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Oregon Legislative Assembly – 2025 Regular Session
Hearing on HB 2092
House Committee on Revenue

Written testimony related to updating the connection date to the federal Internal Revenue Code and other provisions of federal tax law.

Support Original House Bill 2092 as drafted without amendment

Written Testimony following Hearing on February 27, 2025, 3:00 p.m.

Chair Nathanson, Vice-Chair Reschke, Vice-Chair Walters and members of the House Committee on Revenue.

On behalf of the nearly 4,000 members of the Oregon Society of Certified Public Accountants (OSCPA), we respectfully support the original HB 2092

- As a reminder, OSCPAs primary objective is to be a technical resource to the Legislature and secondarily to promote taxpayer compliance.
 - We are offering to be a technical resource throughout the year to the legislature.
 - Taxpayer compliance is important since there are revenue and direct costs to the State of Oregon for noncompliance (for notices, phone calls, and audits).
- The connection for Oregon to the Internal Revenue Service is accomplished by using both a “permanent connection” and “fixed date conformity.”
 - **Permanent “rolling” connection** applies only to the definition of taxable income.
 - The Legislature has enacted certain exceptions from this definition such as the deduction related to pass-through income under IRC 199A, certain provisions related to IRC 529 tuition savings plans, among others.
 - **Fixed date conformity** is for provisions that fall outside the definition of taxable income. Many are currently tied to the definitions in the Internal Revenue Code as of December 31, 2023. Some examples of these types of items requiring a law change are tax credits, estimated tax payments, net operating loss rules.
- The original bill decreases the likelihood of accidental noncompliance by taxpayers, decreases the difficulty of complying with Oregon’s tax laws, and reduces significant complexity to the Oregon Department of Revenue’s administration of taxes.

-1 Amendment – Respectfully Oppose:

- The -1 Amendment, specifically the new sections 32 and 33, would remove Oregon’s **permanent “rolling” connection to the definition of federal taxable income** for the personal income and corporate excise taxes, in favor of moving to fixed date conformity based upon the IRC as of December 31, 2024.
- If adopted, Oregon would:
 - Disconnect from the federal definition of taxable income and require the legislature to affirmatively act each year to update the reconnect date.
 - This leads to uncertainty throughout the year for taxpayers, tax professionals and software companies wondering if Oregon will move the connection date, create new tax code or do nothing. The Legislature typically cannot make this decision until the subsequent year.
 - Depreciation (Sec 179 deduction, bonus depreciation and leasehold improvement rules) is one of the more discussed items to disconnect from as it’s a timing difference over the depreciable life.
 - Force taxpayers, software providers, and tax preparers to make assumptions all year that Oregon would or would not follow federal law and hope the tax planning, budgeting, tax software system design would be close to what legislation will be passed.
 - An example: In 2025, a taxpayer follows the tax code as it would tie to the IRC at 12/31/2024 and then in 2026 Oregon legislative session a bill is passed that removes bonus depreciation for 2025. Now taxpayers have under payment penalty, unexpected large tax bills due at due date, without extension. This is less of an issue if the Oregon legislator passes bills that lower the calculation of Oregon tax.
 - The federal tax changes would likely be written and passed after Oregon legislative session.
 - Oregon taxpayers would use TCJA as of 12/31/2024 in 2025 and going forward. Examples of items would include: Sec. 179 deduction, bonus depreciation at 60%, luxury auto limits, limit on SALT deduction, no 2% miscellaneous itemized deductions. If Congress, let’s TCJA sunset, Oregon will still be using TCJA as of 12/31/2024 and those examples above.
 - The legislature has three options for connection to the federal code:
 - Affirming the connection date each year
 - Creating Oregon’s own tax code, or
 - Do nothing and leave connection date to previously passed
 - Assuming no special session to handle connection date, this will create uncertainty, taxpayer filing stress and anxiety, taxpayer compliance issues, and a challenge for Oregon Department of Revenue and tax software providers.

- Taxpayers who want to file to get their refunds early in tax season now will be delayed in getting their refunds. Here is a timeline if the -1 amendment becomes effective:
 - Oregon is tied to IRC at 12/31/2024
 - Congress makes or does not make changes throughout 2025
 - In 2026, the Oregon Legislative short session will need to make a decision to move the connection date with the IRS, create their own tax code, or do nothing (stay connected to IRS at 12/31/2024). Short session ends the first week of March 2026.
 - When a tax bill is passed in the 2026 short session it will become a law 90 days after sine die which means the bill becomes law in June 2026 which is after the tax return filing deadlines, without extension, of 3/15 and 4/15 for 2025 tax returns.
 - Just a reminder that an extension is an extension only to file, not an extension to pay the taxes due.
 - Now consider all the same facts expect we are now in 2027 legislative session which is a long session. Now a bill becomes law 90 days after sine die which means the bill becomes law about October 1, 2027, which is only weeks before the extended due date for the business and personal returns at 10/15.
- For large multi-state corporate tax filers, connection to the IRC creates more compliance in smaller states such as Oregon. Corporate taxpayers do not have the resources to track all state different conformity provisions. While they may do so for a large state like California, they cannot do it for all states. This leads to less accurate compliance with federal changes that may increase or decrease tax for them.
- For software companies (both for tax professionals and the ones taxpayers buy themselves), Oregon is not a priority state. Also, not all tax software has the ability to keep state depreciation schedules separately from federal schedules. This may force taxpayers to pay for more complex software to handle the Oregon tax return correctly or not buy the software as they didn't even know Oregon had separate rules for depreciation as an example.
- For Oregon Department of Revenue, this would make compliance more challenging leading to more audits, notices, and correspondence. Also, Oregon would have more limited ability to piggyback on the federal tax audits. Can Oregon accept tax returns filed by taxpayers if the law isn't in place until after filing season? Does Oregon amend the taxpayers (business and personal) tax returns to comply with the new law or are taxpayers expected to know they have to file an amended tax return?

- With TCJA, here is a list of the more known changes if TCJA ends for Federal and Oregon is tied to IRC at 12/31/24. See Congressional Research Services document ([R47846](#))¹ for reference.
 - Charitable contribution deduction – 60% of adjusted gross income vs 50% of adjusted gross income and potential complexities relating to carryover differences.
 - Mortgage interest deduction - \$750k vs \$1 million which are differences depending on dates the loans originated.
 - Moving expense deduction – armed forces only vs all eligible taxpayers.
 - Excess business losses and net operating losses
- Other potential differences could also come from employee benefits which could create differences in taxable wages for Oregon vs Federal
 - Bicycle commuter reimbursements
 - Moving reimbursements
 - Tuition reimbursement
- Other considerations:
 - The time to go through Oregon law and find all the “if then statements”
 - The Oregon PTE-E has an if then statement – if SALT cap ends then so does PTE-E
 - Taxpayers (both business and personal) being forced to use professional services or purchase more complex software to file their tax returns. For small businesses and individual taxpayers, this may not be a financial option.

We are happy to be a technical resource and go over more detailed scenarios and examples if the -1 amendment moves forward.

Our experience tells us that this can introduce significant uncertainty, risk, and costs of compliance for Oregon taxpayers, businesses, tax preparers, tax software providers, Oregon Department of Revenue and others. This also increases the likelihood of accidental noncompliance by taxpayers, increases the difficulty of complying with Oregon’s tax laws, and adds significant complexity to the Oregon Department of Revenue’s administration of taxes.

Recommendations:

On behalf of Oregon Society of Certified Public Accountants, we respectfully ask you to **support HB 2092 as drafted** without the -1 Amendment.

Thank you.

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¹ <https://crsreports.congress.gov/product/pdf/R/R47846>