

Senate Bill 407

Sponsored by Senator GIROD (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 reduces tax rates on capital gains. (Flesch Readability Score: 82.3).

Reduces the rate of tax on capital gains of personal income and corporate income and excise taxpayers.

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

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

A BILL FOR AN ACT

Relating to decreases in capital gains tax rates; creating new provisions; amending ORS 316.037, 316.122, 317.061 and 318.020; and prescribing an effective date.

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

SECTION 1. ORS 316.037 is amended to read:

316.037. (1)(a) A tax is imposed for each taxable year on the entire taxable income of every resident of this state. The amount of the tax shall be determined in accordance with the following table:

If taxable income is:	The tax is:
Not over \$2,000	4.75% of taxable income
Over \$2,000 but not over \$5,000	\$95 plus 6.75% of the excess over \$2,000
Over \$5,000 but not over \$125,000	\$298 plus 8.75% of the excess over \$5,000
Over \$125,000	\$10,798 plus 9.9% of the excess over \$125,000

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.

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(b) For tax years beginning in each calendar year, the Department of Revenue shall adopt a table that shall apply in lieu of the table contained in paragraph (a) of this subsection, as follows:

(A) Except as provided in subparagraph (D) of this paragraph, the minimum and maximum dollar amounts for each bracket for which a tax is imposed shall be increased by the cost-of-living adjustment for the calendar year.

(B) The rate applicable to any rate bracket as adjusted under subparagraph (A) of this paragraph may not be changed.

(C) The amounts setting forth the tax, to the extent necessary to reflect the adjustments in the rate brackets, shall be adjusted.

(D) The rate brackets applicable to taxable income in excess of \$125,000 may not be adjusted.

(c) For purposes of paragraph (b) 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 1992.

(d) 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.

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

(2) Notwithstanding subsection (1) of this section, any gain that is treated as net capital gain for federal tax purposes and that is included in taxable income in this state shall be taxed at a rate equal to five percent.

[(2)] **(3)** A tax is imposed for each taxable year upon the entire taxable income of every part-year resident of this state. The amount of the tax shall be computed under [subsection (1)] **subsections (1) and (2)** of this section as if the part-year resident were a full-year resident and shall be multiplied by the ratio provided under ORS 316.117 to determine the tax on income derived from sources within this state.

[(3)] **(4)** A tax is imposed for each taxable year on the taxable income of every full-year non-resident that is derived from sources within this state. The amount of the tax shall be determined in accordance with [the table set forth in subsection (1)] **subsections (1) and (2)** of this section.

SECTION 2. ORS 316.122 is amended to read:

316.122. (1) If the federal taxable income of spouses in a marriage (one being a part-year resident and the other a nonresident) is determined on a joint federal return, their taxable income in this state shall be separately determined, unless they elect to file a joint return, in which case their tax on their joint income shall be determined in this state pursuant to ORS 316.037 [(3)] **(4)**.

(2) If the federal taxable income of spouses in a marriage (one being a full-year resident and the other a part-year resident) is determined on a joint federal return, their taxable income in this state shall be separately determined, unless they elect to file a joint return, in which case their tax on their joint income shall be determined in this state pursuant to ORS 316.037 [(2)] **(3)**.

(3) If the federal taxable income of spouses in a marriage (one being a full-year resident and the other a nonresident) is determined on a joint federal return, their taxable income in the state shall be separately determined, unless they elect to file a joint return, in which case their tax on their joint income shall be determined in this state pursuant to ORS 316.037 [(3)] **(4)**.

1 (4) For purposes of computing the tax of spouses under this section, if one of the spouses is a
 2 full-year resident individual, then as used in ORS 316.037 [(2) or] (3) **or (4)**, that spouse's taxable
 3 income derived from Oregon sources is that spouse's entire federal taxable income, defined in the
 4 laws of the United States, with the modifications, additions and subtractions provided in this chapter
 5 and other laws of this state applicable to personal income taxation.

6 (5) The provisions of ORS 316.367 with respect to joint returns apply if both spouses are part-
 7 year residents or full-year nonresidents.

8 **SECTION 3.** ORS 317.061 is amended to read:

9 317.061. (1) The rate of the tax imposed by and computed under this chapter is:

10 [(1)] (a) Six and six-tenths percent of the first \$1 million of taxable income, or fraction thereof;
 11 and

12 [(2)] (b) Seven and six-tenths percent of any amount of taxable income in excess of \$1 million.

13 **(2) Notwithstanding subsection (1) of this section, any gain that is treated as net capital**
 14 **gain for federal tax purposes and that is included in taxable income in this state shall be**
 15 **taxed at a rate equal to five percent.**

16 **SECTION 4.** ORS 318.020 is amended to read:

17 318.020. (1) There hereby is imposed upon every corporation for each taxable year a tax at the
 18 rate provided in ORS 317.061 upon its Oregon taxable income derived from sources within this state,
 19 other than income for which the corporation is subject to the tax imposed by ORS chapter 317 ac-
 20 cording to or measured by its Oregon taxable income.

21 (2) Income from sources within this state includes income from tangible or intangible property
 22 located or having a situs in this state and income from any activities carried on in this state, re-
 23 gardless of whether carried on in intrastate, interstate or foreign commerce.

24 [(3) *Income that constitutes net long-term capital gain described in ORS 317.063 shall be taxed at*
 25 *the rate imposed under ORS 317.063.*]

26 **SECTION 5.** The amendments to ORS 316.037, 316.122, 317.061 and 318.020 by sections 1
 27 to 4 of this 2025 Act apply to tax years beginning on or after January 1, 2025.

28 **SECTION 6.** ORS 316.045 and 317.063 do not apply to tax years beginning on or after
 29 January 1, 2025.

30 **SECTION 7.** This 2025 Act takes effect on the 91st day after the date on which the 2025
 31 regular session of the Eighty-third Legislative Assembly adjourns sine die.

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