursuant to ORS 18.385 (3).

4 (2) Social Security benefits.

5 (3) Supplemental Security Income (SSI).

6 (4) Public assistance (welfare).

7 (5) Unemployment benefits.

8 (6) Disability benefits (other than SSI benefits).

9 (7) Workers' compensation benefits.

10 (8) All Social Security benefits and Supplemental Security Income benefits, and up to \$7,500 in  
11 exempt wages, retirement benefits, welfare, unemployment benefits and disability benefits, that are  
12 held in a bank account. You may attach copies of bank statements to the Challenge to Garnishment  
13 form if you claim this exemption.

14 (9) Spousal support, child support or separate maintenance to the extent reasonably necessary  
15 for your support or the support of any of your dependents.

16 (10) A homestead (house, manufactured dwelling or floating home) occupied by you, or occupied  
17 by your spouse, parent or child. Up to \$150,000 of the value of the homestead is exempt. If you  
18 jointly own the homestead with another person who is also liable on the debt, up to \$300,000 of the  
19 value of the homestead is exempt.

20 (11) Proceeds from the sale of a homestead described in item 10, up to the limits described in  
21 item 10, if you hold the proceeds for less than one year and intend to use those proceeds to procure  
22 another homestead.

23 (12) Household goods, furniture, radios, a television set and utensils with a combined value not  
24 to exceed \$3,000.

25 \*(13) A vehicle, including an automobile, truck, trailer, truck and trailer or other motor vehicle,  
26 with a value not to exceed \$10,000.

27 \*(14) Tools, implements, apparatus, team, harness or library that are necessary to carry on your  
28 occupation, with a combined value not to exceed \$5,000.

29 \*(15) Books, pictures and musical instruments with a combined value not to exceed \$600.

30 \*(16) Wearing apparel, jewelry and other personal items with a combined value not to exceed  
31 \$1,800.

32 (17) Domestic animals and poultry for family use with a combined value not to exceed \$1,000  
33 and their food for 60 days.

34 (18) Provisions and fuel for your family for 60 days.

35 (19) One rifle or shotgun and one pistol. The combined value of all firearms claimed as exempt  
36 may not exceed \$1,000.

37 (20) Public or private pensions.

38 (21) Veterans' benefits and loans.

39 (22) Medical assistance benefits.

40 (23) Health insurance proceeds and disability proceeds of life insurance policies.

41 (24) Cash surrender value of life insurance policies not payable to your estate.

42 (25) Federal annuities.

43 (26) Other annuities to \$250 per month (excess over \$250 per month is subject to the same ex-  
44 emption as wages).

45 \*(27) Up to \$2,500 in all of the accounts you hold in a financial institution to the extent that

such amounts are exempt under ORS 18.785.

(28) Professionally prescribed health aids for you or any of your dependents.

\* (29) Rental assistance to an elderly person allowed pursuant to ORS 458.375.

(30) Your right to receive, or property traceable to:

(a) An award under any crime victim reparation law.

(b) A payment or payments, not exceeding a total of \$10,000, on account of personal bodily injury suffered by you or an individual of whom you are a dependent.

(c) A payment in compensation of loss of future earnings of you or an individual of whom you are or were a dependent, to the extent reasonably necessary for your support and the support of any of your dependents.

(31) Amounts paid to you as an earned income tax credit under federal tax law.

(32) Your right to the assets held in, or right to receive payments under, a medical savings account or health savings account authorized under section 220 or 223 of the Internal Revenue Code.

\* (33) Interest in personal property to the value of \$400, but this cannot be used to increase the amount of any other exemption.

(34) Equitable interests in property.

(35) Security deposits or prepaid rent held by a residential landlord under ORS 90.300.

(36) If the amount shown as owing on the Debt Calculation form exceeds the amount you actually owe to the creditor, the difference between the amount owed and the amount shown on the Debt Calculation form.

(37) Amounts paid to you as a tax credit under ORS **315.266 or** 315.273.

Note: If two or more people in your household owe the claim or judgment, each of them may claim the exemptions marked by an asterisk (\*).

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Note: The amounts specified as limitations on exemptions in this form may change as a result of changes in the Consumer Price Index for All Urban Consumers, West Region (All Items), as published by the Bureau of Labor Statistics of the United States Department of Labor or a successor agency. You may view updated garnishment exemption limitations on the Oregon Judicial Department website.

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SPECIAL RULES APPLY FOR DEBTS THAT ARE OWED FOR CHILD SUPPORT AND SPOUSAL SUPPORT. Some property that may not otherwise be taken for payment against the debt may be taken to pay for overdue support. For instance, Social Security benefits, workers' compensation benefits, unemployment benefits, veterans' benefits and pensions are normally exempt, but only 50 percent of a lump sum payment of these benefits is exempt if the debt is owed for a support obligation.

YOU MUST ACT PROMPTLY IF YOU WANT TO GET YOUR MONEY OR PROPERTY BACK.  
You may seek to reclaim your exempt property by doing the following:

(1) Fill out the Challenge to Garnishment form that you received with this notice.

(2) Mail or deliver the Challenge to Garnishment form to the court administrator at the address shown on the writ of garnishment, and mail or deliver a copy of the form to the Garnishor at the



address shown on the writ of garnishment. If you wish to claim wages or salary as exempt, you must mail or deliver the form within 120 days after you receive this notice. If you wish to claim that any other money or property is exempt, or claim that the property is not subject to garnishment, you must mail or deliver the form within 30 days after you receive this notice. You have the burden of showing that your challenge is made on time, so you should keep records showing when the challenge was mailed or delivered.

(3) The law only requires that the Garnishor hold the garnished money or property for 10 days before applying it to the Creditor's use. You may be able to keep the property from being used by the Creditor by promptly following (1) and (2) above.

You should be prepared to explain your exemption in court. If you have any questions about the garnishment or the debt, you should see an attorney.

YOU MAY USE THE CHALLENGE TO GARNISHMENT FORM ONLY FOR THE FOLLOWING PURPOSES:

(1) To claim such exemptions from garnishment as are permitted by law.

(2) To assert that property is not garnishable property under ORS 18.618.

(3) To assert that the amount specified in the writ of garnishment as being subject to garnishment is greater than the total amount owed.

YOU MAY NOT USE THE CHALLENGE TO GARNISHMENT FORM TO CHALLENGE THE VALIDITY OF THE DEBT.

IF YOU FILE A CHALLENGE TO A GARNISHMENT IN BAD FAITH, YOU MAY BE SUBJECT TO PENALTIES IMPOSED BY THE COURT THAT COULD INCLUDE A FINE. Penalties that you could be subject to are listed in ORS 18.715.

When you file a Challenge to Garnishment form, the Garnishee may be required to make all payments under the garnishment to the court, and the Garnishor may be required to pay to the court all amounts received by the Garnishor that are subject to the challenge to the garnishment. The Garnishee and Garnishor are subject to penalties if they do not. For a complete explanation of their responsibilities, see ORS 18.705 and 18.708.

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**SECTION 9.** Section 6, chapter 880, Oregon Laws 2007, as amended by section 1, chapter 750, Oregon Laws 2013, and section 32, chapter 579, Oregon Laws 2019, is amended to read:

**Sec. 6.** ORS 315.266 applies to tax years beginning before January 1, [2026] 2032.

**SECTION 10.** (1) The amendments to ORS 315.266 by section 1 of this 2025 Act apply to tax years beginning on or after January 1, 2026.

(2) Sections 3 to 5 of this 2025 Act apply to calendar years beginning on or after the January 1 following the operative date specified in section 6 of this 2025 Act.

**SECTION 11.** 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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